

## Financial Regulations 2023

Approved by Council at its meeting held on 22<sup>nd</sup> March 2023

### 1. General

1.1. These financial regulations govern the conduct of financial management by the council and may only be amended or varied by resolution of the council. Financial regulations are one of the council's three governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the council's standing orders and the Councils Management Procedures.

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 arrangements 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 the effectiveness of its system of internal control which shall be in accordance with proper practices<sup>1</sup>.

1.6. 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.

1.7. Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.

1.8. The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council.

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<sup>1</sup> . 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, and then in force unless otherwise specified.

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

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 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.

1.10. The accounting records determined by the RFO shall be sufficient to show and explain the council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments and additional information, as the case may be, or management information prepared for the council from time to time 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 or receipts and payments account 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;
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;

- procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

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

- setting the final budget or the precept (council tax requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the General Power of Competence; and
- addressing recommendations in any report from the internal or external auditors, shall be a matter for the full council only.

## **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, the Town Clerk shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The Town Clerk shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.

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
- has 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 Council shall hold a Budget Vision and Policy Seminar every November in preparation for the Budget setting process early in the new year.

3.2. The RFO in consultation with the Town Clerk must each year, by no later than January 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.

3.4. The Council shall consider annual budget proposals in relation to the council's five year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.

3.5 The council shall fix the precept (council tax requirement), and relevant basic amount of council tax to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to Shropshire Council and shall supply each member with a copy of the approved annual budget.

3.6. 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 on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.2. No expenditure may be authorised that will exceed the amount provided in the revenue 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 recommended.

4.4. The salary budgets are to be reviewed at least annually in October for the following financial year.

4.5. In cases of extreme risk to the delivery of council services, the Town Clerk may authorise revenue expenditure on behalf of the council which in the Town 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 £10,000. The Clerk shall report such action to the Mayor/Deputy Mayor 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 (quarterly) provide a budget monitoring report, comparing actual expenditure to the appropriate date against that planned as shown in the budget.

4.9. 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. They shall be regularly reviewed for safety and efficiency.

5.2. The RFO shall prepare a schedule of payments requiring authorisation and, together with the relevant invoices, present the schedule to the two elected members (appointed at the Annual Council meeting) for checking. The accounts to then be submitted to the Town Clerk for payment approval. Thereafter the schedule to be placed before the Council who shall review the schedule for compliance and having satisfied itself shall confirm all payments made are in order by a resolution recorded with the minutes.

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 analyse them to the appropriate expenditure heading.

5.5. All payments apart from Petty Cash shall be affected by cheque, BACS or other Order drawn on the Council's bankers.

5.6. The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Receipts for payments made shall be forwarded to the RFO with a claim for reimbursement:

- (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 separately on the schedule of the payment of money.

5.7. Grants and donations will be considered (and approved) by Council in line with policy. Any decision to provide a grant or donation over and above the budgetary provision within the Free Resource Budget can only be made by Full Council.

5.8 Bank Accounts opened purely for investment purposes shall require the signatories of any two of those detailed on the bank mandate.

5.9 Purchase orders will not be required for the “monthly payment” schedule of regular payments held by the RFO. Purchase Orders are required for all other transactions.

## **6. Instructions for the making of payments**

6.1. The council will make safe and efficient arrangements for the making of its payments.

6.2. Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee or, if so delegated, the Clerk or RFO shall give instruction that a payment shall be made.

6.3. All payments shall be affected by BACS or cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council [or duly delegated committee].

6.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed in accordance with the bank mandate.

6.5. BACS shall be the preferred method of payment, verification to be confirmed by the Town Clerk or RFO.

6.6. No employee or councillor shall disclose any PIN or password, relevant to the working of the council or its bank accounts, to any person not authorised in writing by the council or a duly delegated committee.

6.7. The financial business of the Council will only be carried out electronically on Council owned and managed equipment.

6.8. Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator.

6.9. The Council credit card is to be used in emergency situations only when invoicing is not practicable, any use will be specifically restricted by the Town Clerk and the RFO.

6.10. Any Corporate Trade account opened by the council will be specifically restricted to use with Purchase Order numbers and shall be by settlement by invoice at each month end. Personal credit or debit cards of staff only to be used as a last resort.

## **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 Insurance currently operating, and salary rates shall be as agreed by council, or duly delegated committee.

