

NORTH HYKEHAM TOWN COUNCIL

FINANCIAL REGULATIONS

1. General

- 1.1 These financial regulations shall govern the conduct of the financial transaction of the Council and may 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) shall be the Clerk to the Council and under the policy direction of the Council shall be responsible for the proper administration of the council's financial affairs.
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.
- 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 practice.
- 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 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 Any committee desiring to incur expenditure shall submit to the Finance & Policy Committee its proposals in respect of revenue services and capital projects for inclusion in the rolling capital not later than November each year. Revenue sources must be shown in detail and full costs listed together with any associated on-costs. All projects **MUST** be realistically costed and best efforts must be made to include full labour and materials costs.
- 2.2 Detailed estimates of income and expenditure and use of reserves and all sources of funding shall be prepared each year by the RFO in the form of a budget to be submitted to the Finance & Policy Committee. General estimates for committee expenditures without a specific purpose will not be permitted

- 2.3 The Finance & Policy committee shall review the estimates and submit them to the Council not later than the end of January in each year and shall recommend the precept for the ensuing financial year. The RFO shall supply each Member with a copy of the approved estimates.
- 2.4 The annual budgets shall be the basis of financial control for the ensuing year.
- 2.5 The Council shall consider the need for and shall have regard for a three year forecast of revenue and capital receipts and payments which may be prepared at the same time as the budget
3. **Budgetary Control**
- 3.1 Expenditure may be incurred up to the amounts included in each approved committee budget. Intended single payment amounts greater than £4,999 will require prior approval by the Finance and Policy Committee
- 3.2 No committee expenditure may be incurred which cannot be met from the amount provided in the appropriate budget unless the Council approves a virement or approves the taking of money from balances with the advice of the RFO and approval from Finance and Policy Committee.
- 3.3 The RFO shall provide the Chairman of each committee with reports to monitor progress against budget under each item of the approved committee budgets to the appropriate date both the period in question and the year to date. These statements are to be prepared at least at the end of each financial quarter.
- 3.4 Providing the Mayor and the Clerk are of the opinion that a matter is urgent and has financial implications, but that the matter is not of sufficient importance to justify the calling of an extra Council or committee meeting, it may be determined by the Chairman of Finance & Policy, The Mayor or Deputy Mayor and the Chairman or vice Chairman of the appropriate Committee after consultation with the Clerk as per Standing Order 22.
- 3.5 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 urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure **and under powers delegated by the Town Council** subject to a limit of £1000. The Clerk shall report the action to the Finance & Policy Committee or the Council as soon as practicable thereafter.
- 3.6 Unspent provisions within the budget shall not be carried forward to a subsequent year and considered by the Finance and Policy Committee prior to going to Town Council and then the Council resolve that the sum be put into an earmarked account.
- 3.7 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted unless the Council is satisfied 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 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 as required by the Accounts and Audit Regulations 1996 and the Audit Regulations 2003 and any other relevant legislation.
- 4.2 The RFO shall be responsible for completing the annual accounts of the Council as soon as practicable after the end of the financial year and shall submit them to and report thereon to the Finance & Policy Committee. A Financial statement prepared on the appropriate accounting basis for a year to 31st March shall be presented to each Member before the 30th June. The Statement of Accounts of the Council (which is subject to external audit) shall be presented to Council for formal approval before the 30th June.
- 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 An independent internal auditor shall be appointed and shall be responsible for maintaining an adequate and effective system of internal audit of the Council's accounting and financial operations in accordance with Accounts and Audit Regulations 2001 (amended 2006). Any officer or Member of the Council shall make available such documents as the Internal Auditor considers necessary for this purpose.
- 4.5 An internal audit will be undertaken at least annually and a report will be submitted to the Council.

5. **Banking Arrangements**

- 5.1 The Council's banking arrangements and Bank Mandates shall be determined by the RFO and approved by the F & P Committee and shall be to optimise the resources of the Council.
- 5.2
- (a) Except as provided in paragraph (b) or by statute, all accounts for payment and claims upon the Council shall be laid before the Council or the Finance and Policy Committee.
 - (b) Where it is necessary to make a payment before it has been authorised by the Council, such payment shall be certified as to its correctness and urgency by the RFO. Unless it has otherwise been authorised by the Council, payment shall be authorised by the committee, if any, having charge of the business to which it relates or by the proper officer, for payment with the approval of the Chairman or Vice Chairman of the Council. Payments for services such as water, rates, electricity, gas, telephone and taxes (VAT and payroll) may be paid without reference to this authority.

