

**Financial Regulations**

Berwick-upon-Tweed Town Council

# Financial Regulations

Berwick-upon-Tweed Town Council

**Adopted by the Council on 17 May 2021**

**Effective from 17May2021**

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## Section 1: Introduction

- 1.1**            **These Financial Regulations ( the Regulations) govern the conduct of the financial management of the Council.**

### Structure and interpretation of Financial Regulations

- 1.2            The fundamental principles within the regulations are in **bold**. Other paragraphs outline the processes involved in putting these principles into practice.

### Amendment and waiver of Financial Regulations

- 1.3            These Financial Regulations may only be amended by resolution of the Council.
- 1.4            The Council may set aside specific Regulations from time to time, provided the Regulation is not a legal requirement. A resolution passed by Council is required to set aside a regulation. The resolution must state:
- the Regulation or Regulations to be set aside;
  - the reason for setting it/them aside; and
  - how long the Regulation(s) will be set aside.
- 1.5            The decision of council to waive a financial regulation shall be separately recorded in the minutes and in any index of decisions.

### Non-compliance with Financial Regulations

- 1.6            The Council's Responsible Financial Officer shall be alert for any breaches of Financial Regulations which have not been waived in the specific case.
- 1.7            The Council's Responsible Financial Officer shall report any such breaches to the Council, specifying:
- the specific Financial Regulation breached;
  - the circumstances of the breach;
  - the implications of the breach; and

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- any action proposed to prevent a recurrence of the breach.

1.8 The decision of council with regard to any breach of regulations shall be separately minuted and indexed, recording for each breach the matters detailed above and the decision of council.

## Section 2: General

- 2.1 The Council's Responsible Financial Officer, consistent with and in support of these Financial Regulations, shall:**
- **determine the form of accounting and supporting records (including entries of income, expenditure, assets and liabilities of the Council) and ensure that they are kept up to date; and**
  - **determine the Council's financial control systems (including to ensure prompt recording of transactions, prevention and detection of fraud, reconstruction of lost records, management of risk, allocation of responsibilities and division of responsibilities) and ensure that they are observed.**

### Procedure Notes

- 2.2 The Council's Responsible Financial Officer shall prepare and keep up to date Procedure Notes detailing the arrangements for:
- maintenance of accounting and supporting records; and
  - financial control, including allocation of and division of responsibilities.

### Legislation and proper practices

- 2.3 The Council's Responsible Financial Officer shall remain alert to the requirements of and changes in the requirements of applicable legislation and proper practices.
- 2.4 The Council's Responsible Financial Officer shall report any change in legislation or proper practices that may have an impact on these Financial Regulations to the Council and, as appropriate, make recommendations changes in these Financial Regulations.

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- 2.5 The Council's Responsible Financial Officer shall consider any change in legislation or proper practices that may have an impact on the Procedure Notes prepared under these Financial Regulations and make such changes to those Procedure Notes as are necessary to secure compliance with legislation or proper practices as the case may be.

## Section 3: Financial planning

- 3.1 The Council shall prepare a Medium-Term Financial Plan for a period of three years beyond the current financial year.**
- 3.2 The Council shall set its annual budget in the context of its Medium-Term Financial Plan, taking into account all anticipated income and all expected expenditure, alongside the need for contingencies and reserves.**

### Medium-Term Financial Plan

- 3.3 The Council shall prepare and maintain a Medium-Term Financial Plan alongside preparation of its annual Budget covering the year of the budget and the subsequent two years.
- 3.4 The Medium-Term Financial Plan shall detail for each financial year it covers:
- the estimated opening reserves;
  - all estimated income in the context of the Council's current policies;
  - all estimated expenditure in the context of the Council's current policies;
  - the Council's estimate of the sum required for contingencies;
  - the estimated closing reserves; and
  - the estimated closing unallocated balance.

### Budget

- 3.5 Budget setting is a multi-stage process requiring decisions to be made about future plans over a period of several months
- 3.6 Stage 1: in month 7 of the current financial year (October), the Council shall consider all cost codes in the current budget and indicate where expenditure is to be continued or stopped. For codes where expenditure is continuing, Council will indicate if expenditure is to be increased, stand still (after inflation), or be reduced.



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- 3.7 Stage 2: in month 8 (November), the RFO shall prepare a report on a draft budget based on the decisions made in stage 1. The report shall also reference the impact of the budget on MTFP, potential income levels and new areas of activity not previously considered.
- 3.8 Stage 3: in Month 9 (December), Council shall consider the draft budget report and associated draft budget and make any changes it might require.
- 3.9 Stage 4: in month 10 (January), the RFO shall produce a final draft budget for Council to adopt
- 3.10 Stage 5: following the adoption of a budget, the Council shall set a precept for the forthcoming financial year and authorise the RFO to notify the billing authority of this decision.

