



## **FINANCIAL REGULATIONS**

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### **1 General**

- 1.1 These financial regulations 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 it 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 those responsibilities.
  
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The Town Clerk has been appointed as RFO for this Council and these regulations will apply accordingly. References to the RFO in the Financial Regulations in respect of specific duties (rather than overall responsibilities) shall be taken as extending to "or other delegated officer". The RFO, acting under the policy direction of the Resources and General Services Committee (RGS), 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 produce financial management information as required by the Council.
- 1.4 At least once a year, prior to approving the Annual Governance Statement, the Council shall conduct a review of the effectiveness of its system of internal control, which shall be in accordance with proper practices.
- 1.5 In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation, and then in force unless otherwise specified.
- 1.6 In these financial regulations the term 'proper practice' or 'proper practices' shall mean those which are referred to in the guidance to the relevant statutory Regulations.
- 1.7 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.

## **2 Annual Estimates (Budget) and Precept**

- 2.1 Commencing in the autumn, each committee having power and intending to incur expenditure shall formulate proposals for revenue services (including fees and charges) and capital costs, including the use of reserves and sources of funding, for the ensuing financial year. To facilitate this process the RFO shall prepare detailed estimates of all income and expenditure for the year, including the use of reserves and all sources of funding, to be considered by the committees. Committees whose only expenditure is a service cost recharge from central costs and which have no income will not be required to formulate such proposals. The committees' proposals will be submitted to RGS Committee normally by the end of November, or in accordance with the date of the RGS Committee (budgets) as shown in the agreed schedule of meetings.
- 2.2 The RGS Committee shall review the committees' estimates taking into account the Council's overall financial position and shall recommend to the Council, normally by the end of January, the precept to be levied for the ensuing financial year. The Council shall set the amount of the precept. The amount of the precept shall be notified to the billing authority, along with any supporting information required by statute.
- 2.3 Once agreed, the estimates become the committees' budgets for the following year and form the basis of subsequent financial control.

## **3 Budgetary Control and Monitoring**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included in each approved committee budget for that class of expenditure.
- 3.2 If a committee wishes to incur expenditure which cannot be met from the amount provided under the appropriate budget heading then it may make a virement from another heading under its control. If the committee does not wish or is not able to make a virement then it must submit a request with supporting information to RGS Committee for a supplementary estimate, the costs to be met from the Council's resources.

- 3.3 Each spending committee shall receive periodic reports on its income and expenditure to date under the approved budget headings. The RFO shall report on any anticipated departures from the budgets and the committee will consider what action, if any, is required.
- 3.4 Expenditure may be incurred on behalf of the Council if in the Town Clerk's opinion 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, whether or not there is any budgetary provision for the expenditure, subject to a limit of £5,000. Any necessary expenditure in excess of this limit must be referred either to the Town Mayor or Deputy Town Mayor, or the Chairman or Vice Chairman of RGS Committee or of the committee under whose aegis the item falls. Any such action is to be reported as soon as practicable thereafter to the appropriate committee.
- 3.5 Where expenditure is incurred in accordance with regulation 3.4 above and the sum required cannot be found from within the committee's approved budget, it shall be submitted to the RGS Committee for approval of a supplementary estimate.
- 3.6 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the committee concerned is satisfied that the necessary funds are available or the requisite borrowing approval has been obtained.
- 3.7 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.
- 3.8 Unspent provisions in the budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve.
- 4 Accounts and Audit**
- 4.1 The RFO shall determine the Council's accounting systems, form of accounts and supporting records in accordance with best practice and the requirements of the Accounts and Audit Regulations or any subsequent amending legislation and any other relevant legislation.
- 4.2 The RFO shall maintain an adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practice. Any officer or member of the Council shall, if the RFO or internal auditor requires, make available such documents of the Council which relate to their accounting and other records as appear to the RFO or internal auditor to be necessary for the purpose of the 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.
- 4.3 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 the operations of the Council, shall report to the Council in writing or in person on a regular basis with a minimum of one annual written report in respect of each financial year. The RFO shall circulate copies of the report to all members of the Council. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and shall have no involvement in the financial decision making, management or control of the Council.

- 4.4 The RFO shall ensure the Council's annual accounts are completed in accordance with statutory requirements as soon as possible after the end of the financial year, and shall present the accounts and any accompanying report to the Council by 30<sup>th</sup> June.
- 4.5 The RFO shall make arrangements for the opportunity of inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by the Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.6 The RFO shall ensure that arrangements are made for the annual external audit in accordance with statutory requirements and that the auditor is supplied with all necessary information to carry out the audit.
- 4.7 The RFO shall bring to the attention of the RGS Committee any significant correspondence or report from the auditor (internal or external).
- 4.8 The principles of separation of duties will be observed where possible in respect of financial transactions.

