

**LEEK TOWN COUNCIL
FINANCIAL REGULATIONS JULY 2020**

1 General

- 1.1 These financial regulations govern the conduct of the financial affairs and transactions of the Council and may only be amended or varied by resolution of the Council. Financial regulations must be observed in conjunction with the council's standing orders and any individual financial regulations relating to contracts.
- 1.2 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 internal control which facilitates the effective exercise of the council's functions, including arrangement for the management of risk.
- 1.3 The council's accounting control systems must include measures:
- for the timely production of accounts;
 - that provide for the safe and efficient safeguarding of public money;
 - to prevent and detect inaccuracy and fraud; and
 - identifying the duties of officers.
- 1.4 These financial regulations demonstrate how the council meets these responsibilities and requirements.
- 1.5 At least once a year, prior to approving the Annual Governance Statement, the council must review of the effectiveness of its system of internal control, which shall be in accordance with proper practices.
- 1.6 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.7 Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of councillor into disrepute.
- 1.8 The Clerk shall be the Responsible Financial Officer (RFO) and these regulations will apply accordingly.
- 1.9 The RFO;
- acts under the policy direction of the council;
 - administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
 - determines on behalf of the council its accounting records and accounting control systems;
 - ensures the accounting control systems are observed;
 - maintains the accounting records of the council are up to date in accordance with proper practices;

- assists the council to secure economy, efficiency and effectiveness in the use of its resources; and
- produces financial management information as required by the council.

1.9.1 The accounting records determined by the RFO shall be sufficient to show and explain the council's transactions and enable the RFO to ensure that any income and expenditure account and statement of balances and management information prepared for the council, comply with the Accounts and Audit Regulations.

1.11 The accounting records determined by the RFO shall in particular contain:

- entries from day to day of all sums of money received and expended by the council and the matters to which the income and expenditure relate;
- a record of the assets and liabilities of the council; and
- wherever relevant a record of the council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.12 The accounting control systems determined by the RFO shall include:

- procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- measures to ensure risk is properly managed

1.12.1 The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final precept
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the General Power of Competence; and
- addressing any report from the internal or external auditors,

shall be a matter for the full council only.

1.13 In addition the council must:

- Determine and keep under review the bank mandate for all council bank accounts;
- In respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant

committee in accordance with its term of reference.

- 1.15 In these financial regulations, references to the Accounts and Audit Regulations or “the regulations” shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation.

In these financial regulations the term “proper practices” shall refer to guidance issued in *Governance and Accountability in Local Councils – a Practitioners Guide (England)*, issued by the Joint Practitioners Advisory Group (JPAG), available from NALC and the Society of Local Council Clerks (SLCC).

2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

- 2.1. All accounting procedures and financial records of the council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate guidance and proper practices.
- 2.2. On a regular basis, at least once in each quarter, and at each financial year end, a member of the Finance Committee 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 as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.
- 2.3. The RFO shall complete the annual statement of accounts, annual report, and any related documents of the council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them and report thereon to the council within the timescales set by the Accounts and Audit Regulations.
- 2.4. The council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary for that purpose.
- 2.5. The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.
- 2.6. The internal auditor shall:
- be competent and independent of the financial operations of the council;
 - report to council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;
 - to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
 - have no involvement in the financial decision making, management or control of the council.
- 2.7. Internal or external auditors may not under any circumstances:
- perform any operational duties for the council;

- initiate or approve accounting transactions; or
- direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.

- 2.8. For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as is described in proper practices
- 2.9. The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.
- 2.10. The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

3. ANNUAL ESTIMATES (BUDGET) and FORWARD PLANNING

- 3.1. The RFO must each year, by no later than the end of December, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the council.
- 3.2. The council shall consider annual budget proposals and forecast revenue and capital receipts and payments, including recommendations for the use of reserves and sources of funding.
- 3.3. The council shall fix the precept and relevant basic amount of council tax to be levied for the ensuing financial year no later than the end of February each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.
- 3.4. The approved annual budget shall form the basis of financial control for the ensuing year.