## Section 4: Income

- 4.1 The Council shall operate effective systems for ensuring that income due to it is collected and accounted for.**

### Determining fees and charges

- 4.2 As part of the budget setting process, each year the Council shall review the level of all fees and charges and decide on any changes for the coming financial year.

### Periodic income (including allotment rents)

- 4.3 The Responsible Financial Officer shall maintain a record of all periodic income collected by the Council.
- 4.4 The Responsible Financial Officer shall ensure that invoices or equivalent demands for payment are sent out in good time before payment is due.
- 4.5 The Responsible Financial Officer shall take reasonable steps to recover payments not received.

### Sundry income (including Freeman admission payments)

- 4.6 The Responsible Financial Officer shall maintain adequate records to identify sums receivable and from whom.
- 4.7 The Responsible Financial Officer shall ensure that invoices or equivalent demands for payment are sent out before the goods or services in question are delivered.

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- 4.8 The Responsible Financial Officer shall take reasonable steps to recover payments not received.

### **Residual income (including under Schedule 3 of the Berwick-upon-Tweed Corporation (Freemen) Act 1843)**

- 4.9 Where the Council has a statutory or contractual right to a payment by a third party, the Responsible Financial Officer shall:
- identify the date on which such payment is due and take reasonable steps to ensure that the payment is received; and
  - make such enquiries as are reasonable, including receiving copies of accounts, to substantiate the amount payable and agree it to the amount received.

### **Non-recovery of income**

- 4.10 Where in the RFO's opinion reasonable steps to secure the recovery payments owed have been taken and further recovery action would not be cost effective, the Responsible Financial Officer shall report the matter to the Council.
- 4.11 If the Council determines that no further action should be taken to secure recovery it shall authorise the write-off of the sum in question.
- 4.12 The Responsible Financial Officer shall, for each financial year, maintain a register of write-offs recording:
- who was to make the payment;
  - what it was for;
  - when it was due;
  - the steps taken to recover the amount due;
  - the reason for the proposed a write-off; and
  - the date the Council authorised the write-off.

## Section 5: Expenditure

- 5.1 The Council shall ensure that commitments to incur expenditure are entered into only where the expenditure is for an appropriate purpose and is appropriately authorised.**

### Ordering goods and services

- 5.2 The Responsible Financial Officer has authority to approve orders for goods and services with a value not exceeding £5,000 as long as:

- the order relates to goods or services which unambiguously fall within the scope of a cost code for the financial year in question;
- the placing of the order would not result in an actual or projected overspend against the cost code budget in question;
- the placing of the order would not give rise to a commitment to incur expenditure in a future financial year where the budget has not yet been set;
- the procurement requirements of Section 7 of these Regulations have been complied with;
- the expenditure in question is not otherwise in the opinion of the Responsible Financial Officer novel or contentious; or
- the Council has specifically reserved to itself authority to place an order for the goods or services in question.

- 5.3 In all other cases only the Council has authority to approve orders for goods and services.

### Purchase Orders

- 5.4 Save where it would be inappropriate to issue a purchase order (for example in relation to provision of utilities or regular services), for each request for goods or services the officer

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placing the order shall prepare, issue and retain a copy of a sequentially numbered Purchase Order specifying:

- the date of the order;
- the name and address of the supplier;
- a description of the goods or services to be supplied;
- the quantity of the goods or services to be supplied;
- the price of the goods or services to be supplied (detailing VAT separately where appropriate);
- the address to which the goods or at which the services should be supplied;
- the address to which invoices should be sent; and
- the cost code to which the goods or services relate.

5.5

Requests for services from NCC Local Services team shall be made via the agreed NCC/BTC request for work form. The requesting officer shall request cost estimates for work and record these on a print out of the request, which should be filed in the appropriate place.

## Section 6: Procurement

- 6.1 The Council shall demonstrate that it has taken reasonable steps to secure value for money and demonstrate propriety when committing itself to incur expenditure.**

### Tendering

- 6.2 Where the estimated value of goods or services exceeds £10,000 the Council shall undertake a tender exercise.
- 6.3 A tender exercise shall involve:
- identifying at least four suitably skilled and experienced contractors to invite to tender;
  - issuing an invitation to tender specifying the Council's requirements, the basis on which tenders are to be submitted, the evaluation criteria to be adopted, the submission requirements;
  - requiring tenderers to submit tenders in sealed envelopes with no external identification of the identity of the contractor;
  - reminding tenderers and all involved in the tender process of the need to maintain the integrity of the tendering process, drawing attention to relevant legislation;
  - specifying a time and date by which tenders shall be received;
  - opening tenders in the presence of at least one member who has had no previous involvement in the tender process, will not be involved in the tender evaluation process and has no interest in any of the contractors invited to tender;
  - recording at the tender opening the tenders returned and the prices quoted;
  - securing and safely keeping the tenders returned; and
  - establishing a tender evaluation panel to evaluate the tenders against the criteria included in the invitation to tender and make a recommendation to the Council.

