

FROME TOWN COUNCIL

Chapter 3 - Financial Regulations

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Appendix 2

Financial regulations		Page	Financial regulations		Page
1	General	3	13	Stock and Equipment	9
2	Accounting and Audit	3	13	Asset Register	10
3	Annual Estimates and Precept	3	13	Land and Property Assets	10
4	Budgetary Control	4	14	Contracts, Quotes and Tenders	10
4	Capital Funding	4	14	Contracts, Quotes and Tenders	10
4	Revenue Funding	4	14	Quotations and Tenders	11
5	Reserves	5	14	Invitation to and acceptance of Quotations	11
5	General Reserves	5	14	Invitation to and acceptance of Tenders	11
5	Earmarked Reserves	5	14	Contract Conditions	12
6	Investments and Loans	5	14	Special Equipment or Services	12
7	Charities and Trust Funds	6	14	British Standards	13
8	Banking Arrangements – Cheques, Chargecard and Petty Cash	6	14	Cancellation of Contract	13
8	Payments for works, goods or services	6	14	Appointment of Consultants	13
9	Orders for Works, Goods and Services	7	14	Management of Contracts	13
10	Salaries and Allowances	7	15	Contracts for Building, Other Construction or Engineering Work	14
11	Grants to External Organisations	8			
12	Income	8			
13	Risk Management and Insurance	9			

Appendix 2

1 GENERAL

- 1.1 Financial Regulations govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council. They shall be reviewed annually.
- 1.2 The Council may delegate responsibility for expenditure to a Committee provided it is within the budget allocated by the Council.
- 1.3 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, and for the production of financial management information. Where the RFO is responsible for specific actions within the policy, they may delegate the action to another member of staff whilst retaining the full responsibility for accuracy and completeness.
- 1.4 These regulations apply to all employees and Members of the Council as well as any consultant or contractor acting as if they were Council employees.

2 ACCOUNTING AND AUDIT

- 2.1 All accounting procedures and financial records of the Council shall be determined by the RFO as required by the Accounts and Audit Regulations 2011 and any subsequent amendments.
- 2.2 The RFO shall be responsible for completing the annual financial statements of the Council and the Annual Return as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council for approval and authorisation to submit within the timescale by the Accounts and Audit Regulations 2011 to the External Auditor.
- 2.3 The RFO shall be responsible for ensuring that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with the Accounts and Audit Regulations 2011. Any officer or member of the Council must provide any documents of the Council the RFO or Internal Auditor consider necessary for that purpose.
- 2.4 The Internal Auditor shall carry out the work required on the accounting procedures with a view to satisfactory completion of the Internal Auditors Report (Section 4) of the Annual Return. The Internal Auditor must be competent, suitably qualified and independent of the Council and shall report in writing on a regular basis to the Internal Affairs Committee with a minimum of one annual report to Council as part of the Annual Report.
- 2.5 Any member of the Council may inspect the financial records.

3 ANNUAL ESTIMATES AND PRECEPT

- 3.1 Each Committee shall submit proposals to Council in respect of revenue and capital costs for the following year no later than the end of December each year.

Appendix 2

- 3.2 The Council shall review and agree the proposed budgets not later than the end of January each year and shall agree a Precept to be levied for the ensuing financial year. The RFO will be responsible for submitting the Council's Precept requirement.

4 BUDGETARY CONTROL

Capital Funding

- 4.1 Capital funding is for one-off projects when a budget is required for a specific period of time.
- 4.2 All capital works shall be administered in accordance with the Council's standing orders and these financial regulations relating to contracts.
- 4.3 Other Capital funding is produced when the Council sells equipment or property. The funds raised by this method **cannot be** held against Revenue requirements. Members must first consider whether such funds should be used to repay any outstanding Council loans, or decide to earmark for Capital projects. This funding has no effect on the annual budget and is kept in the Council's accounts (capital reserve) until allocated to a Capital project.
- 4.4 If a new Capital project is identified, members can decide to budget in a single financial year or over a number of years, to effectively 'save up' to complete the project.

