

# **SOUTHAM TOWN COUNCIL**

## **FINANCIAL REGULATIONS**



Reviewed 27<sup>th</sup> June 2019

These Financial Regulations were adopted by the Council at its Meeting held on 27<sup>th</sup> June 2019

The Responsible Financial Officer for Southam Town Council is the Town Clerk.

## **1. GENERAL**

1.1 These financial regulations govern the conduct of the financial transactions of 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), under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs.

1.3 The RFO shall be responsible for the production of financial management information in conjunction with the Finance Officer.

1.4 At least once a year, prior to approving the annual return, 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 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.

## **2. ANNUAL ESTIMATES**

2.1 Detailed estimates of all receipts and payments for the year shall be prepared each year by the RFO in conjunction with the Finance Officer.

2.2 The Council shall review the estimates not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year. The RFO, in conjunction with the Finance Officer, shall supply each member with a copy of the approved estimates.

2.3 The annual budgets shall form the basis of financial control for the ensuing year.

## **3. BUDGETARY CONTROL**

3.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.

3.2 No expenditure may be incurred that will exceed the amount provided in the revenue budget for that class of expenditure by more than 15%. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate

3.3 The RFO shall, on a quarterly basis, provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned.

3.4 The Clerk may incur expenditure on behalf of the Council which 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 £500. The Clerk shall report the action to the Council as soon as practicable thereafter.

3.5 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 council

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 Council 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.

#### **4. ACCOUNTING AND AUDIT**

4.1 All accounting procedures and financial records of the Council shall be determined by the RFO as required by the Accounts and Audit Regulations.

4.2 The RFO in conjunction with the Finance Officer shall be responsible for completing the annual financial statements of the Council as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.

4.3 The RFO in conjunction with the Finance Officer shall be responsible for completing the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and for submitting the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations, or set by the Auditor.

4.4 The RFO shall be responsible for ensuring that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with Regulation 6 of the Accounts and Audit Regulations 2011. 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.

4.5 The Internal Auditor shall carry out the work required by the RFO, or by the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual report 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

4.6 The RFO in conjunction with the Finance Officer shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers required by the Accounts and Audit Regulations.

4.7 The RFO shall, as soon as practicable, bring to the attention of all Councillors any correspondence or report from the Internal and External Auditor, unless the correspondence is of purely administrative matter.

## **5. BANKING ARRANGEMENTS CHEQUES and STANDING ORDERS**

5.1 The Council's banking arrangements, including the mandate, shall be made by the RFO and approved by the Council. They shall be reviewed annually for efficiency.

5.2 A schedule of the payments required, forming part of the Agenda for the meeting, shall be prepared by the Finance Officer and presented to the Council. If the schedule is in order it shall be authorised by a resolution of the Council and shall be signed by three councillors and the Town Clerk. 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.

5.3 Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4 shall be signed by three members of the Council. Standing order authorisations shall be signed by three members of the Council.

5.4 To indicate agreement of the details shown on the cheque or order for payment on the counterfoil the signatories shall each also initial the cheque counterfoil

## **6. PAYMENT OF ACCOUNTS**

6.1 All payments shall be effected by cheque drawn on the Council's bankers or if thought appropriate by the Council, payment for certain items (principally salaries) may be made by Banker's Standing Order. All payments are to be reported to the Council as made.

6.2 All invoices for payment shall be examined, verified and certified by the Clerk. The Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.

6.3 The Finance Officer shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The Finance Officer shall take all steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.

6.4 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of Council, where the RFO certifies that there is no dispute or other reason to delay payment, the RFO may (notwithstanding paragraph 6.3) take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate Meeting of Council.

6.5 The RFO may provide petty cash for the purpose of defraying postage expenses

- Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council under section 5.2 above.
- The float to be reconciled once each month

## **7. PAYMENT OF SALARIES**

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 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 payroll records and on the appropriate dates, provided that each payment is reported to and ratified by the next available Council Meeting.

## **8. LOANS AND INVESTMENTS**

8.1 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.

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

8.3 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 Council as to terms and purpose.

8.4 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 by the Council, notified to the RFO and the RFO in conjunction with the Finance Officer 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/Finance Officer.

9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.

9.5 All sums received on behalf of the Council shall be banked intact 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.

9.6 The origin of each receipt shall be entered on the paying-in slip.

9.7 The Finance Officer shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least quarterly

9.8 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. Copies of orders shall be retained.

10.2 Order books shall be controlled by the RFO.

10.3 All members and Officers are responsible for obtaining value for money at all times. An officer issuing an official order is to 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 (l) below.

10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

## **11. CONTRACTS**

11.1 Procedures as to contracts are laid down as follows: -

(a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in emergency provided that these regulations shall not apply to contracts which relate to items (i) to (vi) 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 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 £350 (in excess of this the Clerk and RFO shall act after consultation with the Chairman and Vice Chairman of the Council)

(vi) 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 exceeding £5,000 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 expected as set out in paragraph (a) the Clerk shall invite tenders from at least three firms.

(c) 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 Council.

(d) 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 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.

(e) All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one other officer.

(f) If less than three tenders are received for contracts above £5,000 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.

(g) When it is to enter into a contract less than £5,000 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 (a) the RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £1000 and above £100 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.

(h) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

## **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 (subject to any percentage withholding as may be agreed in the particular 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 agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

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

### **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 the store otherwise delivered and goods must be checked as to order and quality at the time of 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 periodic checks of stocks and stores at least annually.

### **14 ASSETS, 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 interest, tenancies granted, rents payable and purpose for which held in accordance with the Accounts and Audit Regulations

14.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by the law, save where the estimated value of any one item of tangible movable property does not exceed £50.

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 at least annually, possibly in conjunction with a health and safety inspection of assets.

### **15. INSURANCE**

15.1 Following an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers.

15.2 The RFO shall make note 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 Council 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 by the Council.

## **16. CHARITIES**

16.1 Where the Council is sole trustee of a charitable body the Clerk/RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The Clerk/RFO shall arrange any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

## **17. RISK MANAGEMENT**

17.1 The Clerk/RFO shall prepare and promote risk management policy statements in respect of all activities of the Council.

17.2 When considering any new activity the Clerk/RFO shall prepare a draft Risk assessment including risk management proposals for consideration by the Council

## **18. REVISION OF FINANCIAL REGULATIONS**

18.1 It shall be the duty of the Council to review the Financial Regulations of the Council annually.