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- 6.4 For any tender, the Council shall consider a report from the tender evaluation panel and determine the tenderer, if any, to whom the tender shall be awarded.
- 6.5 For any contract with an estimated value in excess of the thresholds specified in the Public Contracts Regulations 2015, the Council shall adopt a tender process that is consistent with the requirements of those Regulations.

## **Quotations**

- 6.6 Where the estimated value of goods or services exceeds £5,000 but is under £10,000, the Responsible Financial Officer shall seek quotations from at least three suitably skilled and experienced contractors.
- 6.7 Where the Council determines not to accept the lowest quotation it shall minute the reasons for its decision.

## **Estimates**

- 6.8 Where the estimated value of goods or services exceeds £1,000 but is under £5,000, the Responsible Financial Officer shall seek estimates from at least three suitably skilled and experienced contractors.
- 6.9 Where the Responsible Financial Officer determines not to accept the lowest estimate they shall report the reasons for their decision to the Council.

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## Section 7: Payroll

- 7.1 The Council shall put in place adequate arrangements for ensuring the prompt and accurate payment of all sums properly due to employees and to others in respect of their employment.**

### Agreement with the payroll provider

- 7.2 The Council shall enter into and maintain up to date a written agreement specifying:
- the respective responsibilities of the Council and payroll provider, including for making statutory deductions;
  - the information to be provided by the payroll provider to the Council and by the Council to the payroll provider;
  - the standards of service to be met by the payroll provider; and
  - the persons authorised to communicate with the payroll provider on behalf of the Council.

### Changes to standing data (including starters, leavers, changes in pay and changes in hours)

- 7.3 All changes to pay rates, benefits and hours shall be made by resolution of the Council.
- 7.4 All changes to standing data (other than in respect of the Responsible Financial Officer) shall be communicated to the payroll provider in writing by the Responsible Financial Officer personally.
- 7.5 All changes to standing data in respect of the Responsible Financial Officer shall be communicated to the payroll provider in writing by the Mayor.



## **Termination payments**

- 7.6 Any termination payment over and above those to which there is a statutory or contractual entitlement shall be made only after authorisation by the Council following receipt and consideration of a written business case.

## Section 8: Cash and investments

### **8.1 The Council shall put in place adequate arrangements for:**

- **safeguarding its cash and investments; and**
- **making payments.**

### **Investment strategy**

8.2 The Council shall prepare and keep under review an investment strategy.

8.3 The investment strategy shall take into account:

- the Council's medium-term financial plan; and
- the security of investments, including the need for diversification.

8.4 The investment strategy shall be designed to ensure that the total holdings with any one institution do not exceed the limit for compensation under the Financial Services Compensation Scheme.

### **Deposits**

8.5 The Council may, in accordance with its investment strategy, place deposits at UK banks and building societies of good financial standing.

### **Current account**

8.6 The Council shall maintain a current account with a UK bank or building society of good financial standing.

8.7 All receipts shall be credited to the current account.

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- 8.8 All payments (other than from the Responsible Financial Officer's imprest account and the petty cash account) shall be made from the current account.
- 8.9 The Town Clerk shall, annually, report to council on the proposed arrangements for making payments, and the means by which this payments will be authorised, identifying, in particular, the arrangements for
- Internet banking payments
  - Direct debits
  - BACS payments
  - Debit card payments
- bearing in mind that all forms of payment shall be individually authorised by two councillors who are appointed as signatories by council.
- 8.10 The Town Clerk shall report, annually, to Town Council on the format of regular reports to council, or a committee of council, of payments made and income received.

## **Responsible Financial Officer's imprest account**

- 8.11 The Council shall authorize the Responsible Financial Officer to operate an imprest account containing a sum not exceeding £1,000 without prior authority.
- 8.12 The Responsible Financial Officer may make payments out of the account in respect of items where payment before or at the time of receipt of goods or services is necessary.
- 8.13 The Responsible Financial Officer may have a debit card to operate on the Responsible Financial Officer's imprest account.

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### **Petty cash**

- 8.14 The Council shall authorize the Responsible Financial Officer to operate a petty cash account containing a sum not exceeding £200.
- 8.15 The Responsible Financial Officer may make payments out of the account in respect of items where payment in cash is necessary.
- 8.16 The Responsible Financial Officer shall retain adequate documentation, including invoices and receipts, to support all payments made from the petty cash account.
- 8.17 The Responsible Financial Officer shall reimburse the petty cash account from the Responsible Financial Officer's imprest account by making withdrawals using a debit card.

### **Transfers to deposit accounts**

- 8.18 Transfers from the Council's current account to its deposit account or vice versa shall be certified by the Council's Responsible Financial Officer.
- 8.19 The Responsible Financial Officer shall satisfy themselves that any such transfers are in accordance with the Council's investment strategy.

