



Annexe 2

Financial Regulations

CREDITON TOWN COUNCIL



JULY 2006

These Financial Regulations were adopted by the Council at its Meeting held on 25 July 2006

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. 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 and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.2. The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly. The RFO, acting under the policy direction of the Council, shall administer the Council's financial affairs in accordance with proper practices. The RFO shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the Council are maintained and kept up to date in accordance with proper practices.
- 1.3. The RFO shall produce financial management information as required by the Council.
- 1.4. At least once a year, prior to approving the annual return, the Council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.5. In these financial regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and then in force.
- 1.6. In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability in local Councils in England and Wales – a Practitioners' Guide which is published jointly by NALC and SLCC and updated from time to time.

2. Annual Estimates (BUDGET)

- 2.1. Each committee, if appropriate, shall formulate and submit proposals to the Finance Committee in respect of revenue services and capital projects including the use of reserves and all sources of funding, for inclusion in the rolling capital programme not later than the end of November each year.
- 2.2. Detailed estimates of income and expenditure on revenue services, and receipts and payments on capital account, including the use of reserves and all sources of funding, shall be prepared each year by the RFO in the form of a budget to be considered by the Council.
- 2.3. The Finance Committee shall review the budget and submit its recommendations to the Council not later than seven days before the date of the Council meeting in January and shall also recommend the precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.4. The annual capital and revenue budgets shall form the basis of financial control for the ensuing year.

- 2.5. The Council shall consider the need for and shall have regard to a three-year forecast of Revenue and Capital Receipts and Payments which may be prepared at the same time as the annual Budget.

3. Budgetary Control

- 3.1. Expenditure on the revenue account may be incurred up to the amounts included for that class of expenditure in each approved budget.
- 3.2. No expenditure may be incurred that will exceed the amount provided in the revenue budget for that class of expenditure. During the budget year and with the approval of 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.
- 3.3. The RFO shall periodically provide the Finance Committee or the Council with a statement of income and expenditure to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.
- 3.4. The Clerk may incur expenditure on behalf of the Council which is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £2,500. The Clerk shall report the action to the Council as soon as practicable thereafter.
- 3.5. 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.
- 3.6. No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving expenditure on capital account unless the Council or the committee concerned are satisfied that the necessary funds are available, or the requisite borrowing approval can be obtained.
- 3.7. All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

4. Accounting and Audit

- 4.1. All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations.
- 4.2. The RFO shall complete the annual financial statements of the Council, including the Council's annual return, as soon as practicable after the end of the financial year and shall submit them to and report thereon to the Council or the Finance Committee.
- 4.3. The RFO shall complete the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and shall submit the Annual Return for approval and authorisation by the Council within the timescale set by the Accounts and Audit Regulations 2003.

- 4.4. The RFO shall ensure that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council shall, if the RFO requires, make available such documents of the Council which relate to their accounting and other records as appear to the RFO or Internal Auditor to be necessary for the purpose of the 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 be appointed by and shall carry out the work required by the Council in accordance with proper practices. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual written report in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Council.
- 4.6. The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.7. The RFO shall, as soon as practicable, bring to the attention of all Councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

5. Banking Arrangements and Cheques

- 5.1. The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Council or the Finance Committee.
- 5.2. A schedule of payment of money shall be prepared by the RFO and presented to the Council. If the schedule is in order it shall be authorised by a resolution of the Council and signed by the chairman or vice chairman.
- 5.3. Cheques drawn on any bank account in accordance with the schedule shall be signed by two of the following members of the Council – the chairman, vice-chairman and vice-chairman of the General Purposes Committee.
- 5.4. To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.

