

# **Financial Regulations**

## **November 2017**

## **ARUNDEL TOWN COUNCIL - FINANCIAL REGULATIONS**

These Financial Regulations were adopted by the Town Council at its Meeting held on October 2017.

### **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 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 the prevention and detection of inaccuracy and fraud. These Financial regulations must be observed in conjunction with the Council's Standing Orders.
- 1.2 The Responsible Financial Officer (RFO) is a statutory officer and shall be appointed by the Council. 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. The RFO shall assist the Council in securing economy, efficiency and effectiveness in the use of its resources.
- 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 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 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.
- 1.6 In these Financial Regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in "*Governance and Accountability in Local Councils – a Practitioners' Guide (England)*" which is published jointly by NALC and SLCC and updated from time to time.

### **2. ANNUAL ESTIMATES (BUDGET)**

- 2.1 In October of each year, detailed estimates of all income and expenditure, including the use of reserves and all sources of funding, for the following year shall be prepared by the RFO in the form a First Draft Budget.
- 2.2 During November of each year, the First Draft Budget shall be considered by each Council Committee and any suggested amendments submitted to the RFO. The RFO shall then prepare a Second Draft Budget for submission to the Finance & General Purposes Committee (F&GP).
- 2.3 The F&GP Committee shall consider the Second Draft Budget, revise it if necessary to establish a balanced budget with a reasonable precept requirement, and submit it – as the Proposed Budget – to a full Town Council meeting in December for approval.

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- 2.4 The Town Council shall approve the Annual Budget no later than the end of December , and shall thereby fix the Precept for the following year.
- 2.5 The RFO shall issue the Precept to Arun District Council by the date they specify, usually no later than end of January and shall provide each member of the Council with a copy of the approved Annual Budget.
- 2.6 The approved Annual Budget shall form the basis of financial control for the ensuing year.
- 2.7 The Council shall consider the need for and shall have regard to a three-year forecast of Revenue and Capital income and expenditure which may be prepared at the same time as the Annual Budget.

### 3 BUDGETARY CONTROL

- 3.1 Each Council Committee shall have authority, subject to its Terms of Reference, to commit expenditure within the Budget Segment(s) for which it is responsible. Each Committee may delegate certain authority for expenditure to the Town Clerk or Deputy Town Clerk so long as the limits of such authority are clearly specified.
- 3.2 No Council Committee shall have the authority to commit expenditure beyond the levels specified for each Budget Segment within the approved Annual Budget.
- 3.3 Only the full Town Council has the authority to transfer funds across Budget Segments, to approve the use of Contingency Funds or to approve the use of Reserves.
- 3.4 During the Financial Year, the full Town Council, having considered fully the implications for public services, may decide to transfer unspent and available amounts to other Budget Segments and/or Budget Lines or to an Earmarked Reserve as appropriate.
- 3.5 The RFO shall provide the F&GP Committee with quarterly reports, showing details of income and expenditure to date against each Budget Line and each Budget Segment.
- 3.6 In addition to the delegated authorities granted by Council Committees, the Town Clerk or Deputy Town Clerk may – **in cases where unforeseen repair, replacement or other work is required as a matter of extreme urgency** – incur expenditure of up to £1,000 whether or not there is any budgetary provision for such expenditure. The Town Clerk shall report any such action to the appropriate Council Committee immediately.
- 3.7 Unspent provisions in the Budget shall **not** be carried forward to a subsequent year unless placed in an Earmarked Reserve by resolution of the full Town Council.
- 3.8 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 that the requisite borrowing approval has been obtained.
- 3.9 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.

- 4.2 The RFO shall complete the annual Financial Statements of the Council as soon as possible after the end of the Financial Year and shall submit them and report thereon to the F&GP Committee and the full Town Council.
- 4.3 The RFO shall complete 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 shall submit the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations.
- 4.4 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 proper practices. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available such documents of the Council that 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 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. 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 shall make arrangements for the opportunity of inspection by members of the public of the accounts, books, and vouchers shall arrange for the display or publication of any Notices and Statements of Account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.7 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 nature.
- 4.8 Internal or External Auditors may not under any circumstances:
  - Perform any operational duties for the Council;
  - Initiate or approve accounting transactions;
  - Direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor

## **5. AUTHORISATION OF PAYMENTS**

- 5.1 The schedule of payments made will be presented to the Finance and General Purposes Committee on a quarterly basis. The Finance and General Purposes Committee shall review the schedule for compliance and, having satisfied itself shall accept payments were in order by a resolution of the Finance

and General Purposes Committee. The approved schedule shall be initialled by the Chairman of the Meeting.