- (c) All payments authorised under sub-paragraph (b) above shall be included in the next schedule of payments laid before the Council or Finance & Policy Committee.
- 5.3 Cheques drawn on the bank accounts in accordance with the schedule referred to in the previous paragraph shall be signed by either the Clerk or Deputy Clerk and two councillors.
- 5.3(a) Payments by Direct Debit must be authorised by the Council. A list of payments made electronically or by Direct Debit must be approved by the two member signatories.
- 5.3(b) All electronic payments and transfers between accounts must be approved by 2 authorised member signatories and details of accounts and payments checked, thus giving permission for the RFO to use the passwords to authorise the bank payments.
- 5.4 A monthly bank reconciliation shall be carried out on all the Council's Bank accounts as soon as practicable after a statement is received for that account.
- 6. **Payment of Accounts**
- 6.1 Apart from petty cash payments, all payments shall be effected by cheque, direct debit or electronic payment. Invoices or payment vouchers will be attached to the payment method (cheque or electronic payment list) which will verify the payment to be made. The invoices or payment list will be signed by the cheque or authorised signatories as "paid".
- 6.1a Payment of utility bills, and other regular payments can be made by Direct Debit or Standing order as per 5.3(a).
- 6.2 All invoices for payment shall be examined, verified and physically certified by the RFO who shall satisfy himself that the work, goods or services to which the invoice relates have been received, carried out, examined and approved. Invoices charged to Council Committees will be signed by the chair or deputy chair of the committee before payment to validate them. Other Council invoices (not specific to any standing committee) should be validated by the Chairman of Finance and Policy.
- 6.3 All duly certified invoices will then be entered on the schedule referred to in 5.2 above.
- 6.4 The RFO may provide petty cash to officers or Councillors for the purpose of defraying operational or other expenses to a limit of £50. Vouchers for payments shall be given to the RFO at the time of the claim.
 - a) The RFO shall maintain a petty cash limit of £220 on an imprest system for the purpose of defraying operational and other expenses. Till receipts or confirmation of the expense must be shown to substantiate the payment and these must be numbered and recorded.
 - b) Income received must not be paid into the petty cash float, and petty cash must not be used for any other purposes.
 - c) Payments to maintain the petty cash float should be shown on the schedule of payments to the Council.
 - d) Petty cash must be balanced before a further reimbursement cheque is drawn up and the petty cash float is to be made up to £220.

6.5 Payments by instalments may be arranged for items such as Burial Ground Grants and pitch hire, by way of Direct Debit/Standing Order or Bank Transfer at the discretion of the Town Clerk or by specific minute at the appropriate committee. Title to the items being paid by instalment will remain with the Council until the items are fully paid.

6.6 Reimbursement of Councillor Expenses

A Council expense form must be completed with details of the expense and then authorised by the RFO and the chairman of Finance and Policy (or deputy)..

Payment may be either electronic or by cheque. The payment authoriser or cheque signatory may not be the payment recipient.

6.7 Reimbursement of Employee Expenses

A Council expense form must be completed and authorised for payment by the RFO. For expenses incurred by the RFO, the expense must be authorised by the mayor, or deputy and the chairman of finance and policy committee.

Payment may be either electronic or by cheque.

6.8 Payments in advance of delivery

No payments for goods or services in advance of delivery of the goods or service to the Council may be made without the written authority of the Chairman of the Finance and Policy Committee. Such payments will only be made in exceptional circumstances.

7. **Payment of Wages and Salaries**

7.1 The payment of all salaries and wages shall be made by the RFO in accordance with the payroll records.

7.2 Where payment of wages is by electronic banking using the internet, payment must be checked and authorised by two member signatories and reported in the schedule referred to in 5.2.

7.3 All time sheets shall be certified as to accuracy by or on behalf of the Clerk and charges made to appropriate standing Committees from time sheet information.

7.4 Overtime payments shall be entered in the appropriate record and approved by Councillors or the Clerk and charges made to appropriate standing Committees from time sheet information.

8. **Loans and Investments**

8.1 All investments in securities shall be as authorised by the Trustees Investments Act 1961, as amended, and shall be negotiated by the RFO in the name of the Council. All loans shall be for a set period of time in accordance with Council policy and any changes in loans or investments should be reported to the Council at the earliest opportunity.

8.2 All borrowings shall be approved in writing and affected in the name of the Council.

- 8.3 All investment certificates and other documents relating thereto shall be retained in custody by the RFO.
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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. Pre-numbered Council invoices shall be used wherever possible detailing the service and/or goods delivered and the amounts owed, including a VAT analysis.
- 9.2 Particulars of all charges made for work done, services rendered or goods supplied shall be notified to the RFO and the RFO shall be ultimately responsible for the collection of all accounts due to the Council.
- 9.3 The Council shall review all fees and charges annually.
- 9.4 Any bad debts shall be reported to the F & P Committee.
- 9.5 All sums received on behalf of the Council shall be paid to the RFO for banking. In all cases receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary and bearing in mind the insurance cover for monies kept on the premises.
- 9.6 A receipt for all monies received on behalf of the Council shall be issued and a reference to the related debt, or otherwise, indicating the origin of each cheque shall be entered on the bank paying in slip. A separate account of cash received shall be kept and balanced with the cash payment to the bank.
- 9.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8 The RFO shall complete or oversee the completion of any VAT return that is required and account for any monies received or paid to the F&P committee and Council.