6. Payment of Accounts

- 6.1. Apart from petty cash payments, all payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2. All invoices for payment shall be examined, verified and certified by the officer issuing the order. Before certifying an invoice the officer shall satisfy himself that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 6.3. Duly certified invoices shall be passed to the RFO who shall examine them in relation to arithmetical accuracy and authorisation and allocate them to the

appropriate expenditure head. The Clerk 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 Clerk and RFO certify that there is no dispute or other reason to delay payment, the Clerk may (notwithstanding para 6.3) take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- 6.5. All duly certified invoices shall be entered on the schedule referred to in 5.2 above.
- 6.6. The Clerk, Assistant Clerk or RFO may provide petty cash and shall maintain a float to a limit of £100 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payments.
- 6.7. Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.
- 6.8. Payments to maintain the petty cash float shall be shown separately on the schedule of payment of money presented to the Council.
- 6.9. If thought appropriate by the Council, payment for utility supplies (energy, telephone and water) may be made by variable Direct Debit provided that the instructions are signed by two members and any payments are reported to Council as made.

7. Payment of Salaries and Wages

- 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 and wages shall be carried out in accordance with the Council's records and Devon County Council's payroll regulations.
- 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 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 Clerk or RFO in the name of the Council, and shall be for a set period of time in accordance with Council policy. Changes to loans and investments should be reported to the Council or the Finance Committee at the earliest opportunity.
- 8.2. The Council shall consider the need for an Investment Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Policy shall be reviewed at least annually.
- 8.3. All investments of money under the control of the Council shall be in the name of the Council.

8.4. All borrowings should be effected in the name of the Council, after obtaining all necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The terms and conditions of borrowings shall be reviewed at least annually.

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

9. Grants to Local Organisations

9.1. The project or organisation should be providing a service, entertainment or other function, which is, or will be, of benefit to the citizens of Crediton in general.

9.2. No project or organisation, apart from those receiving standing annual grants, should receive a grant for more than two successive years and after receiving a grant twice should not normally receive another grant for a further two years – other than in exceptional circumstances.

9.3. The maximum value of any grant to a project or organisation, apart from those receiving standing annual grants, shall normally be £300.

9.4. The total value of all grants to projects or organisations shall not be more than £1500 in any one financial year.

9.5. The Council will consider requests for grants from projects or organisations with more favour if it can be shown that the project or organisation has actively and recently sought financial support from other sources.

9.6. The Council may expect projects or organisations to furnish the following information:

- (a) The purpose for which a grant is required
- (b) A brief account of the group or organisation's activities over the preceding year.
- (c) A brief account of the plans for the following year.
- (d) Budget for the year to come with the following information:
 - (i) Income anticipated (including other grants applied for).
 - (ii) Proposed expenditure.
- (e) A copy of the most recent accounts.

9.7. A condition of any grant may be that the Council may require a report on the actual use of the grant.

10. Income

10.1. The collection of all sums due to the Council shall be the responsibility of and under the supervision of the Clerk or RFO.

10.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be notified to the Clerk or RFO and the Clerk or RFO shall be ultimately responsible for the collection of all accounts due to the Council.

10.3. The Council will review all fees and charges annually, following a report of the Clerk.

10.4. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.

- 10.5.** All sums received on behalf of the Council shall either be paid to the Clerk, Assistant Clerk or RFO for banking or be banked by the officer collecting the money as directed by the Clerk, Assistant Clerk or RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the Clerk or RFO considers necessary.
- 10.6.** A reference to the related debt, or otherwise, indicating the origin of each cheque or receipt, shall be entered on the paying-in slip.
- 10.7.** Every transfer of official money from one member of staff to another shall be signed for by the receiving officer.
- 10.8.** Personal cheques shall not be cashed out of money held on behalf of the Council.
- 10.9.** The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.
- 10.10.** 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.

11. Orders for Work, Goods and Services

- 11.1.** An official order or letter shall be issued for all work, goods or services unless a formal contract is to be prepared or an official order would be inappropriate e.g. petty cash purchases. Copies of orders issued shall be maintained.
- 11.2.** 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 12 (I) below.
- 11.3.** 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.

