

# Financial Regulations

Berwick-upon-Tweed Town Council

Adopted by the Council on [date] 2016  
Effective from [date] 2016

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## 1. Introduction

These Financial Regulations govern the conduct of the financial management of the Council. Any intentional departures from them should be justified and approved; any inadvertent departures from them should be identified, evaluated and learnt from.

### Structure and interpretation of Financial Regulations

The Financial Regulations comprise overarching principles contained in **bold paragraphs** and other Regulations. In interpreting the Regulations regard must always be had to the overarching principles.

### Amendment and waiver of Financial Regulations

These Financial Regulations may only be amended by resolution of the Council. The Council may by resolution waive a specific Financial Regulation in specific circumstances. Any resolution to waive a Financial Regulation should specify:

- The specific Financial Regulations to be waived;
- The specific circumstances to which the waiver relates; and
- The reason for the waiver, by reference to the overarching principles.

The Council's Responsible Financial Officer shall maintain a register detailing waivers of Financial Regulations approved by the Council, recording for each waiver the matters detailed above and the meeting of the Council to which the waiver was approved.

### Non-compliance with Financial Regulations

The Council's Responsible Financial Officer shall be alert for any breaches of Financial Regulations for which a waiver has not been granted.

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

The Council's Responsible Financial Officer shall maintain a register of all breaches of Financial Regulations reported to the Council, recording for each breach the matters detailed above and the meeting of the Council to which the breach was reported.

## Section 2: General

**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

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;
- financial control, including allocation of and division of responsibilities.

### Legislation and proper practices

The Council's Responsible Financial Officer shall remain alert to the requirements of and changes in the requirements of applicable legislation and proper practices. 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.

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

The Council shall prepare a Medium-Term Financial Plan for a period of three years beyond the current financial year.

The Council shall set its annual budget requirement in the context of its Medium-Term Financial Plan, taking into account all its anticipated income, all its expected income, its need for contingencies and its need for reserves.

### Medium-Term Financial Plan

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.

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 cash balance.

### Budget

The Council shall receive a report from its Responsible Financial Officer and, in the context of its Medium-Term Financial Plan, adopt budget planning assumptions to underpin its budget requirement for a financial year no later than 31 October in the preceding financial year. The budget assumptions shall include, but not be restricted to assumptions about:

- changes in the level or nature of service provision;
- changes in pay, prices, fees and charges;
- interest rates;
- level of contingencies; and
- use of reserves.

The Council's Responsible Financial Officer shall, in the context of:

- the Council's Medium-Term Financial Plan;
- the Council's budget planning assumptions;

- the Council's existing policies; and
- the forecast out-turn for the preceding financial year

prepare a draft budget for all income and expenditure for the forthcoming financial year no later than 31 October in the preceding financial year.

The draft budget shall detail:

- the estimated opening reserves;
- all estimated income;
- all estimated expenditure;
- the Council's estimate of the sum required for contingencies;
- the estimated closing reserves; and
- the estimated closing cash balance.

The draft budget shall for all items of income and expenditure include:

- a profile of each budget item over the four quarters ending 30 June, 30 September, 31 December and 31 March; and
- a narrative description of its scope, sufficient to determine whether any proposed income or expenditure falls within that scope.

The Council shall consider the draft budget and no later than 31 December no later than 31 December in the year prior to the financial year to which it relates:

- adopt a final budget. The final budget shall specify the matters required to be specified in the draft budget;
- determine its budget requirement and precept; and
- authorise the Responsible Financial Officer to notify its precept to the billing authority.

The Responsible Financial, Officer shall notify the Council's precept to the billing authority as soon as reasonably practicable after it has been determined by the Council.

