

Financial Regulations

1. General

- 1.1 These financial regulations govern the conduct of the 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 has a sound system of financial control which facilitates the effective exercise of the authority'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. The town clerk has been appointed as RFO for this council and these regulations will apply accordingly. The RFO, acting under the policy direction of the council, shall be responsible for the proper administration of the council's financial affairs in accordance with proper practices. He/she shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure the accounting control systems are observed and that the accounting records of the council are maintained and kept up-to-date in accordance with proper practices.
- 1.3 The RFO shall be responsible for the production of financial management information as required by council.
- 1.4 At least once a year, prior to approving the Annual Governance Statement, the council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.5 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.
- 1.6 In these financial regulations, the term 'proper practice' or 'proper practices' refer to the most recent version of "Governance and Accountability for Local Councils – a Practitioners' Guide".
- 1.7 Deliberate or wilful breach of these regulations by an employee may give rise to disciplinary proceedings.
- 1.8 Members of the 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.

2. Annual Estimates

- 2.1 Detailed estimates of all income and expenditure including the use of reserves and all sources of funding for the following financial year shall be prepared by the RFO in the form of a budget to be considered by council. At the same time, the RFO will produce a five-year forecast of income and expenditure.

2.2 The council shall review the budget not later than the end of December each year and shall set 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 budget.

2.3 The annual budgets shall form the basis of financial control for the ensuing year.

3. Budgetary Control

3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget. Contracts may not be disaggregated to avoid controls imposed by these regulations.

3.2 Unless under the circumstances outlined in paragraph 3.4, no expenditure may be incurred which will exceed the amount provided in the revenue budget. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.

3.3 The finance manager shall regularly provide the council with a summary of receipts and payments to date along with a forecast for the financial year. The statement will compare expenditure and income against the budget. These statements are to be prepared at least four times a year; as soon as practicable after 30 June, 30 September and 31 December, and as soon as possible after the financial year end at 31 March.

3.4 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 £10,000. The clerk shall report the action to the council as soon as practicable thereafter. Should expenditure above this limit be anticipated before authority can be obtained at the next scheduled council meeting, the chairman of the council should convene an extraordinary meeting of the Full Council to seek authority for the expenditure. Where possible, the council will maintain a reserve to cover such eventualities.

3.5 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year; they should be moved to the council's general reserve, or to a specific reserve in the case of on-going projects.

3.6 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.

3.7 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 Regulations 2011 and any subsequent amendments thereto.
- 4.2 On a regular basis, at least once in each quarter, and at each financial year end, the RFO will verify bank reconciliations for all accounts. The RFO will sign the reconciliations and the original bank statements (or similar documents) as evidence of verification.
- 4.3 The RFO shall be responsible for completing the annual financial statements of the council, including the annual return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the council.
- 4.4 The RFO shall be responsible for completing the accounts of the council contained in the annual governance and accountability return (as supplied by the auditor appointed from time to time by the Audit Commission) and shall submit the annual governance and accountability return for approval and authorisation by the council within the timescales set by the Accounts and Audit Regulations 2011 as amended, or set by the auditor.
- 4.5 The RFO shall be responsible for ensuring 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.
- 4.6 The internal auditor shall be appointed by and shall carry out the work required by the council in accordance with proper practices. The internal auditor, who shall be competent and independent of the operations of the council, shall report to council in writing, or in person, on a regular basis with a minimum of one annual written report in respect of each financial year. To demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the council.
- 4.7 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and Statements of Account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.8 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 nature.
- 4.9 The council shall carry out a review of the effectiveness of internal audit on an annual basis in accordance with the Accounts and Audit Regulations 2011 and any subsequent amendments thereto.