## **5 Banking Arrangements**

- 5.1 The Council's banking arrangements shall be made by the RFO and approved by RGS Committee, and shall be reviewed as necessary.
- 5.2 The Council shall operate such bank or other accounts as it considers necessary and appropriate for the efficient conduct of its business. A current account shall be used for the payment of the Council's bills, and cheques and other orders drawn on this account will require the signature of two members from a pool to be determined by the RGS Committee.
  - 5.2.1 Additionally, with regard to the Chip and Pin Banking Facility operated on this account, the Town Clerk and in his/her absence the Assistant Town Clerk shall be authorised to complete the end of day reconciliations and make refunds on credit and debit card payments where required.
  - 5.2.2 Access to the Internet Banking facility for the NatWest bank accounts shall be restricted to the Town Clerk and the Assistant Town Clerk.
- 5.3 A second account shall be operated on an imprest basis at a figure to be set and reviewed as necessary by the RGS Committee. This account shall be used primarily for (i) the payment of salaries and related payments and (ii) for payment of small bills or those requiring payment prior to invoice, or for urgent payments. The limit of payments made under (ii) shall be set and reviewed by RGS Committee. Signatories on this account shall be any two people, from the pool as in 5.2 above plus the Town Clerk, Assistant Town Clerk and one other officer.
- 5.4 The operational parameters of any further accounts to be operated by the Council shall be set by the RGS Committee. Accounts which are operated by the Council and on which officers are signatories shall be operated on an imprest basis at a figure to be set and reviewed as necessary by the RGS Committee.

- 5.5 Transfers between any account (except on any accounts on which officers are signatories) and the current account may be effected by officers. A transfer into any accounts on which officers are signatories shall be treated like a cheque on the current account and shall require two member signatures.
- 5.6 Bank statements shall be received on a regular basis and reconciled with the Council's books.
- 5.7 The balance on the current account shall be kept at a minimum level commensurate with ensuring sufficient liquidity to meet the Council's commitments.
- 5.8 Any funds not required to defray immediate expenses shall be held in accounts to maximise interest received, commensurate with accessibility of funds, reliability of institution and need for liquidity.

## **6 Payment of Accounts**

- 6.1 All payments other than petty cash shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 Accounts for payment shall be checked to ensure they match the official order, that the goods, services or works have been received and are satisfactory and that the account is arithmetically correct. The RFO shall then authorise the account for inclusion on the schedule as in 6.3. Accounts which are in order shall be paid as soon as possible in accordance with the Council's procedures.
- 6.3 A schedule of accounts for payment will be drawn up on a regular basis. Cheques will be written and signed in accordance with the schedule.
- 6.4 Information to support the payments made will be available to the members at the time of signing cheques or orders for payment.
- 6.5 A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.
- 6.6 The signatories of the cheques shall sign the schedule to indicate confirmation of the details on the cheque and agreement with the schedule of accounts for payment.
- 6.7 A report of the total of payments made since the last meeting will be made to RGS Committee. The schedules of accounts for payment included in that total and information to support the payments will be available for inspection at the meeting.
- 6.8 If an urgent payment is necessary, in order to avoid a charge for interest under the Late Payment of Commercial Debts (Interest) Act 1998 or for other urgent reasons, then as long as there is no reason to withhold payment the RFO will take all necessary steps to settle such invoices.
- 6.9 If thought appropriate by the Council, payment of accounts may be made by variable Direct Debit provided that the initial instructions are signed by two members from the pool of authorised cheque signatories and any payments are

reported to Council or a committee as made. Use of a variable Direct Debit shall be reviewed on a regular basis.

## **7 Petty Cash**

7.1 A petty cash float up to a limit specified by RGS Committee may be held to defray small expenses. A separate account of the petty cash shall be kept and vouchers supplied to substantiate the payments.

7.2 A cheque to maintain the petty cash float shall be drawn on the current account in the normal way.

7.3 Cash income should not be paid into the petty cash float other than for insignificant sums received for miscellaneous purposes.

## **8 Payment of Salaries and Other Employee Related Payments**

8.1 The Town Clerk shall make salary and other payments to employees in accordance with the agreed rates of pay and other allowances, and shall ensure deductions are made as required. Payments to other bodies shall be made as necessary in respect of income tax, National Insurance, pensions and any other requirements. The appropriate records shall be maintained and periodic returns made as required by other bodies.

8.2 Payments to employees shall be treated as confidential information.

## **9 Loans, Investments and Reserves**

9.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.

9.2 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 such policy shall be regularly reviewed.

9.3 All investments of money under the control of the Council shall be in the name of the Council.

9.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the Council or RGS Committee as to terms and purpose.

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

9.6 The Council shall maintain such level of general reserves as it considers prudent for the conduct of its business.

9.7 The Council may retain such earmarked reserves as it requires to defray the future cost of specific items of expenditure.

## **10 Income**

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

- 10.2 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.
- 10.3 The committees will review all fees and charges annually as part of the process to agree the estimates for the following year. If found necessary, a supplementary review will be carried out at another interval.
- 10.4 Bad debts shall be dealt with in accordance with the Council's Bad Debt Policy.
- 10.5 All sums received on behalf of the Council shall be banked intact as directed by the RFO except as provided for by 7.3. In all cases, receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 10.6 A means of reference to the origin of each receipt shall be entered on the paying-in slip.
- 10.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 10.8 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall normally be made quarterly.
- 10.9 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 where relevant, and that appropriate care is taken in the security and safety of individuals banking such cash.