## Section 4: Budget monitoring

**The Council shall operate an effective system of monitoring income and expenditure against budget and taking appropriate corrective action where necessary.**

### Quarterly monitoring

The Council shall no later than one month after the end of the quarters ended 30 June, 30 September and 31 December, consider a budget monitoring report specifying for each budget head:

- budgeted income/expenditure for the financial year to the end of the quarter in question (both as initially adopted and as amended after any virements, use of contingencies or drawing on reserves);
- budgeted income/expenditure for the whole of the financial year (both as initially adopted and as amended after any virements, use of contingencies or drawing on reserves);
- income/expenditure for the financial year to the end of the quarter in question;
- projected income/expenditure for the financial year; and
- explanations for the all actual and projected variances exceeding 5% of the budget head or £1,000, whichever is the lower.

The Council shall:

- identify any necessary corrective action;
- identify whether virements between budget heads are appropriate and, if so, approve such virements;
- identify whether any use of contingencies is appropriate and, if so, approve such use;
- identify whether any drawing on reserves is appropriate and, if so, approve such drawing.

The Responsible Financial Officer shall update the budget in light of any decisions of the Council on virements, use of contingencies and drawing on reserves.

### End of year monitoring

The Council shall no later than 31 May following the end of a financial year consider, alongside its draft annual return, a budget out-turn report specifying for each budget head:



- budgeted income/expenditure for the whole of the financial year (both as initially adopted and as amended after any virements, use of contingencies and drawing on reserves);
- income/expenditure for the financial year; and
- explanations for the all actual and projected variances exceeding 5% of the budget head or £1,000, whichever is the lower

The Council shall in respect of the previous financial year:

- identify whether virements between budget heads are appropriate and, if so, approve such virements;
- identify whether any use of contingencies is appropriate and, if so, approve such use; and
- identify whether any drawing on reserves is appropriate and, if so, approve such drawing.

The Council shall in respect of the current financial year:

- determine whether any action in respect of the budget for the current financial year is required in light of the budget out-turn for the previous financial year;
- identify whether virements between budget heads are appropriate and, if so, approve such virements;
- identify whether any use of contingencies is appropriate and, if so, approve such use; and
- identify whether any drawing on reserves is appropriate and, if so, approve such drawing.

The Responsible Financial Officer shall update the budgets for the previous and current financial years in light of any decisions of the Council on virements, use of contingencies and drawing on reserves.

## **Adjustments to budgets**

The Responsible Financial Officer shall maintain a record of all changes to the budget in the course of the year, whether arising from virements, use of contingencies or drawing on reserves, sufficient to allow the movement from the original to the revised budget to be agreed to specific decisions of the Council.

## Section 5: Income

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

### Determining fees and charges

Annually, as part of the budget setting process, the Council shall review all fees and charges determine what fees and charges shall be payable for the subsequent financial year.

### Periodic income (including allotment rents)

The Responsible Financial Officer shall maintain a record of all periodic income due to the Council and from whom it is due.

The Responsible Financial Officer shall ensure that invoices or equivalent demands for payment are rendered in good time before the commencement of the period to which the income relates.

The Responsible Financial Officer shall take reasonable steps to recover sums due but not received.

### Sundry income (including Freeman admission payments)

The Responsible Financial Officer shall maintain adequate records to identify sums receivable and from whom.

The Responsible Financial Officer shall ensure that invoices or equivalent demands for payment are rendered in good time before the provision of the good or service in question.

The Responsible Financial Officer shall take reasonable steps to recover sums due but not received.

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

Where the Council has a right to a statutory or contractual right to the excess of income over expenditure, 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 sum receivable and agree it to the sum received.

### Non-recovery of income

Where in their opinion reasonable steps to secure the recovery of sums due have been taken and further recovery action would not be cost effective, the Responsible Financial Officer shall report the matter to the Council's Finance and Resources Committee.

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.

The Responsible Financial Officer shall maintain a register of write-offs recording:

- the person from whom the amount was due;
- for what the sum was due;
- the date on which it was due;
- the steps taken to recover the amount due;
- the reason why they proposed a write-off; and
- the date on which the Council authorised the write-off.

