

# FINANCIAL REGULATIONS



**STANLEY TOWN COUNCIL**

Civic Hall, Front Street, Stanley DH90NA

## **FINANCIAL REGULATIONS**

The purpose of Financial Regulations is to formalise the process used by Stanley Town Council to govern the conduct of the financial transactions of the Council.

### **1.0 GENERAL**

- 1.1 These Financial Regulations may only be amended or varied by recommendation of the Finance and General Purposes Committee followed by resolution of the Full Council.
- 1.2 The Responsible Financial Officer (RFO), under the policy direction of the Full Council, shall be responsible for the proper administration of the Council's affairs.
- 1.3 The RFO shall be responsible for the production of financial management information.

### **2.0 ANNUAL ESTIMATES**

- 2.1 The Responsible Finance Officer in line with the Town Clerk and other officers will formulate and submit proposals to the Council in respect of revenue and capital costs for the following financial year, not later than the end of November each year.
- 2.2 Detailed (estimated) receipts and payments for the full financial year, shall also be prepared at this time each year by the RFO. These shall be used as the basis for the budget for the ensuing financial year.
- 2.3 The Full Council shall review the estimates and proposed budget not later than the beginning of January following the preceding November (see 2.1) and use these to fix the precept to be levied for the ensuing financial year. The RFO shall supply each member with a copy of the approved estimates and budget.
- 2.4 The annual budget shall form the basis of financial control for the ensuing year.
- 2.5 The Council shall prepare and have regard to a three year forecast of Revenue and Capital Receipts and Payments (Medium Term Financial Plan) which shall be prepared at the same time as the annual Budget.

### **3.0 BUDGETARY CONTROL**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.
- 3.2 Any expenditure which would exceed the amount provided in the revenue budget. may be incurred only by resolution of the Full Council, or by way of emergency expenditure because of an unforeseeable emergency involving immediate risk to persons, property or other assets or serious disruption to Council Services, such

## Item 4 – ATTACHMENT D

items will be reported to Full Council

- 3.3 The RFO shall regularly (on a monthly basis) provide the Finance and General Purposes Committee with a statement of receipts and payments to date.
- 3.4 The RFO shall regularly (on a quarterly basis) provide the Finance and General Purposes Committee with a budgetary control statement outlining each head of the budget, comparing actual expenditure against that planned, and including a projection of the likely outcome for the full year.
- 3.5 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless approved by the Full Council, on the recommendation of the Finance and General Purposes Committee.
- 3.6 No expenditure shall be incurred in relation to any capital project or service, and no contract entered into, or tender accepted involving capital expenditure, unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.7 All capital works shall be administered in accordance with the Council's standing orders and these financial regulations relating to contracts.

### **4.0 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 in effect at the time.
- 4.2 The RFO shall be responsible for completing the annual financial statements of the Council as soon as practicable after the year-end of the financial year and shall submit them and report thereon to the Full Council.
- 4.3 The RFO shall be responsible for completing the accounts of the Council contained in the Annual Return (as supplied by the External Auditor appointed from time to time by the Audit Commission), and for submitting the Annual Return for approval and authorisation by the Full Council, within the timescale set by the Accounts and Audit Regulations in effect at the time or set by the Auditor.
- 4.4 The RFO shall be responsible for ensuring that there is an adequate and effective system of internal control of the Council's accounting, financial and other operations, in accordance with the appropriate Regulation of the Accounts and Audit Regulations in effect at the time. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available such documents 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.
- 4.5 The Internal Auditor shall carry out the work required in accordance with a risk based audit plan to be determined by the Auditor and approved by the Finance and General

## Item 4 – ATTACHMENT D

Purposes Committee. Additional work may, from time to time, be requested by the RFO, or by the Council. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to the Finance and General Purposes Committee in writing on a regular basis with a minimum of one annual report in respect of each financial year.

**4.6** The RFO shall make arrangements for the exercise of electors' rights to inspect the accounts, books and vouchers required by Section 15 of the Audit Commission Act 1998 and the Accounts and Audit Regulations in effect at the time.

**4.7** The RFO shall, as soon as practicable, bring to the attention of all Councillors, any relevant correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

### **5.0 BANKING ARRANGEMENTS AND CHEQUES**

**5.1** The Council's banking arrangements shall be made by the RFO and approved by the Full Council. They shall be regularly reviewed for efficiency.