A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

- 5.2 All invoices for payment shall be examined, verified and certified by the Town Clerk or Deputy Town Clerk. The Town Clerk or Deputy Town Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 5.3 The Town Clerk or Deputy Town Clerk shall examine invoices in relation to arithmetic accuracy and shall allocate them to the appropriate Budget Line. The Town Clerk or Deputy Town Clerk shall take all steps to settle all invoices submitted, and which are in order, at the next available F&GP Committee or full Town Council Meeting.
- 5.4 The Town Clerk or Deputy Town Clerk shall have delegated authority to authorise the payment of all items that are necessary to provide the services of the Council in line with the Council's scheme of delegation and the budgets set by the Council.
- 5.5 No expenditure may be authorised that will exceed the amount provided in the revenue budget for a Committee Budget other than by resolution of the Council.

## **6 BANKING ARRANGEMENTS AND INSTRUCTIONS FOR THE MAKING OF PAYMENTS**

- 6.1 On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Mayor or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Finance and General Purposes Committee.
- 6.2 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
- 6.3 The Council will make safe and efficient arrangements for the making of its payments.
- 6.4 Cheques drawn on the bank account in accordance with the Schedule of Payments referred to in Paragraph 5.3 or in accordance with Paragraph 6.4, shall be signed by two members of Council.
- 6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 6.6 The Council shall seek credit references in respect of Members or Employees who act as signatories-

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6.7 If a payment is necessary to avoid an interest charge under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled meeting of the F&GP Committee or the full Town Council, the Town Clerk or Deputy Town Clerk may – so long as there is no dispute or other reason to delay payment - take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate meeting of the F&GP Committee or the full Town Council.

6.8 The Town Clerk or Deputy Town Clerk or RFO may maintain a Petty Cash float of £200 for the purpose of defraying minor operational and other expenses. Vouchers for payments made shall be forwarded to the Town Clerk or Deputy Town Clerk or RFO with a claim for reimbursement and shall be retained to substantiate the payment.

NOTES: (1) Income received must not be paid into the Petty Cash float, but must be separately banked as provided for elsewhere in these Regulations.

(2) Payments to replenish the Petty Cash float shall be shown on the Schedule of Payments presented under Paragraph 5.2 above.

6.9 If thought appropriate by the Council, payment for utility supplies (energy, telephone and water) may be made by variable Direct Debit provided that the instructions are signed by two members and any payments are reported to Council as made. The approval of the use of a variable Direct Debit shall be renewed by resolution of the Council at least every two years.

6.10 If thought appropriate by the Council, payment for certain items may be made by internet banking transfer, provided evidence is retained showing which members approved the payment.

Payments by Internet banking shall be effected by a minimum of two authorised persons, one to create and one to authorise. The person creating the payment shall not be the same as the person authorising.

6.11 If thought appropriate by the Council, payment for certain items (principally salaries) may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced by two members are retained and any payments are reported to Finance and General Purposes Committee as made. The approval of the use of a banker's standing order shall be renewed by resolution of the Council at least every two years.

6.12 Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the Council's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Town Clerk or Deputy Town Clerk in a sealed dated envelope. After the envelope has been opened, in any circumstances, the PIN and / or passwords shall be changed as soon as practicable.

6.13 No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council or a duly delegated committee.

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- 6.14 The Council, and any members using computers for the Council’s financial business, shall ensure that anti-virus, anti-spyware and firewall, software with automatic updates, together with a high level of security, is used.
- 6.15 Where internet banking arrangements are made with any bank, the Town Clerk or Deputy Town Clerk shall be appointed as the Service Administrator. The bank mandate approved by the Council shall identify a number of Councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.
- 6.16 Access to any internet banking accounts will be directly to the access page (which may be saved under “favourites”), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for Council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.
- 6.17 Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by the Support Services Manager and the Town Clerk or Deputy Town Clerk. A programme of regular checks of standing data with suppliers will be followed.
- 6.18 Any Debit / Credit Card issued is to be used in accordance with the Council’s Debit Card Policy and procedure.

### **7 PAYMENT OF SALARIES**

- 7.1 As an employer, the Town 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 and/or rates of pay shall be as agreed by Town 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, provided that each set of monthly payment is included in the Schedule of Payments submitted to the next available F&GP Committee or full Town Council meeting.
- 7.3 No changes shall be made to any employee’s pay, emoluments, or terms and conditions of employment without the prior consent of the relevant Council/Committee.

