



# **GODMANCHESTER TOWN COUNCIL**

## **FINANCIAL REGULATIONS**

These Financial Regulations should be read in conjunction with Governance and Accountability for Local Councils – A Practitioner’s Guide 2010 (England).

The Financial Regulations will be signed by the incoming Mayor, and read in conjunction with The Town Councillor’s Guide, Town Council Standing Orders and the Code of Conduct.

**Town Mayor**

**18 May 2017**

***Godmanchester Town Council is a non-Party Political Body***



***Amendment History:***

<b>Paragraph</b>	<b>Detail</b>	<b>Approval Date</b>
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Review	Revised and re-adopted	18 May 2017



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# 1 GODMANCHESTER TOWN COUNCIL FINANCIAL REGULATIONS

## 1.1 GENERAL

- 1.1.1 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. They are designed to demonstrate how the Council meets those responsibilities.
- 1.1.2 The Responsible Financial Officer (RFO) is a statutory office and is to be appointed by the Council. A Clerk has been appointed as RFO for Godmanchester Town Council, and these regulations will apply accordingly. The RFO, acting under the policy direction of the Council, will administer the Council's financial affairs in accordance with proper, agreed practices. The RFO will determine, on behalf of the Council, its accounting records and accounting control systems. The RFO will 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.
- 1.1.3 The RFO is to produce financial management information as required by the Council.
- 1.1.4 At least once a year, prior to approving the annual return, the Council will conduct a review of the effectiveness of its system of internal controls which will be in accordance with proper practices.
- 1.1.5 In these financial regulations, references to the Accounts and Audit Regulations mean the Regulations issued under the provisions of Section 27 of the Audit Commission Act 1998 and any subsequent amendments. The term 'proper practice' or 'proper practices' refer to guidance issued in Governance and Accountability in Local Councils in England and Wales - a Practitioners' Guide, published jointly by NALC and SLCC, and updated from time to time.

## 1.2 ANNUAL ESTIMATES (BUDGET)

- 1.2.1 Each Working Party is to formulate and submit proposals to the finance meeting of the Council held no later than 31<sup>st</sup> October in respect of revenue and capital expenditure, including the use of reserves and sources of funding for the following financial year not later than 30 November each year.



- 1.2.2 Detailed estimates of all receipts and payments, including the use of reserves, and all sources of funding for the year are to be prepared each year by the Finance Working Party and the RFO in the form of a budget to be considered by the Council.
- 1.2.3 The Council will review the budget not later than 31 January each year and fix the Precept to be levied for the next financial year. The RFO will issue the precept to the billing authority and supply each Council member with a copy of the approved budget.
- 1.2.4 The annual budgets will form the basis of the financial controls for the ensuing year.
- 1.2.5 The Council will consider the need for and 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.

### **1.3 BUDGETARY CONTROL**

- 1.3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget. 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 the 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.
- 1.3.2 The RFO, in conjunction with the Finance Working Party, will regularly provide the Council with a statement of receipts and payments to date under each heading 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 by the end of each financial quarter and presented at the Council meetings in July, October, January and April.
- 1.3.3 The Clerk may incur expenditure on behalf of the Council to carry out any essential 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 **£500**, and up to **£2,000** with the prior agreement of at least two Town Councillors (The Mayor and the Chair of the Finance Working Party if possible). The Clerk will report the action to the Council as soon as practicable thereafter.
- 1.3.4 Unspent provisions in the revenue budget cannot be carried forward to the subsequent year, unless placed in an earmarked reserve by resolution of the Council.



- 1.3.5 No expenditure is to 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.
- 1.3.6 All capital works are to be administered in accordance with the Council's standing orders, and financial regulations relating to contracts.

## 1.4 ACCOUNTING AND AUDIT

- 1.4.1 All accounting procedures and financial records of the Council will be determined by the RFO in accordance with the Accounts and Audit Regulations.
- 1.4.2 The RFO is to 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 submit them and report thereon to the Council.
- 1.4.3 The RFO is to 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 submit the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations (and by 30 September at the latest).
- 1.4.4 The RFO is to ensure that there is an adequate and effective system of internal audit for the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council will, 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 supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.
- 1.4.5 The Internal Auditor is to be appointed by and carry out the work required by the Council in accordance with proper practices. The Internal Auditor, who is to be competent and independent of the operations of the Council, will report to the Council in writing or in person on a regular basis. There are to be a minimum of two written reports in each financial year, to be carried out at irregular intervals. In addition, a detailed review of the adequacy and effectiveness of the Council's internal control system is to be carried out by the internal auditor bi-annually; it is to be carried out distinct from other audits. In order to demonstrate objectivity and independence, the internal auditor is to be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Council.



- 1.4.6 The RFO is to 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 the Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 1.4.7 The RFO will, 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.