## Section 6: Expenditure

**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

The Responsible Financial Officer has authority to place orders for goods and services with a value not exceeding £5,000 provided that:

- the order relates to goods or services which unambiguously fall within the scope of a budget head for the year in question;
- the placing of the order would not give rise to an actual or projected overspend against the budget head in question;
- the placing of the order would not give rise to a commitment to incur expenditure in a subsequent period for which no budget has 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.

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

### Purchase Orders

Save where it would be inappropriate to issue a purchase order (for example in relation to provision of utility services or purchases on-line where payment is made in advance), for each order the Responsible Financial Officer shall prepare, issue and maintain 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 unit 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 rendered; and

- the budget head to which the goods or services relate.

## Section 7: Procurement

**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

Where the estimated value of goods or services exceeds £10,000 the Council shall undertake a tender exercise.

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;
- 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.

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.

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

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.

Where the Council determines not to accept the lowest quotation it shall minute the reasons for its decision.

## Estimates

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.

Where the Responsible Financial Officer determines not to accept the lowest estimate they shall report the reasons for their decision to the Council.

## Section 8: Payroll

**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

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;
- 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)

All changes to pay rates, benefits and hours shall be made by resolution of the Council.

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.

All changes to standing data in respect of the Responsible Financial Officer shall be communicated to the payroll provider in writing by the Mayor.

### Review of salary expenditure

The Responsible Financial Officer shall review salary expenditure information provided to the Council by the payroll provider in light of:

- the budget;
- known changes in staffing; and
- known changes in pay, benefits, hours and payroll taxes.



The Responsible Financial Officer shall seek promptly to resolve any unexplained variances with the payroll provider. If the Responsible Financial Officer is unable to resolve any such variances they shall report them forthwith to the Council.

### **Termination payments**

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 9: Cash and investments

The Council shall put in place adequate arrangements for:

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

### Investment strategy

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

The investment strategy shall take into account:

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

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

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

### Current account

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

All receipts shall be credited to the current account.

All payments (other than from the Responsible Financial Officer's imprest account and the petty cash account) shall be made from the current account.

In respect of any invoice or other demand for payment, the Responsible Financial Officer shall seek to satisfy themselves that there is a legal or constructive obligation to make the payment and in particular that:

- invoices have been agreed to purchase orders;

- confirmation of receipt of goods or services has been received;
- periodic payments are in line with expectations; and
- invoices or equivalent demands for payment have been checked for arithmetic accuracy.

The Responsible Financial Officer shall either:

- certify an invoice or other demand for payment; or
- where they are unable to satisfy themselves that the Council has a legal or constructive obligation to make the payment in question, refer the matter to the Council for its consideration.

All payments shall be made:

- by cheque signed by two councilors;
- by secure internet banking authorised by two councilors; or
- by other instructions to the Council's bankers authorised by two councilors.

Before signing cheques or authorising payments, the two councilors shall review the same information that the Responsible Financial Officer or the Council had available when they certified or authorised the payment and shall, in particular, verify the recipient and the arithmetic accuracy of the payment.

Written evidence of all certification and authorisation of payments shall be retained.

The Responsible Financial Officer shall report payments made at least monthly to the Council.

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

The Council shall authorize the Responsible Financial Officer to operate an imprest account containing a sum not exceeding £1,000.

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.

The Responsible Financial Officer may have a debit card to operate on the Responsible Financial Officer's imprest account.

The Responsible Financial Officer shall put in place reasonable arrangements to prevent unauthorized payments including:

- securing the authorisation of more than one officer;
- physical security over the debit card; and
- security over the PIN number for the debit card.

The Responsible Financial Officer shall retain adequate documentation, including invoices and receipts, to support all payments made from the Responsible Financial Officer's imprest account.

At least monthly the Responsible Financial Officer shall submit a schedule of payments made from the Responsible Financial Officer's imprest account (including individual payments from the Council's petty cash account reimbursed), accompanied by adequate document to support payments made, for reimbursement from the Council's current account.