Revenue funding

- 4.5 The Council shall approve budgets for incurring expenditure by the appropriate committee and delegate authority to the RFO to initiate the budgeted expenditure.
- 4.6 The RFO 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, whether or not there is any budgetary provision for the expenditure, subject to a limit of £10,000. The RFO shall report action to the Internal Affairs committee as soon as practicable.
- 4.7 The RFO shall provide the Internal Affairs Committee at each meeting an income and expenditure statement to date under each budget heading.,
- 4.8 No expenditure may be incurred which will exceed the amount provided in the revenue budget. The RFO may however vire between agreed budgets with the approval of the appropriate committee, in the case of a virement between one committee's responsibility and that of another, Council's approval.
- 4.9 Council approval is required for all proposals that would increase expenditure over £5,000 of the Council's annual revenue budget or reduce income to the Council of the same.
- 4.10 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year, unless already earmarked for a specific project

Appendix 2

- 4.11 The RFO must ensure that accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. These should be risk assessed for corporate governance and legal issues.
- 4.12 No expenditure shall be incurred in relation to any Capital project and no contract entered into or tender accepted involving capital expenditure unless the RFO is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.

5 RESERVES

General Reserves

- 5.1 The General Reserve is a contingency to cushion the impact of unexpected events or emergencies and to avoid unnecessary temporary borrowing.
- 5.2 Frome Town Council considers a prudent level of General Reserves to be three months net revenue expenditure (£180,000).

Earmarked Reserves

- 5.3 Earmarked reserves are a means of building up and/or ring fencing, funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They are not to be used for emergency operations.
- 5.4 Only Council can agree to establish a new Earmarked reserve and every Earmarked reserve proposal must include a costed project plan.
- 5.5 The RFO will report the Earmarked reserves movements at the end of the financial year and any changes to the proposed use of the reserve must be agreed by Council.
- 5.6 Earmarked reserves must be reviewed by Council at the annual budget setting meeting.
- 5.7 The RFO will report the Earmarked reserves movements at the end of the financial year and any changes to the use of an Earmarked reserve must be agreed by Council.

6 INVESTMENTS AND LOANS

- 6.1 All Investments must be made prudently and, wherever possible, adhere to the Council's ethical decision making policy with full recognition of the Council's responsibility to the Council Tax payer, and with regard to the priority for security and liquidity of those investments.
- 6.2 All investments will adhere to the Council's Investment Strategy.
- 6.3 All borrowings and investments shall be in the name of the Council. Application for borrowing approval shall be approved by Council with stated terms and purpose and all records maintained by the RFO.

7 CHARITIES AND TRUST FUNDS

- 7.1 Where the Council is sole trustee of a Charitable body the 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 RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.
- 7.2 All trust funds must, wherever possible, be in the name of the Council. Where funds are held on behalf of third parties, the RFO must ensure their secure administration and maintain records of all transactions.

8 BANKING ARRANGEMENTS – CHEQUES, CHARGECARD AND PETTY CASH

- 8.1 The Council's banking arrangements shall be made by the RFO, approved by the Internal Affairs Committee.
- 8.2 A schedule of the payments required over £500 shall be presented to the Internal Affairs Committee for approval and be minuted.
- 8.3 The business charge card shall only be used on the authority of the Proper Officer or RFO in accordance with the bank mandate, and kept in the safe.

Payments for works, goods or services

- 8.4 All invoices will be checked by the relevant officer for authenticity, arithmetical accuracy and coding before payment. No authorised signatories will authorise any payment to themselves.
- 8.5 All Invoices shall be paid within 30 days, unless they are formally disputed.
- 8.6 The RFO must be notified **before** the closure of each financial year, all outstanding expenditure relating to goods and services.
- 8.7 Where appropriate payments will be made by BACS, a batch will be limited up to £10,000 and made by the RFO, certified by the Proper Officer, and approved retrospectively by two councillors who will validate the Payment Batch Report.
- 8.8 Payment Batch Reports will be taken to every Internal Affairs Committee meeting for a retrospective 'spot check' by Councillors of two paid invoices to ensure an appropriate audit trail has been applied.
- 8.9 BACS payments over £10,000 must be signed retrospectively by one authorised member plus either the leader or Chair of the Council or the Chair of the Internal Affairs Committee.
- 8.10 The RFO will deem an appropriate Councillor as a signatory where the mandate signatories are not available.

Appendix 2

- 8.11 There will be an office petty cash float of £250 for the purpose of covering operational expenses in the Town Office, Victoria Park and the Information Centre. The RFO shall ensure that appropriate payments are made correctly.