### **8 LOANS AND INVESTMENTS**

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

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- 8.2 The Council has an Investment Policy and this should be reviewed at least on an annual basis.
- 8.3 All investments under the control of the Council shall be in the name of the Town Council.
- 8.4 All borrowings shall be effected in the name of the Town 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 Town Council and notified to the RFO. 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 Town Clerk or Deputy Town Clerk.
- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Town Council and shall be written off in the year.
- 9.5 All sums received on behalf of the Town Council shall be banked intact as directed by the RFO. Receipts shall be deposited with the Town 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 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 Section 33 shall be made quarterly during each Financial Year.
- 9.9 Where any significant sums of cash are regularly received by the Town Council, the Town Clerk or Deputy Town Clerk or RFO shall take steps 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 above £500, unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders and quotations shall be retained.
- 10.2 All orders shall be sequentially numbered and all Order Numbers (including any unused) shall be closely controlled and accounted for.

- 10.3 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. Regulation 11.1 below identifies the procedures to be used for orders above £500, £3,000 respectively. Where an order is unlikely to exceed £500, and provided that an approved supplier is used, orders may be placed without competition.
- 10.4 The Town Clerk or Deputy Town Clerk or 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 Town Clerk or Deputy Town Clerk or 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 an 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 £500 (in excess of this sum the Town Clerk or Deputy Town Clerk shall act after consultation with the Chairman and Vice Chairman of 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 £25000 in value for the supply of goods or materials or for the execution of works or specialist services (other than those excepted by Paragraph 11(a) above), the Town Clerk or Deputy Town Clerk shall invite tenders from at least two firms to be taken from an appropriate approved list.
- (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) The invitation to tender shall state the general nature of the intended contract and the Town Clerk or Deputy Town 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 Town Clerk or Deputy Town Clerk in the ordinary course of post. Each

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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 Town Clerk or Deputy Town Clerk in the presence of at least one member of Council.
- (f) If less than two tenders are received for contracts above £2,500 or 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) Any invitation to tender issued under this regulation shall contain a statement to the effect of Standing Orders 61, 63 and 64.
- (h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services (other than those excepted by Paragraph 11(a) above), the Town Clerk or Deputy Town Clerk shall obtain 3 quotations (priced descriptions of the proposed supply). Where the value is below £3,000 but above £500, the Town Clerk or Deputy Town Clerk shall endeavour to obtain 2 estimates. Otherwise, Regulation 10.3 above shall apply.
- (i) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- (k) Any proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £25,000 shall be publicly advertised and procured in accordance with the formal tender process described in Standing order 77B (\* see below).

### **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 by 5% or more a report shall be submitted to the Council.
- 12.3 Any proposed variation to a contract or addition to or omission from a contract must be submitted to the Town Council in writing and the Council must be 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 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 Town Clerk or Deputy Town Clerk or RFO shall be responsible for periodic checks of stocks and stores at least annually.

#### **14 ASSETS, PROPERTIES AND ESTATES**

- 14.1 The Town Clerk or Deputy 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 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 Accounts and Audit Regulations.
- 14.2 No tangible movable nor real property shall be sold, leased or otherwise disposed of without the authority of the full Town Council, together with any other consents required by 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 the annual Risk Assessments (see Financial Regulation 17), the Town Clerk or Deputy Town Clerk shall effect all insurances and negotiate all claims on the Council's insurers.
- 15.2 Not Used
- 15.3 The Town Clerk or Deputy Town Clerk 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 Town Clerk or Deputy Town Clerk shall report any loss liability or damage or any event likely to lead to a claim to the Town 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 Town Council is sole trustee of a charitable body, the Town Clerk or Deputy Town Clerk 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 Town Clerk or Deputy Town Clerk shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

#### **17 RISK MANAGEMENT**

- 17.1 The Town Council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the Council, Risk Management Policy statements in respect of all activities of the Council. Risk Management Policy statements and consequential risk management arrangements shall be reviewed by the Council at least annually.

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17.2 When considering any new activity, the Clerk shall prepare a draft Risk Assessment including risk management proposals for consideration and adoption by the Council.

**18 REVISION OF FINANCIAL REGULATIONS**

18.1 It shall be the duty of the Town Council to review the Financial Regulations of the Council from time to time. The Town Clerk or Deputy Town 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.

Signed

Mayor of Arundel

Date: 7 December 2017