5. Banking Arrangements and Cheques

- 5.1 The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the council and be regularly reviewed for efficiency.
- 5.2 A schedule of payments made, forming part of the agenda for the meeting shall be prepared by the finance manager. Petty cash reimbursement will be reported as a total when re-imbursement takes place, unless this exceeds £200 per month, when full details will be provided. The relevant invoices will be made available for inspection at the council's offices. If the schedule is in order it shall be approved by a resolution of the council.
- 5.3 Payments under £10,000 (other than petty cash or debit card as per paragraph 5.6) should normally be paid through online banking using BACS; two authorisers are required to make payments. The authorisers are the town clerk, deputy town clerk, finance manager, operations manager and support services manager. The only exception is where a creditor is unable to provide their banking details.
- 5.4 Payments over £10,000 should be authorised by two persons: a member and the RFO or two members. Email authorisations are acceptable.
- 5.5 Cheques drawn on the bank account shall be signed by two authorised signatories, i.e. members of the council and authorised officers.
- 5.6 The bank debit card can be used for payments up to £1,000, providing two of the authorisers from 5.3 approve payment.
- 5.7 All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out examined and represents expenditure previously approved by the council.
- 5.8 The RFO shall have delegated authority to authorise the payment of items, provided that a list of such payments is submitted to the next appropriate meeting of the council or Strategy and Finance Committee.
- 5.9 In respect of grants, the council will approve expenditure within set limits.
- 5.10 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.

6. Payments of Accounts

- 6.1 The council will make safe and efficient arrangements for the making of its payments
- 6.2 All payments shall be effected by BACS, cheque, debit card, direct debit or other order drawn on the council's bankers.

- 6.3 Payments should normally be made against authorised invoices after the receipt of goods and services; the following exceptions apply:
- 6.3.1 Payments using the debit card (see paragraph 5.6) may be made in advance of the receipt of goods and/or services.
 - 6.3.2 Some new suppliers of goods and/or services may not grant the council credit. If the council still needs to go ahead with the order, payment may be made in advance of receipt of the goods or services using a pro forma invoice. A full invoice must be produced by the supplier and retained by the council after receipt of the goods/services.
 - 6.3.3 Some smaller suppliers may require an advance or deposit to be paid (to allow the purchase of materials, for example). The finance manager must obtain references to minimise the risk of loss to the council, and authorise an advance or deposit. In such event, an invoice from the supplier will be dual authorised in the same manner, and a deposit paid prior to receipt of goods or services.
- 6.4 All payments, where the invoice is not disputed, should be made within payment terms, and earlier if practical and cost effective.
- 6.5 All invoices for payment shall be examined, verified and finally certified for payment by the town clerk, deputy town clerk or finance manager. The officer who placed the order shall certify that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 6.6 The finance manager or finance assistant shall examine invoices in relation to arithmetical accuracy and shall post them to the appropriate expenditure heading. They shall take all steps to settle invoices submitted within payment terms.
- 6.7 The finance team may provide petty cash to officers for the purpose of defraying operational and other minor expenses. Vouchers for payments made shall be forwarded to the finance team with a claim for reimbursement: operational floats, for example, in respect of the amenity area may be maintained as necessary. Petty cash should only be used for minor expenditure items and where no other payment method is appropriate.
- 6.8 Payment for other supplies or other obligatory payments such as business rates may be made by variable direct debit provided the instructions are signed by two authorised bank signatories and any payments are reported to council.
- 6.9 No employee or councillor should 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.
- 6.10 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, preferably off-site.
- 6.11 The council, and any members using computers for the council's financial business, shall ensure anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.

- 6.12 Changes to account details for suppliers, which are used for internet banking, may only be changed on written confirmation by the supplier, which may be by email.

7. Payment of Salaries

- 7.1 As an employer, the council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the current rules of PAYE and National Insurance. Salaries shall be as agreed by council. Progression through the salary scales is delegated to the town clerk, with the exception of the town clerk, deputy town clerk, operations manager, finance manager and support services manager, where progression through the salary scale is on the recommendation of the Human Resources Committee.
- 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 stipulated in employment contracts, provided that each payment is reported to and ratified by the next available council meeting.
- 7.3 Payment to employees of net salary and to the appropriate creditor of the statutory and discretionary reductions shall be recorded in a separate confidential record. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
- 7.3.1 by any councillor who can demonstrate a need to know
 - 7.3.2 by the internal auditor
 - 7.3.3 by the external auditor
 - 7.3.4 by any person authorised under the Audit Commission Act 1998, or any superseding legislation.
- 7.4 The total of such payments in each calendar month shall be reported with all other payments as made as may be required under these Financial Regulations, to ensure only payments due for the period have actually been paid.
- 7.5 Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by the council.