10. **Orders for Work, Goods and Services**

- 10.1 An official pre numbered 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 issued shall be maintained.
- 10.2 Order books 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 is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction.
- 10.4 Where ordered goods or services are to support a Committee of the Council, the chair or deputy chair of the relevant committee should also countersign the official order form before placing the order.

- 10.5 Exceptionally, provisional order approval from authorised members may be made through an approved Council e-mail from the member after prior notification of the order details from the RFO. The order should be subsequently countersigned at a later date by the member provisionally approving the order through e-mail.

11. **Contracts**

11.1 Procedures as to contracts are as follows:

- a) Every contract whether made by the Council or by a Committee to which the powers of making contract has been delegated, shall comply with these procedures, and no exception shall be made otherwise than by direction of the Council or in an emergency by such committee as aforesaid provided that these procedures shall not apply to contract which relate to items (i) to (v) below:-
- i) for the supply of gas, water, electricity, sewerage and telephone service
 - ii) for specialist services such as are provided by solicitor, accountants, surveyors and planning consultants.
 - iii) for work to be executed or good materials to be supplied which consists of repairs to or parts for existing machinery, equipment of plant.
 - iv) for goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.
- b) Where it is intended to enter into a contract where the estimated value is in excess of £50,000 procurement shall be on the basis of formal tender as summarised below:
- i) a public notice of intention to place a contract to be placed in the local newspaper. Any tender notice shall contain reference to the Standing Orders regarding improper activity.
 - ii) a specification of the goods, materials, services and the execution of works shall be drawn up and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
 - iii) tenders are to be sent in a sealed marked envelope to the Clerk by a stated date and time;
 - iv) sealed tenders submitted are to be opened, after the stated closing date and time by the clerk in the presence of at least one member of Council.
 - v) Tenders are then to be assessed and reported to the appropriate meeting of the council or committee.
 - vi) The Council or committee is not bound to accept the lowest tender but must satisfy itself to best value.
- c) Where it is intended to enter into a contract where the estimated value is below £50,000 procurement shall be either on the basis of formal tender, if the Council deems this appropriate, or by quotation. Quotations shall be obtained on the following basis:
- i) A specification of the goods, materials, services and the execution of works shall be drawn up and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
 - ii) At least three quotations should be sought, but if less than three quotations are received the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works. The council is not obliged to accept the lowest.

- d) In all cases, the Council must assure itself that the contractor has the necessary public liability cover in place to the recommended amount at that time.

12. **Payments under Contract 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 upon authorised certificates of the architect or 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, when it is estimated that the total cost of work carried out under a contract excluding fluctuations clauses, will exceed the contract sum 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 Clerk in writing unless it is viewed as an emergency, the Council being informed where the final cost is likely to exceed the financial provision.

13. **Stores and Equipment**

- 13.1 An inventory of all equipment belonging to the Council shall be kept and maintained by the Clerk.
- 13.2 The officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.
- 13.3 Stocks shall generally be maintained at the minimum levels consistent with operational requirements but bearing in mind value for money offers.
- 13.4 The Chairman of the appropriate Committee shall be responsible for an annual check of all stock, stores and equipment.

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 with the Solicitors. The RFO shall ensure a record is maintained of all properties owned by the Council, recording location, extent, plan, reference purchase details, nature of interest, tenancies granted, rents payable and the purpose for which held in accordance with regulation 4(3)(b) of the Accounts and Audit Regulations 1996.
- 14.2 All documents held by the solicitor to be inspected biannually by the Clerk and Mayor.
- 14.3 No property shall be sold, leased or otherwise disposed of without the authority of the Council.
- 14.4 The RFO shall maintain a proper and accurate Register of Assets of the Council. This asset will record the date of purchase or acquisition of the asset (which a reference to

an invoice or other Council held documentation), the initial cost or replacement value of the asset if the cost is not known and the location of the asset. There should be an annual verification check made on the asset and a note made of any physical defects found or remedial or repairs needed.

15 **Insurance**

- 15.1 The RFO shall effect all insurance and negotiate all claims on the Council's insurers.
- 15.2 The RFO shall keep a record of all insurance affected by the Council and the property and risks covered thereby and annually review it together with the Finance & Policy Committee.
- 15.3 All appropriate employees of the Council shall be included in suitable fidelity guarantee insurance.
- 15.4 The assessment and management of all financial risks faced by the council to be reviewed annually.

16. **Information for the Electorate**

- 16.1 The RFO to ensure that the electorate are notified that they can exercise their right to inspect all documents relating to the annual audit at the appropriate time.
- 16.2 That information relating to the charges made by the council, the audit report, and the precept are available to the electorate under the Freedom of Information Act.

17. **Risk Management**

17.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, with professional assistance, if necessary, 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 reviewed by the council at least annually.

17.2 When considering any new activity, project or event, the Clerk shall, with professional assistance if necessary, prepare a draft risk assessment including risk management proposals for the activity, project or event, for consideration and adoption by the council.

18 **Revision of Financial Regulations**

- 18.1 It shall be the duty of the Council to review the financial regulations annually.

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