9 ORDERS FOR WORKS, GOODS AND SERVICES

Orders for works, goods and services under £5,000

- 9.1 An official order must be issued for all works, goods and services, (with the exception of utilities, rent, rates, approved contracts, professional fees, and charge card, internet or petty cash purchases) and copies retained. The RFO must be informed of all orders raised via a centralised spreadsheet.
- 9.2 All officers are responsible for obtaining value for money and adhere to, where possible, the ethical decision making matrix 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 and the best interests of the Council are met, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimus provision in regulation.
- 9.3 Verbal orders should only be raised, as a matter of urgency, and with the Authority of the RFO and marked with "VERBAL ORDER".
- 9.4 Official orders **must not** be used for any personal purchases, or use be made of Council contracts. Personal credit cards **must not** be used without the authority of the RFO.
- 9.5 All supplier discounts are to be taken against the cost of goods purchased. Where a supplier provides a free item, instead, this may be accepted and become Council property. Arrangements for their use for Council purposes or disposal will be made by the RFO or Proper Officer.
- 9.6 All orders must show the quantity, quality and nature of the goods, works and services and the contract or agreed prices or rates.
- 9.7 Each officer is responsible for ensuring that the costs of official orders are within the approved budgets and that the relevant standing orders have been complied with. Expenditure incurred in an emergency, the relevant officer is responsible for obtaining any subsequent authorisation.
- 9.8 Each officer is responsible for ensuring the supplier of goods and services are Living Wage Employers.

10 SALARIES AND ALLOWANCES

- 10.1 Payment of salaries will be made in accordance with the contracts. Deductions from salary e.g. PAYE, national insurance and pension will be made in line with the current HMRC rules.
- 10.2 To ensure correct records are maintained the RFO must be notified immediately of all staff appointments (including casual or consultancy), resignations, dismissals, suspension,

Appendix 2

secondments and transfers and absences for sickness, approved annual leave or other reasons.

- 10.3 All changes in remuneration (changes in hours, acting up allowances) must be approved by the RFO.
- 10.4 Overtime payment must be accompanied by the relevant time-sheet and signed as a true record of work by the line manager. Regular overtime must be sanctioned by the Internal Affairs Committee.
- 10.5 All leave and time off in lieu relating to the Proper Officer must be approved by the Leader of the Council.
- 10.6 Salary increment increases must only be implemented on instruction from the Proper Officer. LGE annual cost of living increases will be reported to the Internal Affairs committee as soon as practicable.
- 10.7 Payments to staff and any Councillors (including co-opted Councillors and Council approved Bodies) must be completed on the appropriate claim form with receipts attached and submitted to the RFO for verification.

11 GRANTS TO EXTERNAL ORGANISATIONS

- 11.1 All grants to external organisations or individuals must be approved by the External Affairs committee.
- 11.2 Applications for a grant must be made on the approved form and adhere to the relevant terms and conditions in the Community Grants Scheme.

12 INCOME

- 12.1 The RFO shall ensure that all income received will be recorded in accordance with the requirements of the current Accounts and Audit Regulations 2011.
- 12.2 All money received by a member of staff on behalf of the Council must be banked in its entirety within 5 working days.
- 12.3 Personal cheques must not be cashed out of money held on behalf of the Council.
- 12.4 Official income **must not** be paid into any Petty Cash floats.
- 12.5 The RFO shall ensure that the VAT Return is completed and submitted for reimbursement quarterly by the specified date.
- 12.6 Any sums found to be irrecoverable and any bad debts shall be reported to the Internal Affairs committee and shall be recommended for writing off at the end of the financial year.

Appendix 2

- 12.7 Where sums of cash over **£500** are received by the Council, the RFO shall ensure that more than one person is present when the cash is counted, 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.

13 RISK MANAGEMENT AND INSURANCE

- 13.1 The Proper Officer shall prepare and be responsible for the implementation of and review a risk management policy in respect of all activities of the Council. They will be responsible to ensure the Risk Register is up to date and report to the Internal Affairs Committee annually.
- 13.2 The Proper Officer shall give prompt notification to the RFO of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurance.
- 13.3 Following an annual risk assessment, the RFO shall make adequate insurance arrangements and submit these to the Internal Affairs Committee for approval.
- 13.4 When considering any new activity, the appropriate Officer (with the RFO) shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.
- 13.5 The RFO shall affect all insurances and negotiate all claims on the Council's insurers.
- 13.6 The RFO shall keep a record of all insurances affected by the Council and the property and risks covered.
- 13.7 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim and report this to the Internal Affairs Committee at the next meeting.
- 13.8 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.
- 13.9 The relevant Council Officer in consultation with the RFO shall ensure that all contractors have adequate employers, third party and public liability insurance before contracts are carried out on behalf of the Council.
- 13.10 Every five years the RFO shall undertake a full revaluation of all assets held by the Council.

Stock and equipment

- 13.11 Officers shall be responsible for the care and custody of stores and equipment in their section.
- 13.12 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.13 The RFO shall be responsible an annual check of stocks and stores.
- 13.14 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 of delivery.