4. BUDGETARY CONTROL AND AUTHORITY TO SPEND

- 4.1 Expenditure may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:
- the council for all items over £3,000;
 - a duly delegated committee of the council for items over £500; or
 - the Clerk, in conjunction with the Mayor or Chairman of the appropriate committee, for any items below £500.
- 4.2 No expenditure may be authorised that will exceed the amount provided in the budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').
- 4.3 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year unless approved by the Council.

- 4.4 The salary budgets are to be reviewed annually for the following financial year and such review shall be evidenced by a hard copy schedule signed by the Clerk and the Mayor or chairman of the relevant committee.
- 4.5. In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £500. The clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.
- 4.6. No expenditure shall be authorised 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 and the requisite borrowing approval has been obtained.
- 4.7. All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.
- 4.8. The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose "material" shall be in excess of 15% of the budget.
- 4.8. Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

- 5.1 The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council. Banking arrangements may not be delegated to a Committee.
- 5.2. The bank mandate for the Council and the approved signatories therein shall be reviewed and approved annually at the Annual meeting.
- 5.3. All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.
- 5.4. The RFO shall examine invoices for arithmetical accuracy and allocate them to the appropriate expenditure heading.
- 5.5. The RFO and one member of the Council (in line with the bank mandate) shall have delegated authority to authorise the payments.
- 5.6. Members are subject to the Code of Conduct that has been adopted by the council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.
- 5.7 A schedule of payments made from all bank accounts will be reported to each meeting of the Council.
- 5.9 The Council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time.

6 Payment of Accounts

- 6.1 Apart from petty cash payments all payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee, or, if so delegated, the Clerk shall give instruction that a payment shall be made.
- 6.3 All invoices for payment shall be examined, verified and certified by the Clerk. Before certifying an invoice the Clerk shall be satisfied that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 6.4 The RFO shall arrange for certified invoices to be examined in relation to arithmetical accuracy and authorisation, and shall allocate them to the appropriate expenditure heading. The RFO shall take all possible steps to settle all invoices submitted, which are in order, when the invoices are due for payment.
- 6.5 All certified invoices by the RFO will be presented to the Mayor for certification.
- 6.6 All duly certified invoices will then be entered on the schedule referred to in 5.7 above.
- 6.7 The RFO may provide petty cash to employees or volunteers of the council for the purpose of defraying operational and other expenses. Receipts for payments made shall be forwarded to the RFO.
- (a) The RFO shall maintain a petty cash float to a limit of £100 for the purpose of defraying operational and other expenses. Receipts 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 on the schedule of the payment of money presented to the Council (under 5.7 above).
- (d) The petty cash float to be counted by the Mayor on a regular basis.
- 6.8 Payment for services such as energy, telephone, rates 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.
- 6.9 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer and preferably off site.
- 6.10 Any computer used for the council's financial business, will have installed anti-virus, anti-spyware and firewall software with automatic updates.

7 PAYMENT OF SALARIES AND WAGES

- 7.1 The council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.

- 7.2 All time records shall be in a form prescribed by the RFO.
- 7.3 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 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 by the RFO in the name of the Council, and shall be for a set period of time in accordance with Council policy.
- 8.2 All investments of money under the control of the Council shall be in the name of the Council.
- 8.3 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval.
- 8.4 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

9 INCOME

- 9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be 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 will review all fees and charges on a regular basis.
- 9.4 Any bad debts shall be reported to the Council.
- 9.5 All sums received on behalf of the Council shall be paid to the RFO. In all cases all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 9.6 The origin of each receipt shall be entered on the paying-in slip.
- 9.7 Receipts for income will be marked as cash, cheque or bank transfer.
- 9.6 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.7 The RFO shall complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made on a regular basis.
- 9.8 Where any significant sums of cash are regularly received by Council, the RFO shall take such steps as are agreed by the council to ensure that:
- the RFO and one council member is present when cash is counted;
 - a reconciliation is made to a control, e.g. the tenants listed in the allotment database;
 - appropriate care is taken in the security and safety of individuals banking 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. Where an order number is given verbally a written order must be raised and sent to the supplier. Copies of orders shall be retained.
- 10.2 Order books shall be controlled by the RFO.
- 10.3 All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction. This will be achieved by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in 11.1 below.
- 10.4 A member may not issue an official order or make any contract on behalf of the council.
- 10.5 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved, so that the minutes can record the power being used.

