

Frome Town Council Constitution

Chapter 3 Financial Regulations

Frome Town Hall
Christchurch Street West
Frome
BA11 1EB

01373 465757
info@frometowncouncil.gov.uk

Date approved 23 May 2018
Next review 15 May 2019

A copy of this document is also available in different formats such as large print, Braille, audio or in a different language. Please contact the office if this is required.

Table of Contents

1. General	3
2. Accounting and audit	3
3. Annual estimates (Budget) and Precept.....	3
4. Budgetary control and authority to spend.....	4
5. Reserves	4
6. Investments and loans	5
7. Charities and trust funds.....	5
8. Banking arrangements – online banking, debit card, chargecard and petty cash	5
9. Orders for works, goods and services	6
10. Salaries and allowances	6
11. Crowdfund Frome and small Mayoral grants	7
12. Income.....	7
13. Risk management and insurance	7
14. Contracts, quotes and tenders.....	8
15. Contracts for building, other construction or engineering work.....	11
16. Revision of financial regulations	11

1. General

- 1.1. Financial Regulations govern the conduct of the financial transactions of the Council or Councillors referred to in this document. These may only be amended or varied by a resolution of the Council. They shall be reviewed annually.
- 1.2. The Council may delegate responsibility for expenditure to the RFO provided it is within the budget.
- 1.3. The Responsible Financial Officer (RFO), under the policy direction of the Council shall be responsible for the proper administration of its 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 Councillors as well as any consultant or contractor acting as if they were 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 2015 and any subsequent amendments, appropriate guidance and proper practices
- 2.2. The RFO shall complete the annual statement of accounts, and any relevant documents contained in the Accountability and Governance Annual Return after the end of the financial year and shall submit them to the Full Council for approval and authorisation within the timescales set by the Accounts and Audit Regulations 2015.
- 2.3. The Council shall ensure that there is adequate and effective system of internal audit of its accounting, financial and other operations in accordance with proper practices. Any staff member or Councillor must provide any relevant documents that the RFO or Internal or External Auditor consider necessary.
- 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 of the Accountability and Governance 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 Council Matters with a minimum of one annual written report during each financial year.
- 2.5. Any Councillor may inspect the financial records.

3. Annual estimates (Budget) and Precept

- 3.1. The Advisory Group (TAG) shall submit proposals to Council in respect of revenue and capital costs for the following year by January each year.
- 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 and the approved annual budget shall form the basis of financial control for the ensuing financial year. The RFO will be responsible for submitting the Council's Precept requirement to Mendip District Council.

4. Budgetary control and authority to spend

Capital Funding

- 4.1. 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 confirms that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 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. Consideration whether such funds should be earmarked for Capital projects or used to repay any outstanding loans.

Revenue Funding

- 4.4. Expenditure on revenue items may be authorised up to the amounts in the approved budgets and delegate authority to the RFO to initiate the budgeted expenditure.
- 4.5. The RFO may incur emergency expenditure on behalf of the Council which is necessary to carry out any repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £10,000. The RFO shall inform the Council at their next meeting that such action has taken place.
- 4.6. The RFO shall regularly provide Council Matters an income and expenditure statement to date under each budget heading.
- 4.7. 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 Council Matters.
- 4.8. At least once a quarter, and at the end of the financial year, financial statements are verified at each Council Matters meetings.
- 4.9. Council approval is required for all proposals that would increase expenditure over £10,000 of the annual revenue budget or reduce level of income 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.
- 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.

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. The Council considers a prudent level of General Reserves to be £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, or for known significant expenditure. Earmarked reserves must be reviewed by Council at the annual budget setting meeting.

5.4. The RFO will report the Earmarked reserves movements at the end of the financial year to Council for approval and any changes to the proposed use of the reserve must be agreed.

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 corporate social responsibility 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 Town Council. Application for borrowing approval shall be agreed by Council.

7. Charities and trust funds

7.1. Where the Council is sole trustee of a Charitable body the Town Clerk and the RFO shall ensure that separate records are kept in accordance within the regulations set by the Charity Commission. The Town Clerk and the RFO shall arrange for any audit or independent examination as may be required by Charity Commission.

7.2. All trust funds must, wherever possible, be in the name of the Town Council. Where funds are held on behalf of third parties, the Clerk and the RFO must ensure their secure administration and maintain records of all transactions.

