



FINANCIAL REGULATIONS



Minute 6038 F&GP 11.01.2011

Minute 6047 CTC 18.01.2011

1. GENERAL

- 1.1 These financial regulations shall govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of financial control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly. The RFO, acting under the policy direction of the Council, shall administer the Council's financial affairs in accordance with proper practices. The RFO shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with proper practices.
- 1.3 The RFO shall be responsible for the production of financial management information as recommended by the Finance and General Purposes Committee and adopted by Council.
- 1.4 In these financial regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and then in force.
- 1.5 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability in local Councils in England and Wales – a Practitioners' Guide which is published jointly by NALC and SLCC and updated from time to time.

2. ANNUAL ESTIMATES

- 2.1 Each Committee shall formulate and submit proposals to the Proper Officer in respect of revenue services and capital projects for the following financial year no later than December each year.
- 2.2 Detailed estimates of income and expenditure on revenue services, and receipts and payments on capital account, including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO.
- 2.3 The Finance and General Purposes Committee shall review the estimates and recommend a budget and precept requirement to the Council to consider in January. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.

- 2.4 The annual revenue and capital budgets shall form the basis of financial control for the ensuing year.
- 2.5 Each Committee will review its ear-marked reserves at least three times a year and write back amounts no longer required.

3. BUDGETARY CONTROL

- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 No expenditure may be incurred which cannot be met from the amount provided within the total budget for each Committee unless a virement has been approved by the Finance and General Purposes Committee or the Council.
- 3.3 The RFO shall regularly provide Members with a statement of income and expenditure to date under each head of the approved budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared monthly.
- 3.4 The Clerk may incur expenditure on behalf of the Council which is outside any agreed budgetary provision where it is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, subject to a limit of £5000 + VAT. The Clerk shall report all such action to the next meeting of the appropriate Committee.
- 3.5. Where expenditure is incurred in accordance with regulation 3.4 above and the sum cannot be met from savings made elsewhere within that Committee's approved budget, it shall be subject to a supplementary estimate approved by the Finance and General Purposes Committee or the Council.
- 3.6 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the appropriate Committee.
- 3.7 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving expenditure unless the Committee concerned is satisfied that it is contained within the approved capital budget and that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.8 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

4. ACCOUNTING AND AUDIT

- 4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations 2006 and the Accounts and Audit (amendment) (England) Regulations 2006.
- 4.2 The RFO shall be responsible for completing the annual financial statements of the Council, including the Council's annual return if necessary, as soon as practicable after the end of the financial year and shall submit them and report

thereon to the Finance and General Purposes Committee or Council within the timescales set by the Accounts and Audit Regulations.

- 4.3 The following principles shall be observed in connection with accounting duties:
 - a. The duty of providing information, calculating, checking and recording sums due to, or from the Council should be separated as completely as possible from the duty of collecting or dispersing them.
 - b. Officers charged with the duty of examining and checking the accounts of cash transactions should not be engaged in any of those transactions.
- 4.4 The accounting records determined by the RFO shall be sufficient to show the Council's transactions and to enable the RFO to ensure that any income and expenditure account, statement of balances or record of receipts and payments and additional information to be provided or management information requested by the council from time to time, as the case may be, comply with the Accounts and Audit regulations.
- 4.5 The accounting records determined by the RFO shall in particular contain:
 - a. Entries from day to day of all sums of money received and expended by the council and the matters to which the income and expenditure or receipts and payments account relate.
 - b. A record of the assets and liabilities of the council.
 - c. A record of the councils income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 4.6 The accounting control systems determined by the RFO shall include:
 - a. Procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible, procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records.
 - b. Identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions.
 - c. Procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records.
 - d. Measures to ensure that risk is properly managed.
- 4.7 The RFO shall ensure that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with the Accounts and Audit Regulations 2003 and the Accounts and Audit (amendment) (England) Regulations 2006. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available such documents of the Council which appear to the RFO or Internal Auditor to be

necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.

- 4.8 The Internal Auditor shall be appointed by and shall carry out the work required by the Council in accordance with proper practices. The Internal Auditor, who shall be competent and independent of all other operations of the Council, shall report to Council in writing, or in person, on a regular basis with a minimum of two annual written reports in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Council.
- 4.9 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.10 The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.
- 4.11 Each report by the Internal Auditor will be reviewed by the Finance and General Purposes Committee and an agreed Action Plan produced which clearly identifies the require action and the responsibility and timing for such action. The Action Plan will be monitored until Council is satisfied that the agreed work has been completed satisfactorily

5. BANKING ARRANGEMENTS AND CHEQUES

- 5.1 The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- 5.2 A schedule of the payments required, shall be prepared by the Office Manager and, together with the relevant invoices and orders be presented to two Members for signature. If the schedule is in order it shall be authorised by the two Members. The third cheque signatory should be the Town Clerk.
- 5.3 Cheques issued shall be detailed in the monthly Management Accounts.
- 5.4 All bank accounts shall be reconciled with bank statements each month.
- 5.6. Transfers to fund the current account shall be made from the Council's deposit account and shall be carried out automatically by the Bank.

6. PAYMENT OF ACCOUNTS

- 6.1 Apart from petty cash payments, all payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 All invoices for payment shall be examined, verified and certified by the officer issuing the order. Before certifying an invoice the officer shall be satisfied that

the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.

- 6.3 Duly certified invoices shall be passed to the RFO who shall examine invoices in relation to arithmetic accuracy and authorisation, and shall code them to the appropriate expenditure heading. The RFO shall take all possible steps to settle all invoices submitted, and which are in order, within 30 days of their receipt.
- 6.4 The Accounts Officer may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the Office Manager with a claim for reimbursement:
 - a. The Accounts Officer shall maintain a petty cash float of £250 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
 - b. Income received must not be paid into the petty cash float but must be banked separately, as provided elsewhere in these regulations.