## **1.5 BANKING ARRANGEMENTS AND CHEQUES**

- 1.5.1 The Council's banking arrangements, including the Bank Mandate, is to be produced by the RFO and approved by the Council. They are to be reviewed every year for efficiency.
- 1.5.2 A schedule of the payments required, forming part of the Agenda for the Council Meeting, is to be prepared by the RFO and, together with the relevant invoices, be presented to the Council. If the schedule is in order it is to be authorised by a resolution of the Council, and the detail shown in the Minutes of the Meeting.
- 1.5.3 Cheques drawn on the bank account in accordance with the schedule referred to above, or in accordance with paragraph 1.6.4 below, are to be signed by two members of Council. The cheque book is to be held in a secure location by the RFO. A list of Councillors authorised to sign cheques is held by the RFO and is to be reviewed annually. Councillors will have no other access to the cheque book.
- 1.5.4 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 will each also initial the cheque counterfoil and the invoice.
- 1.5.5 A total of at least five invoices are to be checked against cheques presented. Additionally, salary payments will be checked against the schedule. A total of at least five receipts will be checked against bank statements to confirm payments to the Council have been correctly banked. A check list will be presented each month for completion by the Cllrs who sign the cheques and check the invoices.
- 1.5.6 Cheques or orders for payment shall not normally be presented for signature other than at a council meeting. Any signatures obtained away from such meetings shall be reported to the council at the next meeting.
- 1.5.7 If thought appropriate by the council, payment for invoices may be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by



two individual authorised bank signatories are retained and payments are reported to the council as made. The approval of the use of BACS or CHAPS shall be renewed by resolution of the council at least every two years.

- 1.5.8 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.
- 1.5.9 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.
- 1.5.10 Where internet banking arrangements are made with the bank, the Clerk (RFO) shall be appointed as the Service Administrator. The Bank Mandate approved by 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 Service Administrator with the approval of two individual councillors.
- 1.5.11 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 password 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.

## 1.6 PAYMENT OF ACCOUNTS

- 1.6.1 All payments, except for small payments made from petty cash, are to be effected by cheque or other order drawn on the Council's bankers.
- 1.6.2 All invoices for payment are to be examined, verified and certified by the Clerk, who is to be satisfied that the work, goods or services to which the invoice relates have been approved, received, carried out and, where necessary, examined.
- 1.6.3 The RFO is to examine invoices in relation to ensure accuracy, and list them under the appropriate expenditure heading, The Clerk is to take all steps to settle invoices submitted, and which are in order, at the subsequent Council Meeting.
- 1.6.4 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 the Council, and where the Clerk certifies that there is no dispute or other reason to delay payment, the Clerk may take all steps necessary to settle such invoices, provided that a list of such payments are submitted to the next appropriate Council meeting.



- 1.6.5 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made are to be forwarded to the RFO with a claim for reimbursement. The RFO will maintain as petty cash a float of £50 for the purpose of covering day-to-day office expenses. Vouchers for payments made from petty cash are to be kept to substantiate the payment.
- 1.6.5.1 Income received must not be paid into the petty cash float but must be banked separately, as provided elsewhere in these regulations.
- 1.6.5.2 Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council under 1.5.2 above
- 1.6.6 If thought appropriate by the Council, payment for utility supplies (energy, telephone and water) and rates may be made by variable Direct Debit, provided that the instructions are signed by two Council members and any payments are reported to Council as having been made. The approval of the use of a variable Direct Debit will be renewed by resolution of the Council at least every two years.

## 1.7 PAYMENT OF SALARIES

- 1.7.1 As an employer, the Council will make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries is to be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries will be as agreed by the Council.
- 1.7.2 Payment of salaries and 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.

## 1.8 LOANS AND INVESTMENTS

- 1.8.1 The Council will consider the need for an Investment Policy which, if drawn up, is to be in accordance with relevant regulations, proper practices and guidance. Any Policy will be reviewed at least annually. All loans and investments will be negotiated in the name of the Council and over a set period in accordance with Council policy.
- 1.8.2 All investments of money under the control of the Council will be in the name of the Council.



- 1.8.3 All borrowings will be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval is to be approved by Council as to terms and purpose. The terms and conditions of borrowings are to be reviewed at least annually. All investment certificates and other documents relating thereto are to be retained in the custody of the RFO.
- 1.8.4 Wherever possible, independent advice is to be sought prior to any investment.

## 1.9 ORDERS FOR WORK, GOODS AND SERVICES

- 1.9.1 An official order or letter is to be issued for all work, goods or services, unless a formal contract has been prepared, or an official order considered inappropriate. Copies of all orders are to be retained. Order books are to be controlled by the RFO.
- 1.9.2 Members and Officers are responsible for obtaining value for money at all times. An officer issuing an official order is to ensure, as far as is reasonable and practical, that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers where the cost is likely to be over £2,000, for contracts above £10,000 an officer will seek three competitive tenders, subject to any *de minimis* provisions in Regulation 1.10.1 below
- 1.9.3 The RFO is to 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 is to ensure that the statutory authority is reported to the meeting at which the order is approved, so that the Minutes can record the power being used. Where the RFO is unsure about the nature or requirement of any payment, they are to confirm the details with the supplier.