### **Bank mandates**

- 8.20 The Responsible Financial Officer shall ensure that the relevant bank mandates, including signatories, are kept up to date.

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### **Bank reconciliations**

- 8.21 The Responsible Financial Officer shall ensure that:
- reconciliations of all bank accounts are performed monthly;  
and
  - written evidence of the reconciliations is maintained.
- 8.22 A councilor nominated by the Council shall review the bank reconciliations once a quarter. The Responsible Financial Officer shall ensure that written evidence of this review is maintained.

## Section 9: Property

- 9.1 The Council shall put in place adequate arrangements for safeguarding and accounting for its assets.**

### Asset register

- 9.2 The Responsible Financial Officer shall maintain a register of its tangible fixed assets (including property, plant and equipment) in accordance with Financial procedure 10.1, 10.2 and 10.3.

### Acquisition of property

- 9.3 Any acquisition of assets for £1,000 or more shall specifically be approved by the Council following receipt of a report from the Responsible Financial Officer providing a business case for the acquisition.

## **Disposal of property**

9.4 Any disposal of assets with a carrying or insurance value of £1,000 or more shall specifically be approved by the Council following receipt of a report from the Responsible Financial Officer providing:

- a business case for the disposal; and
- evidence that the proposed disposal will secure best consideration reasonably obtainable for the Council.

## Section 10: Risk management including insurance

- 10.1            The Council shall put in place adequate arrangements for identifying and managing its risks.**

### **Risk management**

- 10.2            The Council shall establish and keep up to date a risk register.
- 10.3            The Council shall periodically review the risk register and update it as appropriate.

### **Insurance**

- 10.4            The Council shall, in light of its risk register and identified attitude to risk, identify those risks in respect of which it is appropriate to maintain insurance cover and the level and nature of risk that it is prepared to accept, including through insurance excesses.
- 10.5            At least annually, the Council shall, following advice from its Responsible Financial Officer, put in place appropriate insurance arrangements to insure identified risks.
- 10.6            The Responsible Financial Officer shall maintain adequate records of insurance in place.



## Section 11: Internal audit

### **11.1 The Council shall put in place adequate internal audit and carefully consider the results of its work.**

### **Scope of internal audit**

- 11.2 The Council shall engage an internal auditor to:
- undertake the procedures necessary to prepare the internal auditor's report included in the annual return;
  - on a cyclical basis review the design of and compliance with all the Council's financial regulations; and
  - prepare a narrative report to the Council on issues identified and making recommendations for improvement.

### **Appointment of an internal auditor**

- 11.3 The Council shall engage a suitably skilled and experienced internal auditor who is independent of the Council.
- 11.4 The terms of appointment of the Council's internal auditor shall specify that they have the fullest access permitted by law to all information held by the Council.
- 11.5 The Council shall annually review the performance of its internal auditor.

### **Results of internal audit**

- 11.6 The Responsible Financial Officer shall report all findings of the internal auditor to the Council.
- 11.7 The Council shall review all findings and recommendations of its internal auditor and identify any corrective action that is necessary.

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- 11.8 The Responsible Financial Officer shall prepare and maintain a register of agreed and actual action in response to internal audit findings and recommendations. The Council shall review this register at least annually and, in any event, before it approves its annual governance statement.

## Section 12: External accountability

### **12.1 The Council shall comply fully with all requirements for external accountability**

### **Annual Return**

12.2 The Responsible Financial Officer shall, no later than 31 May in the year following the financial year to which they relate:

- prepare and sign accounting statements in accordance with proper practices, supported by appropriate working papers; and
- prepare a report on the effectiveness of the system of internal control.

12.3 The Council shall, no later than 30 June in the year following the financial year to which they relate:

- consider and approve the accounting statements by resolution;
- review the system of internal control; and
- consider and approve the annual governance statement.

12.4 The Responsible Financial Officer shall, no later than 30 September in the year following the financial year to which it relates, publish the Council's annual return including its accounting statements and annual governance statement.

### **External audit**

12.5 The Responsible Financial Officer shall, as soon as reasonably practicable after the approval of the accounting statements and annual governance statement:

- ensure that the public are afforded their statutory rights to inspect the accounts; and

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- notify the Council's external auditor of the commencement of the period of inspection.

- 12.6 The Responsible Financial Officer shall provide all documents and explanations requested by the Council's external auditor.
- 12.7 The Responsible Financial Officer shall report all findings of the external auditor to the Council.
- 12.8 The Council shall review all findings and recommendations of its external auditor and identify any corrective action that is necessary.
- 12.9 The Responsible Financial Officer shall prepare and maintain a register of agreed and actual action in response to external audit findings and recommendations. The Council shall review this register at least annually.