8. Banking arrangements – online banking, debit card, chargecard and petty cash

8.1. The Council's banking arrangements shall be made by the RFO, approved by the Council.

8.2. A schedule of the payments required over £500 shall be presented to the Council Matters for approval and be minuted.

8.3. The business charge card shall only be used on the authority of the Clerk or RFO in accordance with the bank mandate, and the Debit Card will only be used to withdraw Petty Cash not exceeding £200 at each withdrawal and kept securely.

Payments for works, goods or services

8.4. All invoices will be checked by the relevant staff member 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 the financial year, all outstanding expenditure relating to goods and services.

8.7. All payments will be made online by BACS payment, a payment batch is limited to £50,000 over a period of three days and made by the RFO, authorised by the Clerk, the payment batch will be approved retrospectively within two weeks by two councillors.

8.8. Payment batch reports will be available to all Councillors for inspection to ensure an appropriate audit trail has been applied.

8.9. The RFO will deem an appropriate Councillor as a signatory.

- 8.10. There will be an office petty cash float of £250 for the purpose of covering operational expenses in the Town Office and a sub float of £50 for Victoria Park.
- 8.11. The RFO shall ensure that appropriate payments are made correctly and reviewed annually.

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, and petty cash purchases) and copies retained. The RFO must be informed of all orders raised via a centralised Purchase Order Spreadsheet.
- 9.2. Staff are responsible for ensuring that orders are within the approved budgets and adhere to, where possible, the ethical decision-making matrix. Staff issuing an order must as far as reasonable obtain best value terms with at least three quotations or estimates from appropriate suppliers, subject to any de minimus provision in regulation. All supplier discounts should be taken against the cost of goods purchased. All orders must show the quantity, and description of the goods and agreed amount.
- 9.3. Verbal orders should only be raised, as a matter of urgency, and with the authority of the Clerk or 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. A Councillor may not issue an official order or make any contract on behalf of the Council. Personal credit cards must not be used.

10. Salaries and allowances

- 10.1. Payment of salaries will be made in accordance with staff contracts. Deductions from salary e.g. PAYE, national insurance and pension contributions 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, resignations, dismissals, suspension, maternity and paternity leave, and absences for sickness, approved annual leave or other reasons.
- 10.3. All changes in pay and working hours, must be reported to the RFO.
- 10.4. Any additional working time will be entitled to Time Off in Lieu approved by their Line Manager on the relevant TOIL sheet. Any overtime payment must be approved by the Line Manager and sanctioned by the RFO.
- 10.5. All leave and time off in lieu relating to the Clerk must be approved by the Leader of the Council.
- 10.6. Salary increment increases must only be implemented on instruction from the Clerk. LGE annual cost of living increases will be reported to the Council Matters.
- 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 approval.
- 10.8. Each payment to staff of net salary and discretionary deductions shall be recorded in a confidential record. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than by any Councillor who can demonstrate a need to know or by the internal or external auditor.

11. Crowdfund Frome and small Mayoral grants

- 11.1. Applications for small Mayoral grants up to £300 from an external organisation, must be made on the approved form and adhere to the relevant terms and conditions. Grants are approved by the Town Clerk, in consultation with the Mayor and noted by Council Matters.
- 11.2. The Town Council will pledge up to a maximum of £5,000 to Crowdfunder Frome projects where it can be proved they have met the criteria under the agreed scheme's terms and conditions. Pledges will be decided by the Town Clerk in consultation with three Cllrs: two nominated Cllrs (Cllrs Bielby and Collinson during 2017/18) plus either the Leader, the Mayor or the Chair of Town Matters.

12. Income

- 12.1. The RFO shall ensure that all income received is recorded in accordance with the current Accounts and Audit Regulations 2015.
- 12.2. All money received by a member of staff on behalf of the Council must be banked in its entirety within seven 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 submitted for reimbursement quarterly.
- 12.6. Any sums found to be irrecoverable and any bad debts shall be reported to the Council Matters and written off in the financial year.
- 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 including an internal check and reconciliation. Appropriate care is taken in the security and safety of individuals banking

13. Risk management and insurance

- 13.1. The Council is responsible for putting in place arrangements for the management of risk. The Managers with the RFO shall prepare for approval by the Councillors, a risk management policy in respect of all activities of the Council. The Risk Register shall be reviewed by the Council Matters annually.
- 13.2. The RFO shall be given prompt notification by the Managers of all new risks areas, properties or vehicles which require to be insured and of any alterations affecting existing insurance.
- 13.3. When considering any new activity, the staff member shall prepare a draft risk assessment for consideration and approval by the Environmental Manager.
- 13.4. Following an annual risk assessment, the RFO shall make adequate insurance arrangements.
- 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 vehicles 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 Council Matters.