## 1.10 CONTRACTS

- 1.10.1 Procedures for contracts are as follows:
- 1.10.1.1 Every contract is to comply with these financial regulations, and no exceptions made other than with the approval of the Council for a waiver in accordance with Regulation 1.10.1.2, or in an emergency provided that these regulations do not apply to contracts which relate to items listed below:
- 1.10.1.1.1 the supply of gas, electricity, water, sewerage and telephone services;
- 1.10.1.1.2 specialist services such as those provided by solicitors, accountants, surveyors and planning consultants:



- 1.10.1.1.3 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;
  - 1.10.1.1.4 work to be executed or goods or materials to be supplied, which constitute an extension of an existing contract by the Council;
  - 1.10.1.1.5 additional audit work of the external Auditor up to an estimated value of £250 (in excess of this sum the RFO will act only after consultation with the Mayor and Deputy Mayor);
  - 1.10.1.1.6 goods or materials proposed to be purchased, which are proprietary articles and/or only sold at a fixed price.
- 1.10.1.2 Where the Council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 ('the Regulations) which is valued at £25,000 or more, the council shall comply with the relevant requirements of the Regulations<sup>1</sup>.
- 1.10.1.3 The full requirements of The Regulations, 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 Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)<sup>2</sup>.
- 1.10.1.4 When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition due an emergency. The RFO will seek approval from the Mayor or Deputy Mayor and one other Councillor for the action taken. The reason is to be embodied in a recommendation to the Council.
- 1.10.1.5 Invitations to tender will state the general nature of the intended contract. The Clerk is to obtain the necessary technical assistance to prepare a specification in appropriate cases. In addition, the invitation will state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm will be supplied with a specifically marked envelope in which the tender is to be sealed, and remain sealed until the prescribed date for opening tenders for the contract.
- 1.10.1.6 All sealed tenders are to be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council.

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<sup>1</sup>The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts.

<sup>2</sup>Thresholds currently applicable are:

- a. For public supply and public service contracts 209,000Euros (164,176)
- b. For public works contracts 5,225,000Euros (4,104,394)



- 1.10.1.7 Any invitation to tender under this regulation shall be subject to Standing Orders 1.12<sup>3</sup> and shall refer to the terms of the Bribery Act 2010.
- 1.10.1.8 When it is to enter into a contract of less than £25,000 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 1.10.1.1 but above £10,000 the Clerk or RF will seek obtain three tenders. Where it is to enter into a contract of less than £10,000 but above £2,000 the Clerk or RF shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £2,000 and above £500 the Clerk or RFO will strive to obtain 3 estimates. Otherwise, Regulation 1.9.2 shall apply.
- 1.10.1.9 Any request for an “up-front” payment towards the cost of any contract will be considered, but is not to exceed 50% of the full amount.
- 1.10.1.10 The Council is not obliged to accept the lowest or any tender, quote or estimate.

## **1.11 PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

- 1.11.1 Payments on account of the contract sum are to be made within the time specified in the contract by the RFO, on authorised certificates from the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract)
- 1.11.2 Where contracts provide for payment by instalments, the RFO will 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 by 5% or more a report is to be submitted to the Council.
- 1.11.3 Any variation, addition to or omission from a contract must be approved by the Council and Clerk and communicated to the Contractor in writing; the Council is to be informed where the final cost is likely to exceed the financial provision.

## **1.12 ASSETS, PROPERTIES AND ESTATES**

- 1.12.1 The Clerk will make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO will also 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 they are held in accordance with Accounts and Audit Regulations.



<sup>3</sup>Based on NALC's model standing order 18d in Local Councils Explained 2013 National Association of Local Councils

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

1.12.3 The RFO will 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 is to be verified at least annually, perhaps in conjunction with the health and safety inspection of assets.

## 1.13 RISK MANAGEMENT

1.13.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk is to prepare, for approval by the Council, risk management policy statements in respect of all Council activities. Risk policy statements and consequential risk management arrangements are to be reviewed at least annually by the Council.

1.13.2 When considering any new activity, the Clerk is to prepare a draft risk assessment, including risk management proposals, for consideration and adoption by the Council.

## 1.14 INSURANCE

1.14.1 Following the annual risk assessment at paragraph 1.13 above, the RFO will effect all insurances and negotiate all claims on the Council's insurers. The RFO is to keep a record of all insurances affected by the Council and the property and risks covered, and review it annually.

1.14.2 The RFO is to be notified of any loss liability, damage or any event likely to lead to a claim, and report these to Council at the next available meeting.

1.14.3 All appropriate employees of the Council are to be included in a suitable fidelity guarantee insurance, which is to cover the maximum risk exposure as determined by the Council.

## 1.15 REVISION OF FINANCIAL REGULATIONS

1.15.1 It is the duty of the Council to review these Financial Regulations at least every two years. The Clerk is to make arrangements to monitor changes in legislation or proper practices, and advise the Council of any requirement for consequential amendments.