7. PAYMENT OF SALARIES and WAGES

- 7.1 As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries and wages shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.
- 7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts.
- 7.3 All time sheets shall be certified as to accuracy by or on behalf of the Town Clerk.

8. LOANS AND INVESTMENTS

- 8.1 All loans and investments shall be negotiated by the RFO in the name of the Council and shall be for a set period of time in accordance with Council policy. Changes to loans and investments shall be reported to the next meeting of the Finance and General Purposes Committee.
- 8.2 The Council shall consider the need for an Investment Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Policy shall be reviewed at least annually.
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 All borrowings shall be affected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The terms and conditions of borrowings shall be reviewed at least annually.

8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

9. INCOME

9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.

9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.

9.3 The Council will review all fees and charges annually, following a report of the Clerk.

9.4 The monthly Budget Report shall include a Debtor Aging Analysis in a format to be agreed by Finance and General Purposes Committee

9.5 Any sums found to be irrecoverable and any bad debts shall be reported to the Finance and General Purposes Committee.

9.6 All sums received on behalf of the Council shall either be paid to the RFO for banking or be banked by the officer collecting the money as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.

9.7 A reference to the related debt, or otherwise, indicating the origin of each cheque, shall be entered on the paying-in slip.

9.8 Every transfer of official money from one member of staff to another shall be signed for by the receiving officer.

9.9 Personal cheques shall not be cashed out of money held on behalf of the Council.

9.10 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 and then in force shall be made at least annually coinciding with the financial year end.

9.11 Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

10. ORDERS FOR WORK, GOODS AND SERVICES

10.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate, eg . petty cash purchases. Copies of orders shall be retained.

10.2 Order forms shall be controlled by the RFO.

10.3 All officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11 below.

10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

10.5 The Finance and General Purposes Committee shall establish regular Member scrutiny of the ordering process, including delegated authority to officers or Member, and the results of this scrutiny shall be reported to Finance and General Purposes Committee.

11. CONTRACTS

Procedures as to contracts are laid down as follows:

- a. Every contract whether made by the Council or by a Committee shall comply with these financial regulations, and no exceptions from any of the following provisions shall be made otherwise than by direction of the Council or in an emergency by such a Committee as aforesaid provided that these regulations shall not apply to contracts which relate to items (i) to (v) below:
 - (i) for the supply of gas, electricity, water, sewerage and telephone services;
 - (ii) for specialist services such as are provided by solicitors, accountants, surveyors, architects and planning consultants;
 - (iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
 - (iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
 - (v) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

- b. Where it is intended to enter into a contract
 - (i) For expenditure of £5000 (excluding VAT) or less in value, within agreed budgets and council policy, the Clerk or duly approved Officer shall have authorisation to obtain such goods or services from an appropriate firm.
 - (ii) Written quotations shall be obtained prior to placing orders in excess of £1000 except those covered by (a)(i) to (v) above.
 - (iii) For expenditure between £5001 and £60,000 (excluding VAT) written quotations shall be obtained from a minimum of three suppliers/contractors.

- (iv) For expenditure in excess of £60,000 (excluding VAT) the Council shall follow a formal Tendering process.
- c. (i) A public notice of intention to seek a tender shall be placed in a local newspaper.
- (ii) Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk and the last date by which such tenders should reach the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.
- iii) All sealed tenders shall be opened and recorded at the same time on the prescribed date by the Clerk in the presence of at least two members of Council including, where appropriate, the Chairman of the relevant committee.
- (iv) If less than three tenders are received or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (v) Tenders are then to be assessed and reported to the appropriate meeting of Council or Committee.
- (vi) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

(d) Every exception made by a Committee to which the power of making contracts has been delegated shall be reported to the Council and the report shall specify the emergency by which the exception shall have been justified.

12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract.

12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding fluctuation clauses, will exceed the contract sum by 5% or more a report shall be submitted to the appropriate Committee.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the appropriate Committee and Clerk in writing, the appropriate Committee being informed where the final cost is likely to exceed the financial provision.

12.4. For all construction and building contracts there shall be a % of the cost retention for a period of 12 months.

13. STORES AND EQUIPMENT

13.1 The officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.

13.2 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.

13.3 Stocks shall be kept at the minimum levels consistent with operational requirements.

13.4 The RFO shall be responsible for an annual check of stocks and stores.

14. PROPERTIES AND ESTATES

14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with regulations of the Accounts and Audit Regulations 2003 and Accounts and Audit (amendment) (England) Regulations 2006 and then in force.

14.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council.

14.3 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified annually, possibly in conjunction with a health and safety inspection of assets.

15. INSURANCE

15.1 Following the annual risk assessment (per Financial Regulation 16), the Clerk shall effect all insurances and negotiate all claims on the Council's insurers.

15.2 The Office Manager and General Manager shall give prompt notification to the RFO of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

15.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

15.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to the Finance and General Purposes Committee at the next available meeting.

15.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually by the Finance and General Purposes Committee

16. RISK MANAGEMENT

16.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the Finance and General Purposes Committee, risk management policy statements in respect of all activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Finance and General Purposes Committee at least annually.

16.2 When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

17. REVISION OF FINANCIAL REGULATIONS

It shall be the duty of the Finance and General Purposes Committee to review the Financial Regulations of the Council every year. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to these financial regulations.

{Council is reminded that the European Union Public Sector Procurement Rules are likely to apply to contracts with a value in excess of £140,000 and advice should be sought at this level}