**5.2** Cheques drawn on the Council's bank account shall be signed by one Officer and one Member of Council.

**5.3** Payments drawn on the Council's bank account by BACS or other electronic means shall be raised by one authorised bank signatory and authorised by a second. The BACS files shall be checked and signed by a Senior Manager of the Council and reported to Council or the relevant Committee of Council.

### **6.0 PAYMENT OF ACCOUNTS**

**6.1** The Council shall ensure that safe and efficient arrangements are in place for the making of any payments.

**6.2** All payments (other than petty cash [6.5]) shall be made by cheque, Debit Card, direct debit, or other order drawn on the Council's bankers, including BACS payments. With regard to payments by any means other than cheque, approval will be renewed by resolution of the full Council every two years.

**6.3** The appropriate Manager shall satisfy him/herself that the work, goods or services to which the invoice relates, have been received or carried out in accordance with the relevant order. He/she shall insert the appropriate budget code to which the cost is to be charged.

## Item 4 – ATTACHMENT D

- 6.4** The RFO shall be responsible for the examination of invoices in relation to arithmetic accuracy, correct application of VAT and correct coding and shall take all steps to settle invoices submitted, and which are in order, at the earliest possible opportunity.
- 6.5** The Town Clerk and respective officer shall countersign all invoices prior to payment being processed.
- 6.6** If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and where the RFO certifies that there is no dispute or other reason to delay payment, the RFO may (notwithstanding paragraph 6.3), take all steps necessary to settle such invoices, provided that such payments shall subsequently be scrutinised by the Chair of the Finance and General Purposes Committee.
- 6.7** The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses.
- a) The RFO shall maintain a petty cash float of £100 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 on the next available working day, 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 the Council.
- 6.8** Subject to 6.2, wherever possible payments to staff and service providers will be made by the Banking Automated Credit System (BACS). This is subject to strict compliance with the agreed procedure for the operation of an electronic payments system.
- 7.0 PAYMENT OF SALARIES**
- 7.1** The payment of all salaries shall be made by Durham County Council (the Principal Authority) in accordance with payroll records and the rules of PAYE and National Insurance currently operating. Salaries shall be according to employees' contractual agreements, which have been previously agreed by the Council.
- 7.2** Payment of salaries, and deductions from salary for tax, national insurance and pension contributions, will be made in accordance with the payroll records and on the appropriate dates.
- 7.3** Payment of excess additional hours worked (in accordance with contractual agreements), will be made in accordance with the payroll records and on the appropriate dates provided that each payment is reported to, and resolved by, the next available Full Council Meeting.

**8.0 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's Investment Policy shall be in accordance with the Trustee Investments Act 2000, and shall be reviewed on a regular basis (at least annually).
- 8.3 All investments of money under the control of the Town Council shall be in the name of the Council.
- 8.4 All borrowings shall be made in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the Full Council as to its terms and purpose.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

**9.0 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 Council and notified to the RFO.
- 9.3 The Council shall review all fees and charges annually (where relevant), following a report of the RFO. Any sums found to be irrecoverable and any associated bad debts shall be reported to the Full Council, and shall be written off in the relevant financial year.
- 9.4 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, with such frequency, as the RFO considers necessary.
- 9.5 The origin of each receipt shall be entered on the paying-in slip and recorded in the accounts.
- 9.6 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.7 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 on a quarterly basis in accordance with HMRC procedures.
- 9.8 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

## Item 4 – ATTACHMENT D

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.

**9.9** Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere within these regulations.

### **10.0 ORDERS**

**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** All Purchase Orders shall be controlled by the RFO.

**10.3** 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 quality, value and service for each transaction

### **11.0 PROCUREMENT**

**11.1** Contracts are subject to any de minima provisions current at the time they are agreed:

- These provisions are commonly referred to as the 'De Minimis' rules/exceptions, under which local authorities are in some cases excepted from the requirement to let contracts through competitive tender.
- There is no obligation on authorities to make use of the de minimis provisions; the limits set are not to be exceeded but it is a matter for individual authorities to decide to what extent they are used, or even if they are used at all.
- At the time of adopting this policy it is now possible to let any number of individual de minimis contracts up to a value of £29,999 expenditure each in any one year (the previous limit was £24,999).
- However, subject to the individual contract limit, there will no longer be any limit on the total value of de minimis contracts that may be let with an individual organisation in any year.

