

# DESBOROUGH TOWN COUNCIL

## Financial Regulations

### **1. Introduction**

- 1.1. These Regulations govern how the Council conducts its financial affairs. They set out how all money matters are dealt with and should be complied with at all times. They are approved by the full Council and should be reviewed annually as part of the Council's assessment of its internal control arrangements. They can only be amended by the full Council as an agenda item with proper notice.
- 1.2. At all times, the latest Accounts and Audit Regulations, and any other enactments dealing with the financial affairs of local Councils, shall be complied with. In the event of any inconsistency between the Regulations, the prevailing Accounts and Audit Regulations shall take precedence.
- 1.3. These Regulations form part of the arrangements by which the Council discharges its responsibility under the Accounts and Audit Regulations to ensure:
  - a) that the financial management of the Council is adequate and effective and that it has a sound system of internal control, and
  - b) that its accounts comply with proper practices.
- 1.4. The Council's "Standing Orders", "Scheme of Delegation", and "Financial and Treasury Management Strategy and Reserves Policy" contain other financial provisions and should be read in conjunction with these Regulations.
- 1.5. In these Regulations, the terms "Town Clerk", "Responsible Financial Officer", and "RFO" refer to the duly appointed and delegated post holders.
- 1.6. Desborough Town Council has appointed the Town Clerk as the Responsible Financial Officer (RFO).
- 1.7. The RFO 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.

### **2. The Budgetary Process**

- 2.1. Each year, before work begins on the budget, the Council will meet to consider the main issues that it wants to address and to agree its objectives for the next year and for the medium term. During the planning period it will review what has happened so far in the current year and identify any problem areas that need to be tackled and any changes that it wants to make.
- 2.2. At the beginning of the budget process the Council will consider any capital projects that are in progress or which are planned. No major projects should be undertaken without a detailed feasibility report which will include funding sources, cash flow forecasts and revenue implications for future years. Commitments to capital schemes should not be entered into unless and until the financial consequences have been incorporated in the Council's approved budget.
- 2.3. At the December meeting each year, draft spending plans and income proposals for the forthcoming year should be submitted to Council, together with forecasts for the next two years if possible. These should be accompanied by a report from the RFO on the estimated level of resources and issues arising from the proposals.
- 2.4. The Council will consider the detailed budget in January for approval. It shall review the resources available to it, including grants and reserves.
- 2.5. Only after spending plans, anticipated income, and reserves have been considered may the Council consider how much to precept on Council tax for the next year.

### **3. Budgetary Control**

- 3.1. Expenditure on revenue items may be incurred up to the amounts approved in the budget. Payments on any capital project should be made in accordance with forecast cash flows included in the approved project plan.
- 3.2. Where essential spending would otherwise exceed the approved budget, amounts can be transferred ("*the exercise of virement*") from other budget heads or from reserves with the approval of Council.
- 3.3. The RFO shall report regularly to the Council on actual spending and income against budget, highlighting significant variances. Unspent balances at the year end will be transferred to the general reserve, unless earmarked for specific purposes in the budget for the coming year(s).
- 3.4. Urgent expenditure of up to £1,000 may be authorised by the Town Clerk, notwithstanding any budgetary provision. Such spending should be reported to Council as soon as possible and the budget should be amended accordingly.

### **4. Orders for Goods and Services**

- 4.1. Before placing an order or making a purchase steps should be taken to ensure that the Council is paying a competitive price and achieving good value for money. For items estimated to cost up to £500, if practical, quotes should be obtained from three sources. For items estimated to cost between £500 and £1,000 wherever possible quotes should be obtained from three sources. Where the estimated cost exceeds £1,000 and is less than £10,000, formal written quotes should be sought.
- 4.2. Longer term contracts for the supply of services such as gas, electricity, water and telephones should be regularly reviewed to ensure that the best terms are being obtained with regard to tariffs and supplier. Other ongoing arrangements such as with professional advisers, banks, insurance providers, maintenance contractors, should be reviewed at least every three years and a report prepared for the Council on how best to ensure continuing value for money. Everyone involved with the Council should be aware of the need to achieve value and increase efficiency and should bring relevant issues to the attention of the Town Clerk and the Council.
- 4.3. Orders should be placed by the RFO or other officer approved by the RFO as the appropriate budget holder. Before committing the Council the responsible person should check that funds are available within the budget and that the Council has the necessary power to incur the expenditure.
- 4.4. Orders should only be placed for goods and services that will be used by the Council for its own purposes.
- 4.5. For capital projects and other contracts estimated to cost in excess of £10,000 but below £25,000, formal tenders should be sought.
- 4.6. Such invitation to tender shall state the general nature of the intended contract and the 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 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.
- 4.7. 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 Council.
- 4.8. Any invitation to tender issued under this regulation shall refer to the terms of the Bribery Act 2010 or subsequent relevant enactment.
- 4.9. The council shall not be obliged to accept the lowest or any tender, quote or estimate.