12. Contracts

- 12.1.** Procedures as to the contracts are laid down in the Council's standing orders as follows:
 - (a) Every contract whether made by the Council or by a committee to which the power of making contracts has been delegated shall comply with these standing orders, and no exception from any of the following provisions of these standing orders shall be made otherwise than by direction of the Council or in an emergency by such committee as aforesaid provided that these standing orders shall not apply to contracts which relate to items (i) to (v) below:
 - (i) for the supply of gas, electricity, water, sewerage, telephone and other electronic communications.

- (ii) for specialist services such as provided by solicitors, accountants, auditors, 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 £350 (in excess of this sum the Clerk/RFO shall act after consultation with the Chairman and Vice Chairman of Council);
 - (vi) for goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.
- (b) Where it is intended to enter into a contract:
- (i) Exceeding £2,500 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 out in paragraph (a) above, the Clerk shall invite tenders from at least three firms, such firms to be taken from the appropriate approved list.
 - (ii) For expenditures of £2,500 or less in value the chairman of the Council or his appointed vice-chairman together with the Clerk or duly authorised deputy shall have executive power.
 - (iii) For expenditures of £500 or less in value the Clerk shall have executive power provided sufficient budget allocations have been set by the Council.
- (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) 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 or the properly authorised deputy in the presence of at least one member of the Council.
- (f) If less than three tenders are received for contracts valued above £2,500 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 £2,500 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £1,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 11 (2) above shall apply.

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

13. Assets, Properties and Estates

13.1. The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.

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

13.3. 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.

14. Insurance

14.1. Following the annual risk assessment, The Clerk or RFO shall effect all insurances and negotiate all claims on the Council's insurers.

14.2. The Clerk or RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

14.3. The Clerk or RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim.

14.4. 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.

15. Charities

15.1. Where the Council is sole trustee of a Charitable body the Clerk and RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The Clerk and RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

16. Risk Management

16.1. The Council is responsible for putting in place arrangements for the management of risk. The Clerk 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. The Clerk with 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 Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

17. Investment Strategy and Policy

17.1. Strategy

- a) From time to time Crediton Town Council may have surplus funds in its bank account. It is important that these funds are invested prudently, with full recognition of the Town Council's responsibility to the Council Tax payer, and with regard to the priority for security and liquidity of those investments. No investment is without risk. It is the Council's duty to ensure that such risk is minimised through prudent management of its investments in accordance with legislation and recognised standards (Local Government Act 1972, Local Government Act 2003, Account and Audit Regulations 2003 and NALC/SLCC/CIPFA Guide on Governance and Accountability in Local Councils).
- b) The Town Council is required by the Local Government Act 2003 to have in place an Investment Policy. The policy must be approved by the Town Council, but may be varied from time to time as circumstances alter. The Investment Strategy and Policy will be a public document as defined by the Freedom of Information Act 2000.

This document sets out the Town Council's policy for managing any investments that it makes.

17.2. Policy

- a) *Cash not immediately required*
 - (i) To retain not less than two months average working capital requirement in current and deposit accounts giving immediate access.
 - (ii) If necessary, to place any other funds on deposit of up to one year's duration, depending upon the prevailing interest rates and forecast cash flow requirements.
 - (iii) Funds only to be deposited or invested with:
 - (a) UK clearing banks or their subsidiaries, together with those former major building societies now banks, subject to their being assigned a credit rating of 'A' or above from Standard and Poor's or Moody's Investment Services Inc.
 - (b) UK Government stocks.
 - (c) UK local authority stocks and bonds.
- b) *Investments/Shares*
 - (i) To hold UK shares that comply with the Trustee Act 2000 in such quantity as the Council shall from time to time approve as a medium to long term Investment.
 - (ii) All investment transactions shall be in the name of the Council.

18. Revision of Financial Regulations

- 18.1.** It shall be a duty of the Finance Committee to review the financial regulations of the Council from time to time and to make such recommendations to the Council as the Committee considers are required. 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.