8. Treasury Management

- 8.1 Lyme Regis Town Council has a policy to hold in reserves 50% of turnover. In addition to this reserve the council also holds surplus funds as a result of the timing of income and expenditure. It is important that such funds are invested prudently with regard to the council's fiduciary responsibility to local council tax-payers the priority for security and the liquidity of investments.

8.2 The town council will undertake a review of its investments and loans as part of the budget-setting process. This review must be approved by the Full Council but may be varied from time to time as circumstances dictate. The strategy will be a public document as defined by the Freedom of Information Act 2000.

8.3 All the town council's investments will be specified investments, i.e., they are:

8.3.1 Made in sterling

8.3.2 Short term; investments will not normally exceed 12 months.

8.3.3 Made with a recognised and reputable financial institution.

8.4 All investments will be at the discretion of the RFO and will be reported to the Strategy and Finance Committee at each meeting.

8.5 Risk Management

8.5.1 Liquidity risk management

The council will ensure it has adequate cash resources, overdraft or standby facilities to enable it all times to have the level of funds available which are necessary for the achievement of its service objectives.

8.5.2 Legal and regulatory risk management

The council will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. The council recognises future legislative or regulatory changes may impact on its treasury activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely.

8.5.3 Fraud, error and corruption, and contingency management

The council will ensure that it has identified those circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements.

8.6 External borrowing

If the council wishes to borrow funds it should consider whether approval is required from the Department for Communities and Local Government. All investments and borrowings will be reported to the Strategy and Finance Committee at each meeting.

8.7 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. All investments of money under the control of the council shall be in the name of the council.

9. Income

9.1 The collection of all sums due to the council shall be effected by the finance team and shall be the responsibility of and under the supervision of the finance manager.

- 9.2 The council will review all fees and charges annually, as part of the budget-setting process.
- 9.3 Any sums found to be irrecoverable and any bad debts shall be reported to the council. The RFO shall have delegated authority to write off sums, both debtors and creditors, of less than £250, which should be reported to the council retrospectively.
- 9.4 All sums received on behalf of the council shall be banked intact as directed by the finance team. In all cases, all receipts shall be deposited with the council's bankers with such frequency as the finance team considers necessary.
- 9.5 Personal cheques shall not be cashed out of money held on behalf of the council.
- 9.6 The finance team shall promptly complete any VAT return that is required.
- 9.7 Where any significant sums of cash are regularly received by the council, the finance team 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.
- 9.8 The origin of each receipt shall be entered on the paying-in slip.

10. Orders for Works, Goods and Services

- 10.1 An official order shall be issued for all goods over £1,000, and for all services over £2,000.
- 10.2 All members and officers are responsible for obtaining value for money at all times, including achieving the best terms available in respect of each transaction. For all items over the purchase order threshold (see paragraph 10.1), this will usually be by obtaining three or more written quotations or estimates from appropriate suppliers, subject to any provisions in Regulation 11 (1) below, with the exception of preferred suppliers (see paragraph 10.3).
- 10.3 A level playing field should be given to all suppliers approached, and once the quotes have been received and evaluated, no new quotes from outside the process should be considered, except in exceptional circumstances. Any such circumstances should be reported to members. Once quotes have been received, consideration should be given to going back to suppliers to request best and final quotes; this opportunity should be given to all suppliers who provided quotes. Sensitive commercial information should not be shared with potential suppliers.
- 10.4 For regular purchase items, such as staff clothing, plants, and building supplies, the council may enter into a preferred supplier relationship, following suitable market testing. This should streamline the procurement process and provide the council with the opportunity to secure discounts. Any such agreement will be for a period of up to three years and will be notified to the council.
- 10.5 Officers shall verify the lawful nature of any proposed purchase before the issue of any order.

- 10.6 A member may not issue an official order or make or imply any contract on behalf of the council.