Appendix 2

- 13.15 Any items of stock or equipment deemed obsolete or surplus to requirements must, where the expected loss on disposal is no more than £500, be sold or disposed of on the authorisation of the RFO. Where the expected loss on disposal exceeds £500, the approval of the Chairman of the relevant committee must be obtained.

Asset Register

- 13.16 The RFO shall maintain and update the Council's Inventory and Asset Register including serial numbers, insurance value and location. This register will form the basis for Insurance ensuring they are adequately and appropriately insured against loss, damage or theft.
- 13.17 If practicable, vehicles and equipment must be marked as being Council property.
- 13.18 A Buildings Maintenance Schedule (BMS) will detail all the regular buildings maintenance required in each financial year. As part of the budget process each year, the BMS will be scrutinised and estimated expenditure requirements assessed by the Internal Affairs Committee. An amount will then be included in the budgets of the relevant Committee for that purpose. The BMS will be reviewed on an annual basis. A tree survey will be maintained in a similar way.
- 13.19 Council property may only be removed from Council premises in accordance with the ordinary course of the Council's business.

Land and Property Assets

- 13.20 The RFO will maintain a comprehensive record and make appropriate arrangements for the custody of all title deeds of all the Council's owned, leased or rented land property interests.
- 13.21 No assets shall be sold, leased or otherwise disposed of without the authority of the Internal Affairs Committee, together with any other consents required by law, except where the estimated value of any one item of tangible movable property does not exceed £500.
- 13.22 All acquisitions and disposals of land and other property must have Council approval.
- 13.23 Where land or property is disposed of at or below the current market value or in any exchange, this must comply with the requirements of the relevant legislation.

14 CONTRACTS, QUOTES AND TENDERS

Contracts

- 14.1 Every contract made by the Council or by a committee, or officer acting on their behalf shall comply with the relevant legislation.
- 14.2 It shall be a condition of any contract between the Council and any person not being an officer of the Council that they must comply with the Council's Financial Regulations.
- 14.3 When the Council is contractually bound as an agent on behalf of another statutory body, it will be necessary for the standing orders, rules and regulations of that body to have

Appendix 2

precedence over those of the Council, in order that the Council may carry out its obligations.

- 14.4 Exemption from any of the following provisions of these Financial Regulations may be made by direction of the Council or an authorised committee where they are satisfied that the exemption is justified. A record of an exemption shall be minuted.

Quotations and Tenders

- 14.5 Where the estimated value or proposed contract is under £5,000 the contract may be let at the discretion of the RFO. The RFO shall endeavour to ensure that the cost is competitive.

Invitation to and Acceptance of Quotations

“Quotation” refers to any invitation to contract under £60,000.

- 14.6 Where the estimated value or proposed contract is over £5,000 but under £60,000 quotations shall be invited from a minimum of three suppliers/contractors.
- 14.7 Acceptance must be in writing and supported by a copy of the appropriate quotation document setting out terms and conditions, where applicable.
- 14.8 The contractor will be asked to complete the Connected Party Declaration Form for all contracts over £5,000.

Invitation to and Acceptance of Tenders

“Tender” refers to any invitation to contract over £60,000.

- 14.9 Where the estimated value or proposed contract is over £60,000, a public notice shall be placed in at least one local newspaper.
- 14.10 At least 14 days’ public notice shall be given inviting tenders and shall express the nature and purpose of the contract and state where further details may be obtained, and the latest date and time tenders will be accepted.
- 14.11 Where an invitation to tender is made, every invitation shall state that no tender will be accepted unless it is enclosed in a plain sealed envelope bearing the word ‘Tender’ followed by the subject to which it relates and nothing else that could identify the sender.
- 14.12 The tenders shall be kept securely until the time and date specified for their opening.
- 14.13 No tender received after the time and date specified in the invitation shall be accepted or considered.

Securing tenders for larger projects shall involve a two stage process:

- Pre-qualification questionnaire to be completed by all contractors wishing to tender
- For all those that qualify a formal tender is invited

Appendix 2

- 14.14 Tenders received shall be opened only in the presence of the RFO and the relevant Officer. All tenders received shall be recorded in a register available for inspection. All persons present at the opening shall sign the Register.
- 14.15 Any tender may be accepted. If the lowest tender is not accepted a note explaining the circumstances will be submitted to the next Council meeting.