- 13.8. All appropriate staff 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. Staff 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. Staff shall be responsible for the safekeeping of stores and equipment in their section.
- 13.12. Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.13. Delivery Notes shall be obtained in respect of all goods received and goods must be checked to the order at the time of delivery.
- 13.14. The RFO shall be responsible an annual check of stocks and equipment.
- 13.15. Items 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 Council Matters 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.
- 13.17. If practicable, vehicles and equipment should 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 requirements will be assessed by Council Matters. The BMS will be reviewed on a quinquennial basis. A tree survey will also be maintained.
- 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 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 £500.
- 13.22. 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 with the Council by staff acting on their behalf shall comply with the relevant legislation.

- 14.2. It shall be a condition of any contract that the contractor 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 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 only be made by direction of the Council where they are satisfied that the exemption is justified. A record of an exemption shall be minuted.

Quotations and Tenders

- 14.5. Invitation to and Acceptance of Quotations
- 14.6. "Quotation" refers to any invitation to contract up to £60,000.
- 14.7. Where the estimated value or proposed contract is over £5,000 but up to £60,000 quotations shall be invited from a minimum of three suppliers/contractors.
- 14.8. Acceptance must be in writing and supported by a copy of the appropriate quotation document setting out terms and conditions.
- 14.9. The contractor will be asked to complete the Connected Party Declaration Form for all contracts over £5,000.
- 14.10. Invitation to and Acceptance of Tenders
- 14.11. "Tender" refers to any invitation to contract over £60,000.
- 14.12. Where the estimated value or proposed contract is over £60,000, a public notice shall be placed in at least one local newspaper.
- 14.13. 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.
- 14.14. 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.
- 14.15. The tenders shall be kept securely until the time and date specified for their opening.
- 14.16. No tender received after the time and date specified in the invitation shall be accepted or considered.
- 14.17. Securing tenders for larger projects shall involve a two-stage process:
- 14.18. Pre-qualification questionnaire to be completed by all contractors wishing to tender
- 14.19. For all those that qualify a formal tender is invited
- 14.20. Tenders received shall be opened only in the presence of the Town Clerk and relevant staff. All tenders received shall be recorded in a register available for inspection. All persons present at the opening shall sign the Register.
- 14.21. 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

- 14.22. Every contract shall be in writing.
- 14.23. Over £5,000 and up to £60,000 the contract will be formalised by creating a Purchase Order and approved by appropriate staff with delegated authority under the direction of the Town Clerk.

- 14.24. Over £60,000 it shall be signed (or sealed) by the Clerk 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.
- 14.25. Where the RFO or the Council 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 they fail to complete the contract within the time specified.
- 14.26. Where the RFO or the Council 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.
- 14.27. 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.
- 14.28. Where the RFO or the Council 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

- 14.29. 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 relevant staff, 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 Council.

British Standards

- 14.30. 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

- 14.31. 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

- 14.32. 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 and firms that score highly in the Council's ethical decision-making matrix. 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.

- 14.33. A review of current consultants' appointments will be carried out every two years.
- 14.34. The RFO or relevant staff 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 budget.

Management of Contracts

- 14.35. Payments to contractors shall be made only on a certificate issued by the qualified professional advisor (who has been engaged by the Council).
- 14.36. Subject to the provisions of the contract in each case every variation shall be authorised in writing following consultation with the qualified professional advisor and the RFO.
- 14.37. If the estimated additional cost of such a variation exceeds 5%, it shall be reported to the Council.
- 14.38. The final certificate of completion of any contract shall not be issued until the appropriate professional advisor has produced a detailed statement of account, and all relevant documents.
- 14.39. 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, if necessary, for financial consideration before final settlement.
- 14.40. 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 professional advisor to report the delay, and the reasons to the Council.
- 14.41. 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 professional advisor to certify whether any monies, and if so how much, should be deducted as liquidated and ascertained damages, and to notify the RFO who will inform the Council.

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 from the professional advisors (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. On completion of the contract and before the issue of the final payment certificate, the professional advisor must give the RFO a detailed financial statement of the contract, and all relevant supporting documents.
- 15.4. Where completion of a contract is delayed beyond the period of the contract, it is the duty of the RFO to consult with the Council and agree a course of action.

16. Revision of financial regulations

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