11. CONTRACTS

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

- a) Every contract shall comply with these financial regulations and no exceptions shall be made otherwise than in an emergency. This regulation need 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 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 Clerk and RFO shall act after consultation with the Chairman and Vice Chairman of council); and
 - 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 £25,000 (ex-VAT) 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 suppliers.
- c) When applications are made to waive standing orders relating to contracts to enable a tender to be negotiated without competition the reason shall be embodied in a recommendation to the council.

- d) 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 and the last date by which such tenders should reach the clerk in the ordinary course of post. Each tendering firm shall be supplied with a specially 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.
- f) Any invitation to tender issued under this regulation shall contain a statement referencing the terms of the Bribery Act 2010.
- g) When it is to enter into a contract of more than £3,000 and less than £25,000 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 part (a), the RFO shall obtain 3 quotes. Otherwise, Regulation 10.3 above shall apply.
- h) The council shall not be obliged to accept the lowest of any tender, quote or estimate. All contracts will include an end date.
- i) If the council, or delegated committee, does not accept any tender, quote or estimate and the council requires further pricing, provided that the specification does not change, the original contractors shall not be permitted to submit subsequent tenders, estimates or quotes.

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 receipt of authorised certificates issued by the architect or other consultants engaged to supervise the contract and a valid claim for payment from the contractor.
- 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 fluctuation clauses, will exceed the contract sum by 5% or more a report shall be submitted to the appropriate committee.
- 12.3 Any variation to a contract or addition to or omission from a contract must be approved by the clerk in writing and the council informed where the final cost is likely to exceed the financial provision.

13. STORES AND EQUIPMENT

- 13.1 The RFO shall be responsible for the care and custody of stores and equipment.
- 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 RFO shall be responsible for periodic checks of stocks and stores.

14 ASSETS, PROPERTIES AND ESTATES

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates 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 moveable property shall be purchased or otherwise acquired, 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 moveable property does not exceed £100.
- 14.3. No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the council, together with any other consents required by law, In each case a report in writing shall be provided to council following recommendation from the Finance Committee in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 14.4 No real property (interests in land) shall be purchased or acquired without the authority of the full council, In each case a report in writing shall be provided to council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 14.5 Subject only to the limit set out in Regulation 14.2 above, no tangible moveable property shall be purchased or acquired without the authority of the full council, in each case a report in writing shall be provided to council with a full business case.
- 14.6 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.

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.
- 15.2 The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.
- 15.3 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim and shall report these to council at the next available meeting.
- 15.4 All appropriate members and employees of the council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually by the Risk Assessment.

16. CHARITIES

- 16.1 Where the council is sole managing trustee of a charitable body the 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

RFO 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 council is responsible for putting in place arrangements for the management of risk. The RFO shall prepare, for approval by the council, risk management policy statements in respect of all activities of the council. Risk policy statements shall be reviewed by the council at least annually.
- 17.2. When considering any new activity, the RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

18. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

- 18.1 It shall be the duty of the council to review the Financial Regulations of the council annually. The 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.
- 18.2 The council may, by resolution of the council duly notified prior to the relevant meeting of council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of council.

19. MAYOR'S CHARITY ACCOUNT

- 19.1. The RFO will maintain and administer the Mayor's Charity Account. Although these are not strictly the council's accounts they will where appropriate be administered in accordance with these Financial Regulations and be open to the scrutiny of the audit process.