Contract conditions

- 14.16 Every contract shall be in writing.
- 14.17 **If it is under £60,000** the contract will be formalised by creating a Purchase Order and approved by the appropriate officer with delegated authority under the direction of the Proper Officer.
- 14.18 **If it is over £60,000** it shall be signed (or sealed) by Proper Officer and witnessed by two Councillors. The contract will specify the goods materials or services to be supplied and the work to be executed; the price to be paid together with a statement as to the amount of any discount(s) or other deduction(s); the period(s) within which the contract is to be performed and such other conditions and terms as may be agreed between the parties.
- 14.19 Where the RFO or spending Committee considers it necessary, due to the nature of the contract or any other particular circumstances provide for the payment of liquidated damages by the contractor where he fails to complete the contract within the time specified.
- 14.20 Where the RFO or the spending Committee considers it necessary due to the nature of the contract or any other particular circumstances, shall there be a requirement for the contractor to enter into a bond for its due performance, or into such other arrangements as may be approved by the RFO, in the sum of 10% of the contract amount. This must be identified in advance and stated in the tender documents.
- 14.21 In cases where a bond is required, the tender documents shall make reference to this, but it be stated in the documentation that, if the contractor has not produced the required form of bond prior to the date set for commencement of the work, then 10% of the contract sum will be deducted from the first or, if this is not sufficient, from subsequent interim payments.
- 14.22 Where the RFO or the spending Committee considers it necessary due to the nature of the contract or any other particular circumstances, there will be a provision for the Council to make retention of 10% for an agreed period to ensure the satisfactory completion of the contract.

Special equipment or services

- 14.23 The policies detailed above for tenders and quotations shall not apply in respect of the supply of specialist equipment or the carrying out of specialist works which can, in the opinion of RFO or appropriate officer, be obtained only from a limited number of suppliers or contractors or where the price of the equipment works supplied/carried out are wholly controlled by trade organisations or government order etc. and no reasonably satisfactory alternative is available this will be reported to the relevant committee.

British Standards

14.24 Every contract shall require that all goods and materials used or supplied, and all the workmanship shall be at least of the standard required by the appropriate British Standards Specification or Code of Practice as appropriate current at the date of the tender.

Cancellation of Contract

14.25 The Council has the ability to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation if the contractor fails to meet the original terms of the terms and conditions.

Appointment of Consultants

14.26 Wherever possible Tenders for consultancy work should be invited only from the membership list of the appropriate professional body. Preference should be given to firms in the locality. Where no professional body exists, qualifications, experience and evidence of work undertaken must be sought to establish credibility. The full terms of the appointment should be made known to tenderers at the time tenders are invited.

14.27 A review of current consultants' appointments will be carried out every two years.

14.28 The RFO or Proper Officer should be empowered to appoint consultants for preliminary advice such as feasibility studies without the delay and expense of tendering, subject to there being appropriate provision within the approved capital estimates.

Management of Contracts

14.29 Payments to contractors on account of contracts shall be made only on a certificate issued by the qualified professional advisor (where such has been engaged by the Council) or by the RFO in consultation with the appropriate officer.

14.30 Subject to the provisions of the contract in each case every variation shall be authorised in writing by the RFO in conjunction with the appropriate officer.

14.31 If the estimated additional cost of such a variation exceeds 5%, it shall be reported to the appropriate committee.

14.32 The final certificate of completion of any contract shall not be issued until the appropriate officer, private architect, engineer or consultant has produced a detailed statement of account, and all relevant documents.

14.33 Claims for contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Council's legal advisors for consideration of the authority's legal liability and, where necessary, the appropriate Committee for financial consideration before final settlement .

Where the completion of a contract is delayed by more than one-sixth of the original contract period, it shall be the duty of the supervising officer or professional technical advisor concerned to report the delay, and the reasons therefore to the appropriate committee.

Appendix 2

14.34 Where completion of a contract is delayed after the completion or extended completion date and the contract so provides, it shall be the duty of the supervising officer to certify under the contract whether any monies, and if so how much, should be deducted as liquidated and ascertained damages, and to notify the RFO and appropriate committee accordingly.

15 CONTRACTS FOR BUILDING, OTHER CONSTRUCTION OR ENGINEERING WORK

15.1 Payments 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).

15.2 The RFO will arrange suitable payments where a contract permits instalment payments.

15.3 Every extra or variation must be reported to and minuted by the Council and authorised in writing by the RFO.

15.4 On completion of the contract and before the issue of the final payment certificate, the appropriate member of staff, private architect, engineer or consultant must give the RFO a detailed financial statement of the contract, and all relevant supporting documents.

15.5 Where completion of a contract is delayed beyond the period of the contract, it is the duty of the RFO to take appropriate remedial action after consultation with the relevant committee and agree a course of action.

REVISION OF FINANCIAL REGULATIONS

It shall be the duty of the Council to review the Financial Regulations of the Council annually.