



LEWES TOWN COUNCIL

FINANCIAL CONTROL PROCEDURES

Revised March 2015

Adopted 9th April 2015 minute FC2014/113.2 refers



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FINANCIAL CONTROL PROCEDURES



These Regulations form part of, and should be read in conjunction with, Standing Orders

1. GENERAL

- 1.1. These financial regulations govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council.
- 1.2. The Responsible Financial Officer (RFO), as required under s151 of the Local Government Act 1972, is the Town Clerk
- 1.3. The RFO, under the policy direction of the Council, shall be responsible for the proper administration of the Council's financial affairs.
- 1.4. The RFO shall be responsible for the production of financial management information.

2. ANNUAL ESTIMATES

- 2.1. Each Committee (if any) shall formulate and submit proposals to the Council in respect of revenue and capital costs for the ensuing financial year not later than 30th November each year.
- 2.2. Detailed estimates of receipts and payments for the year shall be prepared each year by the RFO.
- 2.3. The Council shall review the estimates not later than the end of December each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall supply each member with a copy of the approved estimates.
- 2.4. The annual budgets, once approved, shall form the basis of financial control for the ensuing year.
- 2.5. Virement is permitted between resource accounts, within the approved total budget, provided that prior approval is given by ordinary resolution in Council
- 2.6. Supplementary estimates may be approved for a particular purpose, by resolution of Council, at any time, provided that such amounts are available from reserves or uncommitted balances.

3. BUDGETARY CONTROL

- 3.1. The inclusion of an estimate in an approved budget resource account shall be authority for the expenditure of sums not exceeding that estimate (inclusive of virements or supplementary estimates which may be authorized from time to time), without further approval.
- 3.2. No expenditure may be incurred which will exceed the amount provided in the revenue budget, unless such expenditure is rechargeable to a third party or income will be generated sufficient to offset the overspend. The RFO shall regularly provide the Council with a statement of receipts and payments to date under each resource account, comparing actual expenditure against that planned.
- 3.3. 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 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 £2000. The RFO shall report the action to the Council as soon as practicable thereafter.
- 3.4. Unspent provisions in the revenue budget shall not be carried forward to a subsequent year. No expenditure shall be incurred in relation to any capital project and no contract entered into nor tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.5. 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 as

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required by the Accounts & Audit (England) Regulations 2011 (SI 2011/817).

- 4.2. The RFO shall be responsible for completing annual financial statements 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 be responsible for completing the Accounts of the Council contained in the Annual Return and for submitting 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 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. 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 carry out the work required by the RFO, or by the Council, with a view to satisfactory completion of the "Internal Auditor's Report" section of the Annual Return. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual report in respect of each financial year.
- 4.6. The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers required by Audit Commission Act 1998 section 15 and the Accounts and Audit Regulations as amended.
- 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 relates to a purely administrative matter.

5. BANKING ARRANGEMENTS AND CHEQUES

- 5.1. The Council's banking arrangements 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 and countersigned by the RFO, or specifically-authorized deputy.
- 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 cheque signatories shall each also initial the supporting document(s).

6. PAYMENT OF ACCOUNTS

- 6.1. Payments shall be effected by cheque or other instruction drawn on the Council's bankers. All invoices for payment shall be examined, verified and certified by the RFO. The RFO shall satisfy himself that the work: goods; or services to which the invoice relates have been received, carried out, examined and approved.

6.1A - Payment for appropriate items may be made by Bankers Automated Clearing system (BACS) or Clearing House Automated Payment System (CHAPS) methods or by internet banking transfer provided that the instructions for each payment are signed or otherwise evidenced by two signatories as per s5.3 above, and are retained with other records.

6.1B - No employee or councillor shall disclose any Personal Identification Number (PIN) or password, relevant to the working of the council or its bank accounts, to any person not authorised in writing by the council. Where internet banking arrangements are made with any bank, the RFO shall be the Service Administrator. 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 or

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similar. Remembered or saved password facilities must not be used on any computer in connection with council banking work. Breach of this regulation will be treated as serious misconduct.

6.1C - Any PIN or password relevant to the working of the bank account shall be recorded and held in a sealed, dated, envelope. This envelope will be securely stored in the Council's safe and may not be opened other than in the presence of two councillors. After the envelope has been opened, in any circumstances, the PIN/password shall be changed as soon as practicable. The fact that the sealed envelope has been opened, and the circumstances, shall be recorded; which record shall be signed by the witnesses, and reported to all members immediately and formally to the next available meeting of the council

6.1D - Changes to supplier account details which are used for internet banking may only be made on written hard copy notification by the supplier and supported by a statement of authority for change signed by two signatories and countersigned by the RFO. A programme of regular checks of standing data with suppliers will be followed.

6.2. The RFO shall examine invoices in relation to arithmetical accuracy and shall analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted; and which are in order, within 30 days or within the suppliers' agreed terms whichever is the sooner.

6.3 The RFO may provide petty cash 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 £400 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 banked intact.

(c) Drawings from bank to maintain the petty cash float shall be shown separately on the Councils accounts.

(d) Items below the value of £50 (excluding VAT) may be reimbursed in cash. Above this value, payment shall, wherever possible, be by means of cheque or other order for payment.

7. PAYMENT OF SALARIES

7.1. 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.

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's Investment Policy, shall be in accordance with the Trustee Act 2000, and shall be reviewed on a regular basis.

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.

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

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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 RFO.
- 9.4. Any sums found to be irrecoverable and any bad debts shall be reported to the Council as soon as practicable and shall be written off in the year.
- 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. The origin of each receipt shall be entered in the Council's records of account.
- 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.
- 10.3. All 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 reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in these Regulations related to Contracts.
- 10.4. The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

11. CONTRACTS

- 11.1. Procedures as to contracts are laid down as follows:
 - (a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) to (vi) below:
 - (i) for the supply of gas, electricity, water, sewerage and telephone services;
 - (ii) for specialist services
 - (iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
 - (iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
 - (v) for additional audit work of the external Auditor up to an estimated value of £1000 (in excess of this sum the RFO shall act after consultation with the Mayor).

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- (vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- (b) Where it is intended to enter into a contract exceeding £60,000 in estimated value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the RFO shall invite tenders from at least three firms which are considered to provide appropriate skill; expertise; and quality of work
- (c) When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council, and duly ratified before action may be taken.
- (d) Such invitation to tender shall state the general nature of the intended contract and the RFO shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the RFO in the ordinary course of post. Each tendering firm shall 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 that contract.
- (e) All sealed tenders shall be opened at the same time on the prescribed date by the RFO in the presence of at least one member of Council.
- (f) If less than three tenders are received for contracts above £60,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (g) When it is to enter into a contract less than £60,000 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 excepted as set out in paragraph (a) the RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £5,000 and above £2000 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.
- (h) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER 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 by 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 RFO 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 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 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.

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13.4. The RFO shall be responsible for periodic checks of stocks and stores at least annually.

14. PROPERTIES AND ESTATES

14.1. The RFO 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.

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 £50.

15. INSURANCE

15.1. Following an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers.

15.2. The RFO shall give prompt notification to insurers of 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 effected 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 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.

17. RISK MANAGEMENT

17.1. The RFO shall prepare and promote risk management policy statements in respect of all activities of the Council.

17.2. When considering any new activity the RFO shall prepare a draft Risk Management policy for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.

18. REVISION OF FINANCIAL REGULATIONS

18.1. It shall be the duty of the Council to review the Financial Regulations of the Council from time to time.

S Brigden

Town Clerk & RFO

Originally adopted *June 2012*

Revised *June 2014*

This revision adopted *April 2015*