



## FARNHAM TOWN COUNCIL

### FINANCIAL REGULATIONS 2018

These Revised Financial Regulations were adopted by the Council at its Meeting in April 2018.

#### 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, and be read in conjunction with the Council's standing orders.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The Town 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 legislation and/or 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 as amended 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 for smaller authorities in England – a Practitioners' Guide* which is published jointly by JPAG ( Joint Panel on accountability and governance including NALC and SLCC) and updated from time to time (latest edition March 2018).

## **2 ANNUAL ESTIMATES**

- 2.1 Each Committee/Working Group shall formulate and submit proposals to the Council in respect of revenue and capital including the use of reserves and sources of funding for the following financial year not later than the end of November each year.
- 2.2 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the Council.
- 2.3 The Council shall review the budget not later than the end of January each year and shall fix 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 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 revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 The Town Clerk is authorised to vire money between budget heads in association with the Lead Member of Strategy and Finance and the Lead Member of the relevant Working Group in order to reflect changing requirements throughout the year. Any such virement is to be reported to the Council.
- 3.3 The RFO shall regularly provide the Council with a statement of income and expenditure, based on receipts and payments 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 for consideration by the Strategy and Finance Working Group.
- 3.4 The Town 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 urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £7,500. The Town 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 specifically agreed by resolution of the Council.
- 3.6 Changes in earmarked reserves shall be approved by Council as part of the budgetary control process.
- 3.6 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.
- 3.7 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 and report thereon to the Council.
- 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 timescales set by the Accounts and Audit Regulations.
- 4.4 The RFO shall ensure 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 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, or in person, 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. They shall be regularly reviewed for efficiency.
- 5.2 Cheques drawn on the bank account shall be signed by two members of Council. In the case of cheques of £10,000 or more, three members of the Council will be required to sign.
- 5.3 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.
- 5.4 Electronic payments may be made (e.g. by BACS transfer) provided that payment authorisation is given by the required number of Councillors set out in Regulations 5.2. Electronic payments will be the primary method of payment.
- 5.5 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
- 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 Where internet banking arrangements are made with any bank, the Clerk [RFO] shall be appointed as the Service Administrator. The bank mandate approved by the council shall identify a number of councillors who will be authorised to approve transactions on those

accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.

- 5.8 Access to any internet banking accounts will be directly to the access page (which may be saved under “favourites”), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.
- 5.9 Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by two of the Clerk/RFO/ bookkeeper/accountant/a member. A programme of ad hoc checks of standing data with suppliers will be followed.

## **6 PAYMENT OF ACCOUNTS**

- 6.1 All payments shall be made by electronic transfer, cheque or other order drawn on the Council’s bankers.
- 6.2 All invoices for payment shall be examined, verified and certified by the Town Clerk. The Town 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 RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. All invoices submitted, which are in order, should be paid promptly and reported in accordance with these Financial Regulations.
- 6.4 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, where the Town Clerk and RFO certify that there is no dispute or other reason to delay payment, the Town 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 the Strategy and Finance Working Group.
- 6.5 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
- a) The RFO shall maintain a petty cash float of up to £500 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 accounted for 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.
- 6.6 If thought appropriate by the Council (e.g. for business rates, utility supplies, postage and telephones) payments may be made by variable Direct Debit provided that the instructions are reviewed by two members and any payments are reported to Council as made. The approval of the use of a variable Direct Debit shall be reviewed by the Council at least every two years.
- 6.7 Contracts may be paid by instalments by standing order or direct debit provided that budgetary provision has been obtained.

- 6.8 Designated Officers may make official purchases on commercial cards or procurement cards, subject to agreed limits and each statement being reviewed by the required number of Councillors set out in Regulation 5.2.
- 6.9 A schedule of the payments made, and authorised by the requisite number of councillors is set out in Financial Regulation 5 shall be prepared by the RFO and, together with the relevant invoices, be available for inspection at each meeting of the Strategy and Finance Working Group. The detail may be shown in the Minutes of the Meeting.

## **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 the payroll records and on the appropriate dates stipulated in employment contracts. The Council may use an external payroll provider and updated payroll information shall be provided to Council or the appropriate Committee or Working Group on a regular basis and detailed records kept (although such records are confidential and are not open for 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.
- 7.3 Any increments payable in accordance with staff contracts shall be reviewed and implemented by the Town Clerk and reported to the HR Panel.