## **11 Orders for Work, Goods and Services**

- 11.1 An official order or letter shall be issued for all goods, services and works supplied to the Council unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 11.2 Order books shall be controlled by the RFO.
- 11.3 All members and 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 12 below. The officer shall accept the quotation which is, in his opinion, the most satisfactory one. Purchases made through a recognised local authority supplier which has been subject to a prior competitive procedure shall not require additional quotations or estimates.
- 11.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

## **12 Contracts**

Procedures as to contracts are laid down as follows:

- 12.1 Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations

shall not apply to contracts which relate to items (i) to (vi) below, or where an exception has been granted under 12.2 below:

- (i) for the supply of gas, electricity, water, sewerage, telephone and like services;
- (ii) for specialist services such as are provided by solicitors, accountants, surveyors 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 additional audit work of the external auditor up to an estimated value of £750 (in excess of this sum the RFO shall act after consultation with the Chairman and Vice Chairman of RGS Committee);
- (vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

12.2 When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the RGS Committee.

12.3 The Public Contracts Regulations 2015

- a. Where the Council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (“the Regulations”) which is valued at £25,000 or more, the Council shall comply with the relevant requirements of the Regulations<sup>1</sup>.
- b. The full requirements of The Regulations, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)<sup>2</sup>.

12.4 Where it is intended to enter into a contract exceeding £50,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph 12.1 the RFO shall invite tenders from at least three firms to be taken from the appropriate approved list or in response to public advertisement.

12.5 Such invitation to tender shall state the general nature of the intended contract and the RFO shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state the name and address of the person to whom tenders must be addressed and the last date and time by which those tenders should reach that person in the ordinary course of post, and that the tender should be enclosed in a plain sealed envelope bearing the word “Tender” and the title of the contract but no name or mark indicating the sender. The sealed envelopes shall remain sealed until the prescribed date and time for opening tenders for that contract.

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<sup>1</sup> The Regulations require Councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts

<sup>2</sup> Thresholds currently applicable are:

- a. For public supply and public service contracts 209,000 Euros (£164,176)
- b. For public works contracts 5,225,000 Euros (£4,104,394)



- 12.6 All sealed tenders shall be opened at the same time on the prescribed date by the Town Clerk in the presence of at least one member of the Council. A record of all tenders received shall be maintained. Subject to 12.6 and 12.9 below, the officer(s) and/or member(s) authorised to make the decision shall accept the tender which is, in their opinion, the most satisfactory one.
- 12.7 If less than three tenders are received for contracts above £50,000 or if all the tenders are identical or otherwise unsatisfactory the Council may make such arrangements as it thinks fit for procuring the goods, materials or services or executing the works.
- 12.8 Any invitation to tender issued under this regulation shall contain a statement to the effect of Standing Orders 36 and 37 as if the person making the tender were a candidate for appointment.
- 12.9 When the Council is to enter into a contract less than £50,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph 12.1 the RFO shall obtain three quotations (priced descriptions of the proposed supply); where the value is below £10,000 and above £2,000 the RFO shall strive to obtain three estimates. Otherwise, Regulation 11.3 above shall apply.
- 12.10 The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 13 Payments under contracts for building or other construction works**
- 13.1 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 (subject to any percentage withholding as may be agreed in the particular contract).
- 13.2 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 agreed variations, will exceed the contract sum by 5% or more a report shall be submitted to the relevant committee.
- 13.3 Any significant variation or addition to or omission from a contract must be approved by the relevant committee and the approval given to the contractor in writing, the committee being informed where the final cost is likely to exceed the financial provision. Approval to all variations, additions or omissions must be given to the contractor in writing.
- 14 Stores and Equipment**
- 14.1 The officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.
- 14.2 Delivery Notes should 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.
- 14.3 Stocks shall be kept at the minimum levels consistent with operational requirements and shall be checked periodically by the responsible person.

## **15 Assets, Properties and Estates**

- 15.1 The Town 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 the details of all properties owned by the Council.
- 15.2 No property shall be sold, leased or otherwise disposed of without the authority of the RGS Committee, together with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £250.
- 15.3 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 at least annually.

## **16 Risk Management**

- 16.1 The Council is responsible for putting in place arrangements for the management of risk. The Town Clerk shall prepare, for approval by the Council, risk management policy statements in respect of all activities of the Council. Risk policy statements and consequential risk management arrangements shall be regularly reviewed by the Council.
- 16.2 When considering any new activity, the Town Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the committee.

## **17 Insurance**

- 17.1 Following the risk assessment (per Financial Regulation 16), the RFO shall effect all insurances and negotiate all claims on the Council's insurers.
- 17.2 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and review it annually, reporting the review to RGS Committee.
- 17.3 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the RGS Committee.

## **18 Revision of Financial Regulations**

- 18.1 It shall be the duty of the RGS Committee to review the Financial Regulations from time to time and recommend any revisions to the Council. The Town Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any require