

SOUTHAM TOWN COUNCIL FINANCIAL REGULATIONS



Reviewed June 2023

These Financial Regulations were adopted by the Council at its Meeting held on 22nd June 2023.
The Responsible Financial Officer for Southam Town Council is the Town Clerk.

1. GENERAL

1.1 These financial regulations govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council. 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 financial control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk, measures for the timely production of accounts, safe and efficient safeguarding of public money and for the prevention and detection of fraud and corruption. These financial regulations demonstrate how the Council meets these responsibilities and requirements.

1.2 The Responsible Financial Officer (RFO), under the policy direction of the Council, shall be responsible for the proper administration of the Council's financial affairs.

1.3 The RFO shall be responsible for the production of financial management information in conjunction with the Council's Finance Officer.

1.4 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.

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

- a) 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;
- b) a record of the assets and liabilities of the Council; and
- c) 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.

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

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- a) procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- b) procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- c) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
- d) 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
- e) measures to ensure that risk is properly managed.

1.7 At least once a year, prior to approving the annual return, the Council shall conduct a review of the effectiveness of its system of internal controls which shall be in accordance with proper practices.

1.8 Deliberate or wilful breach of these financial regulations by an employee may give rise to disciplinary proceedings.

1.9 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).

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

- f) setting the final budget or the precept (council tax requirement);
- g) approving accounting statements;
- h) approving an annual governance statement;
- i) borrowing;
- j) writing off bad debts;
- k) declaring eligibility for the General Power of Competence; and
- l) addressing recommendations in any report from the internal or external auditors,

shall be a matter for the full Council only.

2. ANNUAL ESTIMATES (BUDGET)

2.1 Detailed estimates of all receipts and payments for the year shall be prepared each year by the RFO in conjunction with the Council's Finance Officer in the form of a budget by no later than 2nd Thursday in January to be considered by the Council.

2.2 The Council shall review the budget proposal no later than the end of January each year and shall fix the precept to be levied for the ensuing financial year. The RFO, in conjunction with the Finance Officer, shall issue the precept to the billing authority and supply each member with a copy of the approved budget.

2.3 The approved annual budget shall form the basis of financial control for the ensuing year.

3. BUDGETARY CONTROL

3.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.

3.2 No expenditure may be incurred that will exceed the amount provided in the approved budget for that class of expenditure by more than 15% other than by resolution of the Council. Contracts may not be disaggregated to avoid controls imposed by these financial regulations.

3.3 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 (expenditure) headings or to an earmarked reserve as appropriate.

3.4 The RFO shall on a quarterly basis in conjunction with the Finance Officer, provide the Council with a statement of receipts and payments to date under each head of the budget, comparing actual expenditure against that planned. These statements shall show explanations of material variances. For this purpose 'material' shall be in excess of 15% of the applicable budget head.

3.5 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 threatens the delivery of Council services and must be done at

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once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £500. The Clerk shall report the action to the Chairman as soon as possible and to the Council as soon as practicable thereafter.

3.6 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.

3.7 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 is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.

3.8 All capital works shall be administered in accordance with the Council's standing orders and financial regulations.

4. 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, appropriate guidance and proper practices.

4.2 The RFO in conjunction with the Council's Finance Officer shall be responsible for completing the annual financial statements of the Council 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 in conjunction with the Finance Officer shall be responsible for completing the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Smaller Authorities Audit Appointments Limited) and for submitting the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations, or set by the Auditor.

4.4 The RFO shall be responsible for ensuring that there is an 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

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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 by the RFO, or by the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual 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 in conjunction with the Finance Officer shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers, as required by applicable law including 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 and External Auditor, unless the correspondence is of purely administrative matter.

4.8 On a regular basis and at each financial year end, Finance Working Party members other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The chairman shall sign the reconciliations (or similar document) as evidence of verification.

5. BANKING ARRANGEMENTS CHEQUES AND STANDING ORDERS

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 They shall be reviewed annually for efficiency by the Finance Working Party.

5.2 A schedule of the payments required, forming part of the Agenda for the meeting, shall be prepared by the Finance Officer and presented to the Council. If the schedule is in order it shall be authorised by a minuted resolution of the Council and shall be signed by two councillors and the Town Clerk. A member who is a bank signatory, having a connection by virtue of family or business

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relationships with the beneficiary of a payment should not under normal circumstances, be a signatory to the payment in question.