11. Contracts

- 11.1. 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 11.1.1 to 11.1.5:
- 11.1.1 For the supply of gas, electricity, water, sewerage and telephone services, no purchase order is required, but the requirement to obtain value for money remains as per paragraph 10.2;
 - 11.1.2 For specialist services or equipment such as are provided by solicitors, accountants, surveyors and planning consultants, no purchase order is required, but the requirement to obtain value for money remains as per paragraph 10.2;
 - 11.1.3 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 where no other supplier can reasonably provide the service;
 - 11.1.3 For work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the council;
 - 11.1.4 For additional audit work of the external auditor up to an estimated value of £1,000 (in excess of this sum the RFO shall act after consultation with the chairman or vice-chairman of council);
 - 11.1.5 For goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- 11.2 Where it is intended to enter into a contract exceeding £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 11.1 the clerk shall invite tenders from at least three firms.
- 11.3 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.
- 11.4 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 either by email or post. All tenders will remain unopened until the prescribed date for opening tenders for that contract.
- 11.5 All sealed tenders shall be opened, after the stated closing date and time, by the proper officer and at least one member of the council.
- 11.6 The council's tender documents will state that the price submitted by the successful contractor or consultant will be made public. However, prices submitted for component parts of tenders will not be made public.
- 11.7 Tender prices submitted by unsuccessful organisations will not be released into the public domain.

- 11.8 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 are then to be assessed and tenders reported to the appropriate meeting of the council or committee.
- 11.9 Where the council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (“the Regulations”) which is likely to be valued at £25,000 or more, the council shall comply with the relevant requirements of the Regulations¹.
- 11.10 The full requirements of the Regulations, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in the Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)².
- 11.11 The council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 11.12 The thresholds for the award of contracts are:
- 11.12.1 Less than £10,000 – town clerk, and in their absence deputy town clerk
 - 11.12.2 Between £10,000 and £ 60,000 – town clerk, and in their absence deputy town clerk, and reported to the Strategy and Finance Committee
 - 11.12.3 More than £60,000 – reported to the Strategy and Finance Committee for consideration and recommendation to the Full Council for resolution
- 11.13 Any invitation to tender issued under this regulation shall refer to the terms of the Bribery Act 2010.

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 finance team 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 finance team shall maintain a record of all such payments. In any case when 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 council and clerk to the contractor in writing, the council being informed where the final cost is likely to exceed the financial provision.

¹ The Regulations require councils to use the Contracts Finder and Find a Tender websites to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts.

² Thresholds currently applicable are:

a) For public supply and public service contracts 209,000 Euros (£189,330)

b) For public works contracts 5,225,000 Euros (£4,733,252)

These new thresholds are applicable from 1 January 2020.

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 must 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.
- 13.3 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.4 Officers shall be responsible for periodic checks of stocks and stores, at least annually.

14. Assets, Properties and Estates

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry certificates 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 in accordance with the Accounts and Audit Regulations 1996 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, except where the estimated value of any one item of tangible moveable property does not exceed £1,000.
- 14.3 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the register shall be verified at least annually, and reported with the council's annual return.
- 14.4 No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the council, together with any consents required by law. In each case, a written report shall be provided to the council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 14.5 No real property (interests in land) shall be purchased or acquired without the authority of the Full Council. In each case, a written report shall be provided to council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants), together with a proper business case (including an adequate level of consultation with the electorate).
- 14.6 Subject only to the limit set in Regulation 14.2, no tangible moveable property shall be purchased or acquired without the authority of the Full Council. In each case, a written report shall be provided to council with a full business case.

15. Insurance

- 15.1 Based on the annual risk assessment (per Regulation 17), the finance team shall effect all insurances. Officers will negotiate all claims on the council's insurers.
- 15.2 The finance team to be promptly notified by officers of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 15.3 The finance team 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 finance manager shall be notified of any loss or damage or of any event likely to lead to a claim, and shall report any significant items to council at the next available meeting.
- 15.5 All appropriate members and 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 Council is responsible for putting in place arrangements for the management of risk. The clerk shall prepare, for approval by the council, risk management policy statements in respect of all activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.
- 17.2 When considering any new activity the clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

18. Revision and Suspension of Financial Regulations

- 18.1 It shall be the duty of the council to review the Financial Regulations of the authority annually. The clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to these Financial Regulations.
- 18.2 The council may, by resolution of the council duly notified prior to the relevant meeting of council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of the council.

19. Review

19.1 This document will be reviewed in May 2022 or sooner if there are changes in legislation or best practice.

Implementation date: 26 May 2021

Review Date: May 2022