- 4.10. Where the expected value of a contract opportunity exceeds £25,000 the contract opportunity must be advertised on the Government's Contracts Finder website, in addition to any other method of advertising. Details of the award of a contract over £25,000 should also be published on Contracts Finder. (Public Contracts Regulations 2015).
- 4.11. The council shall not be obliged to accept the lowest or any tender, quote or estimate. Should it occur that the council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.

## **5. Accounting and Audit**

- 5.1. Accounting procedures and financial records shall be determined by the RFO, who shall issue such accounting instructions as are considered necessary.
- 5.2. The RFO shall be responsible for preparing the Council's financial statements and completing the relevant section of the Annual Return required by proper practices, and submitting to the Council in accordance with the statutory time limits.
- 5.3. The Town Clerk shall ensure that all statutory requirements to publish accounting statements and facilitate public access and inspection are complied with and that the requirements of the External Auditor are met.
- 5.4. A suitably competent and independent person shall be appointed by the Council as its internal auditor, to undertake regular reviews of the Council's internal control systems and report thereon to the Council. The appointed person should complete the relevant section of the Annual Return.
- 5.5. All reports by the Internal or External Auditor shall be considered by the Council. Any recommendations should be implemented, or reasons why they are not shall be recorded in the minutes.
- 5.6. The Council should review the effectiveness of its internal audit arrangements on a regular basis.
- 5.7. Members and officers shall co-operate with auditors and provide such information and records as they or the RFO requires.

## **6. Safeguarding Money**

- 6.1. The RFO is responsible is setting up banking arrangements but these and any changes to them, must be approved by the Council. The "Financial and Treasury Management Strategy and Reserves Policy" shall provide sufficient authority for the RFO to set up and change banking arrangements, which shall subsequently be reported to the Council.
- 6.2. The RFO shall have authority to transfer money between the Council's investment accounts; and between the investment accounts and the current accounts; in accordance with the "Financial and Treasury Management Strategy and Reserves Policy" in order to protect the Council's interests and maximise any interest accruing.
- 6.3. The use of any form of corporate credit card is not permitted.
- 6.4. No employee shall manage their own payroll, or calculate their own salary payments for approval by the Council.
- 6.5. The list of authorised signatories, limits of authority, and amendments to any of these, must be approved by the Council. Authorised signatories used should be rotated on a regular basis.
- 6.6. Monies received should be banked on a regular basis by the RFO. Cash should be banked, intact, at the earliest opportunity. All people responsible for financial management should receive appropriate training.

- 6.7. The Council will review the arrangements for handling money and its associated risks at least annually. Up to date bank reconciliations should be presented to each ordinary meeting of the Council, including copies of bank statements.
- 6.8. Invoices for payment should be checked by the Town Clerk and entered onto a schedule for approval by Council. Payments should be made by cheques signed by two authorised Members. Where electronic banking is used, arrangements, approved by Council must ensure that at least two people authorise any transaction, one of whom should be a Member. Urgent payments may, exceptionally, be made by the Town Clerk in consultation with the RFO and Council Chair. These should be reported to the next meeting, with appropriate explanations.
- 6.9. The Town Clerk and RFO shall have delegated authority to authorise the payment of items in the following circumstances:
- a) 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 Town Clerk and RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of Council;
  - b) an expenditure item authorised under 6.10 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of Council;
  - c) fund transfers within the Council's banking arrangements provided that a list of such transfers shall be submitted to the next appropriate meeting of Council.
- 6.10. For each financial year the Clerk and RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as, but not exclusively) Salaries, PAYE and NI, Pensions, office rent, telephone and internet, and regular maintenance contracts and the like for which Council may authorise payment for the year provided that the requirements of regulation 3.1 (Budgetary Control) are adhered to, provided also that a list of such payments made shall be submitted to the next appropriate meeting of Council.
- 6.11. Once approved, signed cheques should be issued, or other forms of payment initiated, promptly by the RFO.
- 6.12. Any payments made personally by any employee (for example for postage or minor stationery items) shall be refunded on a regular basis in accordance with the Expenses and Travel Policy.
- 6.13. Direct debit or standing order payments may be permitted, with the approval of the Council, for regular items such as utility bills. Amounts so paid should be reported to Council along with the normal payment schedule. The RFO must ensure that all salary and other relevant payments comply with PAYE and other rules issued by HMRC.
- 7. Income**
- 7.1. Income from fees, charges, grants etc., should be regularly reviewed to ensure that full advantage is taken of opportunities to raise additional resources. Charges set by Council should be reviewed annually as part of the budget process.
- 7.2. The RFO should issue invoices promptly and institute efficient collection arrangements. Irrecoverable amounts should be written off by the Council, following a report from the RFO.
- 7.3. VAT claims and returns should be completed promptly by the RFO in accordance with current HMRC rules.