5.3 Electronic payments 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 or, in the case of electronic payments, released, by two members of the Council. Standing order authorisations shall be signed by two members of the council.

5.4 Orders for payment shall not normally be presented for signature other than at a Council meeting (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.

5.5 The Council will make safe and efficient arrangements for the making of its payments. Authorised Councillors are requested to memorise their Unity PIN, to keep Unity Internet Banking log-on credentials in a safe and secure place and never write them down in a way they may be recognised. Log-on details must never be shared with another councillor or any other individual. If requested, Councillors are to release electronic payments on the Schedule of Payments within 24 hours of approval by Council resolution; the Clerk must be notified if this is not possible.

5.6 The Council, and any members using computers for the Council's financial business, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.

5.7 Any grants shall be within any limits set by Council and in accordance with any policy statement approved by Council. Any revenue or capital grant shall, before payment, be subject to ratification by resolution of the Council.5.9 Members are subject to a 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.

6. PAYMENT OF ACCOUNTS

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6.1 All payments shall be effected either by cheque drawn on the Council's bankers, electronic payment or if thought appropriate by the Council, payment for certain items (principally salaries) may be made by banker's standing order. All payments are to be reported to the Council as made. The approval of the use of a banker's standing order shall be renewed by resolution of the Council as required.

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 Finance Officer shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The Finance Officer shall take all steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.

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 Council, 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 a list of such payments shall be submitted to the next appropriate Meeting of Council.

6.5 The RFO may provide petty cash for the purpose of defraying postage and reimbursement of office expenses and shall ensure:

- m) payments to maintain the petty cash float are shown separately on the schedule of payments presented to Council under section 5.2 above; and
- n) the float is reconciled every month.

6.6 If thought appropriate by the Council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.

6.7. If thought appropriate by the Council, payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by

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variable direct debit provided that the instructions are signed by two members and any payments are reported to Council as made. The approval of the use of a variable direct debit shall be renewed by resolution of the Council as required.

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 salaries shall be as agreed by Council.

7.2 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 payroll records and on the appropriate dates, provided that each payment is reported to and ratified by the next available Council Meeting.

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.

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 (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than by any councillor who can demonstrate a need to know, an internal or external auditor or by any person authorised under 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 any senior officers.

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 the Council.

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7.8. Before employing interim staff, the Council must consider a full business case.

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 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. Any application for borrowing approval shall be approved by Council as to terms and purpose.

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 agreed by the Council, notified to the RFO and the RFO in conjunction with the Finance Officer 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/Finance Officer.

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 The origin of each receipt shall be entered on the paying-in slip.

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9.7 The Finance Officer 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 quarterly. Any changes to VAT status will be updated in these regulations.

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.

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 Automated orders shall be controlled by the RFO.

10.3 All members and Council 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, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11 (I) 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

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 emergency provided that this regulation shall not apply to contracts which relate to items (i) to (vi) below:

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- (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 additional audit work of the external Auditor up to an estimated value of £350 (in excess of this the Clerk and RFO shall act after consultation with the Chairman and Vice Chairman of the 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 £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 expected as set out in paragraph (a) the Clerk shall invite tenders from at least three firms. Where the value of the contract exceeds £25,000, the Council shall comply with the relevant requirements of the Public Contracts Regulations 2015 ("PCR"). The full requirements of the PCR, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in the PCR set by the Public Contracts Directive 2014/24/EU (which may change from time to time).
- (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 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. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed

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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 other officer.

(f) If less than three tenders are received for contracts above £5,000 (but below £25,000) 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) When it is to enter into a contract less 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 (a) the RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £1000 and above £100 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.

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

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 for approval of any overspend.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the contractor in writing, the Council 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 the store otherwise delivered and goods must be checked as to order and quality at the time of 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, which will be carried out by an independent auditor.

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 interest, tenancies granted, rents payable and purpose for which held in accordance with the 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 the 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 an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers.

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15.2 The RFO shall identify and recognise 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 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. CHARITIES

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

17. RISK MANAGEMENT

17.1 The Clerk/RFO shall prepare and promote risk management policy statements in respect of all activities of the Council.

17.2 When considering any new activity, the Clerk/RFO shall prepare a draft Risk assessment including risk management proposals and mitigating controls for consideration by the Council.

18. REVISION OF FINANCIAL REGULATIONS

18.1 It shall be the duty of the Council to review the financial regulations annually.

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

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of the risks arising has been drawn up and presented in advance to all members of Council.