## **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 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 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. 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 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 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 annually, following a report of the Town Clerk.
- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall normally be written off in the year. Authorisation of bad debt write-offs of up to £500 shall be delegated to the Town Clerk in consultation with the Strategy and Finance Working Group, and recorded in the minutes of the Working Group.
- 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 i) The origin of each receipt shall be entered on the receipt/paying-in slip.  
ii) Receipt books shall be controlled by the RFO and kept securely
- 9.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8 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.
- 9.9 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 Order books shall be controlled by the RFO and kept securely.
- 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, in accordance with Regulation 11.
- 10.4 A member may not issue an official order or make any contract on behalf of the council.
- 10.5 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

## 11 CONTRACTS

### 11.1 General

- a) Every contract shall comply with these financial regulations. The following, however, are exceptions to the regulations set out in 11.2 Contract Levels

- i) in an emergency (see also 3.4);
  - ii) for the supply of gas, electricity, water, sewerage and telephone services;
  - iii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
  - iv) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery, equipment or plant;
  - v) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council (see also 12.2);
  - vi) for goods or materials which are proprietary articles and/or sold at a fixed price.
  - vii) where the Council accepts a proposal from the Town Clerk, to waive Financial Regulations.
  - vii) where the supply of goods or services is called off from a Framework Agreement as defined by the Office of Government Commerce (OGC).
- b) The Council shall not be obliged to accept the lowest or any tender, quotation or estimate.

## 11.2 Contract levels

- a) For contracts with an estimated value in excess of 221,000 euros (£181,302 ) for supplies and services and 5,548,000 euros (£4,551,413 ) for works, tenders (or as otherwise amended from time to time) should be sought in accordance with the European Union Public Sector Procurement Rules .
- b) Any proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £50,000 shall be procured on the basis of a formal tender as follows:
- i) a specification of the goods, materials, services and the execution of works shall be drawn up;
  - ii) a public notice of the intention to place a contract shall be made;
  - iii) tenders are to be sent, in a sealed marked envelope, to the Town Clerk by a stated date and time;
  - iii) tenders submitted are to be opened, after the stated closing date and time, by the Town Clerk in the presence of at least one member of Council;
  - iv) tenders are then to be assessed and reported to the appropriate meeting of the Council or Committee, Working/Task Group
- c) Any tender notice shall contain a reference to the Standing Orders 20 and 24 regarding improper activity and shall refer to the terms of the Bribery Act 2010
- d) For any proposed contract for the supply of goods, materials, services and the execution of works with an estimated value between £7,500 and £50,000
- i) at least three quotations should be sought.
  - ii) quotations are then to be assessed and reported to the appropriate meeting of Council, Committee or Working/Task Group
  - iii) in compliance with the Public Contracts Regulations 2015, the Council shall advertise all contracts with an estimated value over £25,000 on the Contract Finder website ([www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)) and in other relevant places.
- e) For any proposed contract for the supply of goods, materials, services and the execution of works with an estimated value between £2,000 and £7,500
- i) at least two quotations or estimates should be sought.

- ii) The Town Clerk shall have the discretion to determine the successful contractor.
- f) For individual purchases under £2,000, The Town Clerk shall have discretion to achieve the best value for goods or services.
- g) Due regard should be given to “Fair Trade” alternatives and the promotion of sustainable development in the purchase of goods and drawing up of specifications.
- h) Where possible, opportunities should be afforded to local businesses to quote for the provision of goods and services.

## **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 Town 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/team 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 RFO 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 of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.
- 14.2 No 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 £750.

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.

14.4 Any acquisition valued at over £250 should be included on the Asset Register

14.5 An inventory of other valuable items shall be maintained.

## 15 **INSURANCE**

15.1 Following the annual risk assessment (per Financial Regulation 17), the RFO shall effect all insurances and negotiate all claims on the Council's insurers.

15.2 The Town Clerk shall review 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 affected 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 Town 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 Town Clerk /RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

16.2 These Financial Regulations shall be applied to the administration of the charitable body.

## 17 **RISK MANAGEMENT**

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

## 18 **FINANCIAL TRANSPARENCY**

The council will comply with the requirements of the Local Government Transparency Code 2014 (or any subsequently amended version).

**MATERIALITY**

In defining 'materiality' for decisions that have been delegated (Part 3 of the Openness of Local Government Bodies Regulations 2014) and need to be recorded in accordance with the Regulations, a sum above £7,500 is considered material.

**REVISION OF FINANCIAL REGULATIONS**

- 20.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The Town 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.
- 20.2 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.

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Revision adopted April 2018