

# CONTENTS

## Financial Regulations

Para.	Subject	Page
1.	General Application & Responsible Financial Officer	2
2.	Annual Estimates (Budget)	3
3.	Budgetary Control	3
4.	Accounting & Audit	4
5.	Banking Arrangements & Cheques	5
6.	Payment of Accounts	5
7.	Payment of Salaries	6
8.	Loans & Investments	6
9.	Income	7
10.	Orders For Work, Goods & Services	8
11.	Contracts	8
12.	Payments Under Contracts for Building or Other Construction Works	9
13.	Stores & Equipment	10
14.	Assets, Properties & Estates	10
15.	Insurance	11
16.	Revision of Financial Regulations	11
17.	Charities	11
18.	Risk Management	11

# SANDBACH TOWN COUNCIL

## Financial Regulations

### 1. General

- 1.1 These financial regulations govern the conduct of financial management by the Finance Committee and are amended through a change control process only and approved by resolution of the Council. The Council responsible in law for ensuring that its financial management is adequate and effective and that the Finance Committee 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 Finance Committee meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the council. The Clerk has been appointed as RFO for this council and these regulations will apply accordingly. 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.
- 1.3 The RFO shall produce financial management information as required by the council.
- 1.4 At least once a year, an 'Internal Audit' shall be undertaken by a council approved auditor, as 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 in England and Wales - a Practitioners' Guide which is published jointly by NALC and SLCC and updated from time to time.

## Financial Regulations

---

### **2. Annual Estimates (Budget)**

The Finance Committee shall formulate and submit proposals to the Council in respect of revenue and capital including the use of reserves and sources of funding for the following financial year not later than the end of November each year.

- 2.1 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the Finance Committee.
- 2.2 The Council shall review the budget not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.3 The annual budgets shall form the basis of financial control for the ensuing year.
- 2.4 Resulting from estimated requirements submitted from all Committees of the Council, the Finance Committee shall consider the need for and shall have regard to a three year forecast of Revenue and Capital Receipts and Payments.

### **3. Budgetary Control**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure 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. During the budget year and with the approval of Finance Committee 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 regularly provide the Finance Committee with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.
  - (a) The Chairman of Finance will sign and date the Bank reconciliation statement made once a quarter. The reconciliation will be approved by the Finance Committee and shown in the minutes of that meeting, following which they will be presented to Council at the next available meeting for noting.

## Financial Regulations

---

- 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 £200. The Clerk shall report the action to the Finance Committee as soon as practicable thereafter.
- 3.5 Unclaimed grants against S137, shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Finance Committee. The length of time allowed for an unclaimed grant is defined in SO47(ii)
- 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 or Project Committee is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained. This section will be confirmed by minute of the Finance Committee.
- 3.7 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, including the Council's annual return, 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 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 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.

## Financial Regulations

---

- 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 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 for inspection of the accounts, books, and vouchers and 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 matter.

### **5. Banking Arrangements and Cheques**

- 5.1 The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Finance Committee. They shall be regularly reviewed for efficiency.
- 5.2 A schedule of the payments required, forming part of the Agenda for the Meeting, shall be prepared by the RFO and, together with the relevant invoices, be presented to Finance Committee. If the schedule is in order it shall be authorised by a resolution of the Finance Committee and shall be shown in the Minutes of the Meeting.
- 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 two members of Council and countersigned by the Clerk.
- 5.4 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. Payment of Accounts**

- 6.1 All payments shall be effected by cheque or other order drawn on the Council's bankers.

## Financial Regulations

---

- 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 RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The Clerk shall take all steps to settle all invoices submitted, and which are in order, at the next available Finance Committee or Council meeting whichever is the sooner.
- 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 Finance Committee, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, the Clerk may (notwithstanding para 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 the Council.
- 6.5 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
- a) The RFO shall maintain as petty cash float of not more than £250 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
  - b) Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.
  - c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Finance Committee under 5.2 above.
- 6.6 If thought appropriate by the Finance Committee, 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 the Finance Committee 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.

## 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

## Financial Regulations

---

Insurance currently operating, and salaries shall be as agreed by the Finance Committee.

- 7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, shall be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, 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 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 Policy shall be reviewed at least annually.
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 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, 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 Finance Committee, notified to the RFO and 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 Clerk.
- 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.

## Financial Regulations

---

- 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.
- 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 at least annually coinciding with the financial year end.
- 9.9 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, 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 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 11 (c) 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**

Reference to 'Contracts' within this Section do not refer to contracts of a Personnel nature, but may apply to the sub-contracting of persons within a project.

## Financial Regulations

---

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 other than exercised in paragraph 11.1 (c) and 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 £250 (in excess of this sum the Clerk and RFO 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 £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 (a) the Clerk shall invite tenders from at least three firms to be taken from a list of appropriately qualified contractors.
- 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 Project Committee by the Project Control Authority (Project Leader).
- 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 member of the Council.

## Financial Regulations

---

- f) If less than three tenders are received for contracts above £50,000 or if all the tenders are identical the Project Committee 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 58, 59 and 60.
- h) When it 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 (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £1,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.
- (i) The Project Committee shall not be obliged to accept the lowest or any tender, quote or estimate, however there must be a clear justification within the minutes stating why such a decision is made.
- (ii) Contracts or service level agreements, shall be financially approved, by the Finance Committee as shown in SO49.

### **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 Finance Committee.
- 12.3 Any variation to a contract, or addition to or omission from a contract, must be approved by the Project Committee and Clerk to the Contractor in writing, the Finance Committee 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 store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.

## Financial Regulations

---

- 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 the interest, tenancies granted, rents payable and purpose for which held in accordance with 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 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 assessment (per Financial Regulation 17), the RFO shall effect all insurances and negotiate all claims on the Council's insurers in consultation with the Clerk.
- 15.2 The Clerk shall give prompt notification to the RFO 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 the Finance Committee 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 Finance Committee.

### **16. Revision of Financial Regulations**

16.1 It shall be the duty of the Project Committee to review the Financial Regulations of the Council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Project Committee of any requirement for a consequential amendment to these financial regulations.

### **17. Charities**

17.1 Where the Council is sole trustee of a Charitable body the Clerk and 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 and RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

### **18. Risk Management**

18.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk with the RFO shall prepare, for approval by the Finance Committee, 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.

18.2 When considering any new activity, the Clerk with the RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

Approved at the Town Council Meeting 7<sup>th</sup> May 2009

Councillor Mrs D E Alcock, Chairman of the Council

Councillor M R Sherman, Chairman of the Finance Committee

Miss A L Banks, Clerk of the Council and Responsible Financial Officer