7.2. Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to the next available council meeting, as set out in these regulations above.

7.3. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council outside the scheme of delegation.

7.4. Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

a) by any councillor who can demonstrate a need to know;

b) by the internal auditor;

c) by the external auditor; or

d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

7.5. The total of such payments in each calendar month shall be reported with all other payments as made as may be required under these Financial Regulations, to ensure that only payments due for the period have actually been paid.

7.6. An effective system of personal performance management should be maintained for all staff.

7.7. Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by council.

## **8. Loans and investments**

8.1. Borrowing is considered a measure of last resort. All borrowings shall be affected in the name of the council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The application for borrowing approval, and subsequent arrangements for the loan shall only be approved by full council.

8.2. Any financial arrangement which does not require formal borrowing approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the full council. In each case a report in writing shall be provided to council in respect of value for money for the proposed transaction.

8.3. 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.



8.4. The council shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Strategy and Policy shall be reviewed by the council at least annually.

8.5. All investments of money under the control of the council shall be in the name of the council.

8.6. All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

8.7. Payments in respect of short term or long-term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

## **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 council, 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 at least annually, as part of the budget setting process.

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.

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 with such frequency as the RFO considers necessary.

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 at least coinciding with the financial year end.

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 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. Any income arising which is the property of a charitable trust shall be paid into a charitable bank account. Instructions for the payment of funds due from the charitable trust to the council (to meet expenditure already incurred by the authority)

will be given by the Managing Trustees of the charity meeting separately from any council meeting (see also Regulation 16 below).

## **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 11.1 below.

10.4. An elected member may not issue an official order or make any contract on behalf of the council.

10.5. The Town Clerk/ RFO shall verify the lawful nature of any proposed purchase before the issue of any order over £500 in value.

## **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 provided that 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 such as are provided by legal professionals acting in disputes;

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 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 £5,000 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 Town Clerk/appropriate office shall invite tenders from at least three firms.

- (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 Council.
- (d) 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.
- (e) All tenders shall be sent directly to the Town Clerk.
- (f) If less than three tenders are received for contracts above £5,000 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.
- (g) Any invitation to tender issued under this regulation shall be subject to Standing Orders and shall refer to the terms of the Bribery Act 2010.
- (h) When it is to enter into a contract of more than £5,000 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 officers shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £5,000 and above £250 officers shall strive to obtain 3 estimates where appropriate. Otherwise, Regulation 10 (3) above shall apply.
- (i) The Council shall not be obliged to accept the lowest or any tender, quote or estimate and shall detail such a reason.
- (j) 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.
- (k) A public contract regulated by the Public Contracts Regulations 2015 with an estimated value in excess of £25,000 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.

A public contract regulated by the Public Contracts Regulations 2015 with an estimated value in excess of £181,302 for a public service or supply contract or in excess of £4,551,413 for a public works contract shall comply with the relevant procurement procedures and other requirements in the Public Contracts Regulations 2015.

## **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 council.

12.3. Any variation to a contract or addition to or omission from a contract must be approved by the Clerk to the contractor in writing, the council being informed where the final cost is likely to exceed the financial provision.

12.4 Contracts to be signed in accordance with bank mandates

### **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.

13.3. Stocks shall be kept at the minimum levels consistent with operational requirements.

13.4. The Operations Manager shall be responsible for periodic checks of stocks and stores at least annually.

14. Assets, properties and estates

14.1. The Town Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure a record is maintained of all properties held 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 movable property does not exceed £5,000.

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 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 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, possibly in conjunction with a health and safety inspection of assets.

## **15. Insurance**

15.1. Following the annual risk assessment (per Regulation 17), the Town Clerk shall effect all insurances.

15.2. The Town Clerk shall give prompt notification of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

15.3. The Town Clerk 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 Town Clerk 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.

15.5. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined [annually] by the council, or duly delegated committee.

## **16. Charities**

16.1. Where the council is sole managing 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.

## **17. Risk management**

17.1. The council is responsible for putting in place arrangements for the management of risk. The Town Clerk with the senior officers shall prepare, for approval by the council, risk management policy statements in respect of all activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.

17.2. When considering any new activity, the Clerk with the senior staff 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 from time to time. The Clerk and 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.

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.

**Reviewed March 2023**

**Date of next Review March 2024**