

HORLEY TOWN COUNCIL

FINANCIAL REGULATIONS

These Financial Regulations were adopted by Horley Town Council at its Full Council Meeting held on 4 April 2017

1. GENERAL

- 1.1 These Financial Regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of financial control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council.
- 1.3 The RFO shall produce financial management information as required by the Council.
- 1.4 At least once a year, prior to approving the Annual Governance Statement, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.6 A breach of these Regulations by an employee is gross misconduct.
- 1.7. Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of councillor into disrepute.
- 1.8. The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council.
- 1.9. The RFO:
 - acts under the policy direction of the council;
 - administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
 - determines on behalf of the council its accounting records and accounting control systems;
 - ensures the accounting control systems are observed;
 - maintains the accounting records of the council up to date in accordance with proper practices;

- assists the council to secure economy, efficiency and effectiveness in the use of its resources; and
 - produces financial management information as required by the council.
- 1.10. The accounting records determined by the RFO shall be sufficient to show and explain the council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments and additional information, as the case may be, or management information prepared for the council from time to time comply with the Accounts and Audit Regulations.
- 1.11. The accounting records determined by the RFO shall in particular contain:
- entries from day to day of all sums of money received and expended by the council and the matters to which the income and expenditure or receipts and payments account relate;
 - a record of the assets and liabilities of the council; and
 - wherever relevant, a record of the council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 1.12. The accounting control systems determined by the RFO shall include:
- procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
 - procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
 - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
 - procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
 - measures to ensure that risk is properly managed.
- 1.13. The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:
- setting the final budget or the precept (council tax requirement);
 - approving accounting statements;
 - approving an annual governance statement;
 - borrowing;
 - writing off bad debts;
 - declaring eligibility for the General Power of Competence; and
 - addressing recommendations in any report from the internal or external auditors,

shall be a matter for the full council only.

- 1.14. In addition the council must:
- determine and keep under regular review the bank mandate for all council bank accounts;
 - approve any grant or a single commitment in excess of £5,000; and
 - in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant committee in accordance with its terms of reference.

2. ANNUAL ESTIMATES (BUDGET)

- 2.1. Each committee shall review its three year forecast of revenue and capital receipts and payments. Having regard to the forecast, it shall thereafter formulate and submit proposals for the following financial year to the council not later than the end of November each year including any proposals for revising the forecast.
- 2.2 Detailed estimates of income and expenditure, movement of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the council.
- 2.3 The Council shall review the estimates not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall issue the Precept to the billing authority and shall supply each member with a copy of the approved estimates.
- 2.4 The annual budgets shall form the basis of financial control for the ensuing year. The forecast for the current financial year shall be the basis of control for the remainder of the year.
- 2.5 The Council shall prepare and have regard to a three year forecast of Revenue and Capital Receipts and Payments which shall be prepared at the same time as the annual Budget or Estimates.

3. BUDGETARY CONTROL

- 3.1 Net expenditure on revenue items by budget heading may be incurred up to the amounts included in the approved budget.
- 3.2 No expenditure may be incurred that will exceed the amount provided in the revenue budget for that class of expenditure. During the budget year the Finance & General Purposes Committee, having considered fully the implications for public

services, may authorise unspent and available amounts to be moved from one budget to another.

- 3.3 Amounts to be spent out of funds previously designated Earmarked Funds to be included within the agreed annual revenue budget.
- 3.4 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned.
- 3.5 The 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 £1,000. The Clerk shall report the action to the Council as soon as practicable thereafter.
- 3.6 Underspends in the revenue budget shall not be carried forward to a subsequent year.
- 3.7 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.8 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 required by the Accounts and Audit (England) Regulations 2011 (SI 2011/817) and any amendments thereto.
- 4.2 The RFO shall be responsible for completing the annual financial statements of the Council, including the Council's Annual Return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.
- 4.3 The RFO shall be responsible for completing 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 for submitting the Annual Return for approval and authorisation by the Council within the timescale set by the Accounts and Audit (England) Regulations 2011 (SI 2011/817) and any amendments thereto, or set by the Auditor.
- 4.4 The RFO shall be responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting, financial and other

operations in accordance with Regulation 5 of the Accounts and Audit Regulations 2011, and any subsequent amendments thereto. 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 and the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. 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 2011 and any subsequent amendments thereto.
- 4.7 The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

5. BANKING ARRANGEMENTS

- 5.1 The Council's banking arrangements shall be made by the RFO and approved by the Council. They shall be annually reviewed for efficiency.
- 5.2 A schedule of the payments and receipts made shall be prepared by the RFO and be presented to the Finance & General Purposes Committee for approval. Details shall be shown in the minutes of the meeting.
- 5.3 The RFO will ensure that bank statements are reconciled monthly with the Council's records.
- 5.4 The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available council [or Finance Committee] meeting.
- 5.5 The Clerk and RFO shall have delegated authority to authorise the payment of items only in the following circumstances:

- a) 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 council, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of council [or finance committee];
 - b) An expenditure item authorised under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of council [or finance committee]; or
 - c) fund transfers within the councils banking arrangements up to the sum of **£50,000**, provided that a list of such payments shall be submitted to the next appropriate meeting of council [or finance committee].
- 5.6 For each financial year the Clerk and RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively, Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council [,or a duly authorised committee,] may authorise payment for the year provided that the requirements of regulation 3.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of the Finance and General Purposes Committee.
- 5.7 A record of regular payments made under 5.6 above shall be drawn up and be signed by two members on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised and / or made.
- 5.8 Members are subject to the Code of Conduct that has been adopted by the council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.
- 5.9 The council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time.
- 5.10 Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a Member.