Before authorising reimbursement, the Council shall satisfy itself that the Council had a legal or constructive obligation to make the payments in question and in particular that:

- expenditure is appropriately supported;
- invoices, equivalent demands for payment or receipts have been checked for arithmetic accuracy.

All payments shall be made by secure internet banking authorised by two councilors.

## Petty cash

The Council shall authorize the Responsible Financial Officer to operate a petty cash account containing a sum not exceeding £200.

The Responsible Financial Officer may make payments out of the account in respect of items where payment in cash is necessary.

The Responsible Financial Officer shall retain adequate documentation, including invoices and receipts, to support all payments made from the petty cash account.

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

Transfers from the Council's current account to its deposit account or vice versa shall be certified by the Council's Responsible Financial Officer and authorised by two councilors, consistent with the arrangements for payments from the Council's current account.

The Responsible Financial Officer shall satisfy themselves that any such transfers are in accordance with the Council's investment strategy.

### **Bank mandates**

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

### **Bank reconciliations**

The Responsible Financial Officer shall ensure that:

- reconciliations of all bank accounts are performed monthly; and
- written evidence of the reconciliations is maintained.

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 10: Property

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

### Asset register

The Responsible Financial Officer shall maintain a register of its tangible fixed assets (including property, plant and equipment). The register shall specify at a minimum:

- description;
- nature of interest;
- location;
- date of acquisition;
- carrying value for accounting purposes;
- replacement value for insurance purposes; and
- reference to supporting documentation.

The Responsible Financial Officer shall ensure that the asset register is updated promptly for all relevant changes, including acquisitions and disposals.

The Responsible Financial Officer shall annually undertake an exercise to verify the completeness and accuracy of the asset register.

### Acquisition of property

Any acquisition of property 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

Any disposal of property 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 acquisition; and
- evidence that the proposed disposal will secure best consideration reasonably obtainable for the Council.

## Section 11: Risk management including insurance

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

### Risk management

The Council shall establish and keep up to date a risk register, identifying:

- the risks to the attainment of its objectives;
- the significance of those risks;
- the steps taken to mitigate those risks;
- the residual risks to which it is exposed; and
- the last date on which each entry on the risk register was reviewed.

The Council shall at least quarterly review the risk register and update it as appropriate.

### Insurance

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.

At least annually, the Council shall, following advice from its Responsible Financial Officer, put in place appropriate insurance arrangements to insure identified risks.

The Responsible Financial Officer shall maintain adequate records of insurance in place.

The Responsible Financial Officer shall be alert for:

- changes in risks;
- new risks; and
- changes in property;

and;

- to the extent that they have delegated authority to do so, necessary changes to insurance cover; and

- to the extent that they do not have delegated authority to do so, report the matter to the Council which shall consider whether changes to insurance coverage are required.



## Section 12: Internal audit

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

### Scope of internal audit

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 identifying issues identified and making recommendations for improvement.

### Appointment of an internal auditor

The Council shall engage a suitably skilled and experienced internal auditor who is independent of the Council.

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.

The Council shall annually review the performance of its internal auditor.

### Results of internal audit

The Responsible Financial Officer shall report all findings of the internal auditor to the Council.

The Council shall review all findings and recommendations of its internal auditor and identify any corrective action that is necessary.

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 13: External accountability

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

### Annual Return

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;
- prepare a report on the effectiveness of the system of internal control; and
- prepare a draft annual governance statement, supported by an appropriate file of evidence.

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; and
- review the system of internal control;
- consider and approve the annual governance statement.

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

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

The Responsible Financial Officer shall provide all documents and explanations requested by the Council's external auditor.

The Responsible Financial Officer shall report all findings of the external auditor to the Council.

The Council shall review all findings and recommendations of its external auditor and identify any corrective action that is necessary.

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.

### **Members' Allowances**

The Responsible Financial Officer shall make appropriate arrangements to publish as soon as reasonably practicable after the end of the financial year details of payments made to councilors in accordance with the Local Authorities (Members' Allowances) Regulations 2003.