**11.2** Procedures as to contract are laid down as follows:

#### **General**

a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency, provided that these regulations shall not apply to contracts which relate to items (i) to (vi) below:

- i) for the supply of gas, electricity, 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 for existing machinery or equipment or plant;

## Item 4 – ATTACHMENT D

- iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Town Council;
- vi) for additional audit work of the external Auditor up to an estimated value of £750 (in excess of this sum the RFO shall act after consultation with the Chair and Vice Chair of the Council);

b) Where it is intended to enter into a contract 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 11.2.a.i (above) the following shall apply:

### **Contracts Exceeding £60,000 in Value**

c) For Contracts exceeding £60,000 in value, the RFO shall invite tenders from at least three firms to be taken from the appropriate approved list.

d) Such invitations to tender shall state the general nature of the intended Contract, and the RFO shall obtain the necessary technical assistance to prepare a specification in appropriate cases.

e) The invitation shall, in addition, state that a 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.

f) 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 the Council

g) If less than three tenders are received for contracts over £60,000, or if all the tenders are identical, the Council may make such arrangements as it thinks fit for procuring the goods or materials, or executing the works.

h) Any invitation to tender issued under this regulation, shall contain a statement to the effect that “Neither the Town Council, nor any committee, is bound to accept the lowest tender, estimate or quote, provided a justifiable reason is stated.”

### **Contracts Over £20,000 and up to £60,000**

i) For Contracts of above £20,000 and up to £60,000 in value the RFO shall endeavour to obtain three written quotations (priced descriptions of proposed supply).

### **Contracts Between £5,000 and up to £25,000**

j) Where the value of a Contract is between £5,000 and £20,000, the RFO shall endeavour to obtain three estimates.

### **Contracts Below £5,000**



## Item 4 – ATTACHMENT D

k) Where the value of a Contract is below £5,000, the RFO shall obtain one or more estimates, as appropriate.

l) The Council shall not be obliged to accept the lowest, or any tender, quote or estimate.

m) Where applications are made to waive financial regulations relating to Contracts (of whatever value), to enable a price to be negotiated without competition, the RFO shall state the reason in a recommendation to the Full Council.

### **12.0 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 by the RFO, upon authorised certificates of the architect, or other consultants engaged to supervise the contract (subject to any percentage withholdings 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 Full Council.

**12.3** Any variations to, addition to or omission from a Contract, must be approved by the Full Council and the RFO in writing to the Contractor, the Council being informed where the final cost is likely to exceed the financial provision.

### **13.0 STORES, EQUIPMENT AND ASSETS**

**13.1** The relevant Manager shall be responsible for the care and custody of stores and equipment in their control.

**13.2** Delivery notes shall be obtained in respect of all goods received or otherwise delivered, and goods must be checked as to order and quantity 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 at least annually.

**13.5** Non-Current Assets - all expenditure on the acquisition, creation or enhancement of non-current assets below the Council de minimus of £10,000 is written off to the Council's Income and Expenditure account in the year of acquisition. Expenditure on the acquisition, creation or enhancement of non current assets above the de-minimus of £10,000 and which provide economic benefits to the council for a period over one year are capitalised in accordance with accounting requirements in effect at the time.

## Item 4 – ATTACHMENT D

**13.6** Asset depreciation – in accordance with current accounting requirements asset values should not be adjusted for depreciation. The cost value will remain as the asset value in the asset register and on the Annual Return until the asset is disposed.

### **14.0 PROPERTIES**

**14.1** The RFO shall make appropriate arrangements for the custody of all title deeds for 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 the appropriate Regulation of the Accounts and Audit Regulations in effect at the time.

**14.2** No property shall be sold, leased or otherwise disposed of without the authority of the Full Council, together with any other consents required by law, except where the estimated value of any one item of tangible, movable property, does not exceed £50.

### **15.0 INSURANCE**

**15.1** Following an annual risk assessment, the Finance Manager shall effect all insurances and negotiate all claims on the Council's insurers (in consultation with the RFO).

**15.2** The RFO shall give prompt notification to the Council's insurer 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 Council at the next available meeting.

**15.5** All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance, which shall cover the maximum risk exposure as determined by the Council.

### **16.0 RISK MANAGEMENT**

**16.1** The RFO, shall prepare and promote Risk Management policy statements in respect of all activities of the Council.

**16.2** When considering any new activity, the RFO shall prepare a draft Risk Management Policy for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.

**17.0 REVISION OF FINANCIAL REGULATIONS**

**17.1** It shall be the duty of the Finance and General Purposes Committee to review the Financial Regulations of the Town Council from time to time and recommend such amendments to Full Council as are appropriate.

**17.2** Irrespective of 17.1 above, the Town Council shall review the Financial Regulations at least annually.