6. PAYMENT OF ACCOUNTS

- 6.1 All payments shall be effected by cash, cheque, electronic payment, Direct Debit or any other order drawn on the Council's bankers.
- 6.2 All invoices for payment shall be examined, verified and certified by the Clerk. The Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been ordered, received, carried out, examined and approved.

- 6.3 Cheques drawn on the bank account shall be signed by two members of the Council, and countersigned by the Clerk or Deputy Clerk.
- 6.4 Electronic payments drawn on the any of the bank accounts of the Council shall be signed or otherwise authorised by two members of Council and countersigned or otherwise authorised by the Clerk or his delegate as authorised by Council.
- 6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, at least one of the signatories shall each also initial the cheque counterfoil or other record of payment.
- 6.6 The RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The Clerk shall take all steps to settle all invoices submitted in accordance with the terms of business.
- 6.7 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, where the RFO certifies that there is no dispute or other reason to delay payment, the Clerk may take all steps necessary to settle such invoices.
- 6.8 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
- a. The RFO shall maintain a petty cash float up to a maximum of £150 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, as provided elsewhere in these regulations.
 - c. Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council, under Clause 5.2 above.
- 6.9 If thought appropriate by the Council, payment may be made by variable Direct Debit provided that the instructions are signed by two members and any payments are reported to Council as made. The approval of the use of a variable Direct Debit shall be renewed by resolution of the Council at least every two years.
- 6.10 Where expenditure has been authorised by a committee, the minute reference shall be marked on the invoice prior to payment.
- 6.11 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.

- 6.12 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- 6.13 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.
- 6.14 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate approved by the council shall identify a number of councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.
- 6.15 Access to any internet banking accounts will be directly to the access page (which may be saved under "favourites"), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.
- 6.16 Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by two of the Clerk/RFO and a member. A programme of regular checks of standing data with suppliers will be followed.
- 6.17 Any Debit Card issued for use will be specifically restricted to the Clerk and RFO will also be restricted to a single transaction maximum value of £1,000 unless authorised by council or finance committee in writing before any order is placed.
- 6.18 A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the Finance Committee. Transactions and purchases made will be reported to the Finance Committee. Authority for topping-up shall be at the discretion of the Finance Committee.
- 6.19 Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk/ RFO and shall be subject to automatic payment in full at each month-end. Personal credit or debit cards of members or staff shall not be used under any circumstances.
- 6.20 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement.
- a) The RFO shall maintain a petty cash float of £150 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, as provided elsewhere in these regulations.
- c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to council under 5.2 above.

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 (at least annually).
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

9. INCOME

- 9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 9.3 The Council will review all fees and charges annually, following a report of the Clerk.

- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council 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 on the paying-in slip.
- 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 *deminimis* provisions in Regulation 11.1 below.
- 10.4 The RFO shall 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 shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

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 such as are provided by solicitors, accountants, surveyors and planning consultants;
 - ii) 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 £250 (in excess of this sum the Clerk/ RFO shall act after consultation with the Chairman and Vice Chairman of the Council);
 - 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 £40,000 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 Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list.
- c.** Additionally, where it is intended to enter into a contract exceeding £100,000 in value, a public notice of intention to place a contract shall be placed in an appropriate publication.
- d.** 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.
- e.** Such invitation to tender shall state the general nature of the intended contract and the Clerk 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 Clerk 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.
- f.** All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council.

- g. If less than three tenders are received for contracts above £40,000 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.
- h. When it is intended to enter into a contract less than £40,000 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 Clerk/RFO shall obtain 3 quotations (priced descriptions of the proposed supply). Where the value is below £3,000 and above £1,000 the Clerk/RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.
- i. The Council shall not be obliged to accept the lowest of any tender, quote or estimate.

12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

- 12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).
- 12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.
- 12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the Contractor in writing before any work has begun, the Council being informed where the final cost is likely to exceed the financial provision.

13. STORES AND EQUIPMENT

- 13.1 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.
- 13.2 Stocks shall be kept at the minimum levels consistent with operational requirements.

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

14. PROPERTIES AND ESTATES

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The Clerk/ RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Regulation 4(3)(b) of the Accounts and Audit Regulations as amended.
- 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.
- 14.3 The RFO shall ensure that an appropriate and accurate Assets Register is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

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 be aware 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 and elected members 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 Clerk shall prepare and promote risk management policy statements in respect of all activities of the Council.
- 17.2 When considering any new activity the Clerk 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.
- 17.3 The Council shall carry out a Financial Risk Assessment on an annual basis in accordance with the Accounts and Audit Regulations 2011 and any subsequent amendments thereto. The minutes shall record such review of the financial risks.

18. REVISION OF FINANCIAL REGULATIONS

- 18.1 It shall be the duty of the Council to review the Financial Regulations of the Council annually.
- 18.2 In these Financial Regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of Section 27 of the Audit Commission Act 1998 and then in force.
- 18.3 In these Financial Regulations, the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability in Local Councils – a Practitioners' Guide (England)* which is published by the Joint Practitioners Group and updated from time to time.