## **8. Investments and Loans**

- 8.1. Surplus revenue balances should be invested as arranged by the RFO and approved by Council in the “Financial and Treasury Management Strategy and Reserves Policy”.
- 8.2. No long term borrowing should be undertaken without appropriate borrowing approval, the nature and terms of which shall be approved by Council.

## **9. Assets**

- 9.1. Items of equipment should be recorded on an inventory list, which should be checked periodically by the RFO.
- 9.2. Capital assets should be recorded in the Council's Asset Register at original cost. Where appropriate assets should be properly maintained and sufficient funds should be included in the revenue budget to enable this to happen. Assets, particularly land and buildings, should be reviewed to assess if the Council is making the most effective economic use of them. Surplus assets should be disposed of, with the approval of Council, for the best possible price.

## **10. Risk Management**

- 10.1. The Council should conduct a risk assessment of its activities at least annually. This should involve identifying significant risks and agreeing how they should be managed, taking into account the potential consequences and the likelihood of the event happening. New ventures should be subject to a risk assessment before they are approved and the resultant management actions implemented.
- 10.2. Insurance arrangements should be set up by the RFO to cover potentially high cost risks and meet statutory obligations. Insurance terms and costs should be kept under regular review to ensure that best value is obtained.

## **11. Suspension And Revision**

- 11.1. No part or all of these Financial Regulations may be suspended or revoked unless and until:-
  - a) the question is a specific agenda item at a formal Council meeting;
  - b) an assessment of the risks arising has been drawn up and presented in advance to all Members of Council;
  - c) reasons for the suspension are recorded in the minutes.
- 11.2. At least once a year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

**REVIEWED 21 MARCH 2019**

## SCHEDULE A

This schedule restates limits and Regulations contained in the foregoing document for the supply of goods or materials or for the execution of works or specialist services. In the event of any discrepancy, the written text of the Financial Regulation shall take precedence.

<b>Estimated price</b>	<b>Action</b>	<b>Reference</b>
£1 - £500	If practical, quotes should be obtained from three sources.	FR 4.1
£500 - £1,000	Wherever possible, quotes should be obtained from three sources.	FR 4.1
£1,001 - £10,000	Formal written quotes should be sought.	FR 4.1
£10,001 - £25,000	Formal tenders to be sought	FR 4.5
£25,001 - above	A public contract regulated by the Public Contracts Regulations 2015 with an estimated value in excess of £25,000 but less than the relevant thresholds in Standing Order 9.1.3 is subject to Regulations 109-114 of the Public Contracts Regulations 2015 which include a requirement on the Council to advertise the contract opportunity on the Contracts Finder website regardless of what other means it uses to advertise the opportunity unless it proposes to use an existing list of approved suppliers (framework agreement).	SO 9.1.1.
£138,893 - above	The Council must consider whether the Public Contracts Regulations 2006 (SI No. 5, as amended) and the Utilities Contracts Regulations 2006 (SI No. 6, as amended) apply to the contract and, if either of those Regulations apply, the Council must comply with EU procurement rules.	SO 9.1.2.
£363,424 - above £820,370 - above £4,551,413 - above	Procurement shall comply with the relevant procurement procedures and other requirements in the Utilities Contracts Regulations 2016.	SO 9.1.3.