

# **Article 7**

# **FINANCIAL REGULATIONS**

**2019 UPDATE**

## Contents

- Section 1 Statutory Background to the Financial Regulations
- Section 2 Introduction to the Financial Regulations
- Section 3 Financial Management Responsibilities
- Section 4 Risk Management and the System of Internal Control
- Section 5 Accounting Systems, Records, Policies and Procedures
- Section 6 Annual Return (Accounting Statements and Annual Governance Statement)
- Section 7 Financial Planning and Budgeting
- Section 8 Budget Monitoring and Budgetary Control
- Section 9 Virement and Treatment of Year End Budget Balances
- Section 10 Banking Arrangements
- Section 11 Purchase Ordering and Payments for Goods and Services
- Section 12 Payment of Salaries and Wages and Members' Allowances
- Section 13 Collection and Banking of Income
- Section 14 Treasury Management (Loans and Investments)
- Section 15 Capital Programme Works and Contracts
- Section 16 Management of Consumable Stocks
- Section 17 Asset Management
- Section 18 Management of Land and Property
- Section 19 Insurance Arrangements
- Section 20 Taxation
- Section 21 Update and Revision of Financial Regulations

## **1.0 Statutory Background to the Financial Regulations**

- 1.1 Local councils i.e. town and parish councils have been given statutory powers by the government to raise money through taxation (council tax) in the form of the precept, and a range of statutory powers to act and spend this public money to deliver local public services.
- 1.2 The Council must ensure that it has the legal power to act and use a specific statutory power to undertake an activity and incur expenditure. The Town Clerk, as the Council's 'Proper Officer', is responsible for advising the Council of the lawfulness of specific decisions to act, to provide services or incur expenditure.
- 1.3 Legislation permits local councils to exercise a wide range of statutory or discretionary powers and these powers cover a wide range of services and activities. In addition, in the absence of a specific power, the General Power of Competence allows eligible councils to do anything that an individual can do (unless specifically prohibited). The Council has adopted this power.
- 1.4 Financial rules and procedures have been set by the Government through various statutes such as the Local Government Act 1972 and the Local Audit and Accountability Act 2014 and regulations such as the Accounts and Audit Regulations 2015, which are designed to protect the Council and ensure that it does not take any unnecessary risks with public money or community assets.
- 1.5 The Council has a specific responsibility in law for '*making arrangements for the proper administration of its financial affairs*' and is required to comply with '*proper practices*' in relation to financial management. These proper practices are set out in '*Governance and Accountability for Smaller Authorities in England*', which is issued by the Joint Panel on Accounting Guidance (JPAG) and jointly published by the Society of Local Council Clerks and National Association of Local Councils. A copy of this document is attached at Appendix 1.
- 1.6 By law, the council must ensure that one of its officers has responsibility for its financial affairs. The Finance Manager is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and, acting under the direction of the Council, is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations and proper practices.
- 1.7 The Council's financial accounting year runs from 1<sup>st</sup> April to 31<sup>st</sup> March in line with the government and other public authorities.

## **2.0 Introduction to the Financial Regulations**

- 2.1 These Financial Regulations form part of the Council's Constitution and provide the framework for the management of the Council's finances in accordance with all relevant statutory requirements and proper practices as set out above.
- 2.2 The Financial Regulations govern, set-out and detail how the Council will control and manage its financial affairs, and give direction and instructions to the Finance Manager on how to conduct the financial management of the Council.
- 2.3 The Financial Regulations apply to every member and officer of the Council and to anyone acting on their behalf. They identify the financial responsibilities of the Council as a whole, committees, sub committees and working groups, individual Members of the Council, the Town Clerk, the Finance Manager, and service managers and senior officers employed by the Council.

- 2.4 In support of these Financial Regulations, the Finance Manager will determine on behalf of the Council, its accounting policies, procedures, records and control systems, ensure that these are observed and kept up to date in accordance with proper practices, produce the Council's accounts, budgets and financial plans, operate a sound system of budget monitoring and control, and assist the Council in securing economy, efficiency, and effectiveness in the use of taxpayers' money.
- 2.5 The Finance Manager will also issue supporting financial policies and procedures, as well as financial management information, advice, training and guidance in support of the requirements of these Financial Regulations.
- 2.6 Please note that the framework for the procurement of all works, goods, materials and services on behalf of the Council, as well as the Council's tendering and contract procedures are provided for separately in the Council's Constitution within the Standing Orders for Contracts and Procurement.
- 2.7 All Members and senior officers of the Council have a responsibility under the requirements of these Financial Regulations for taking reasonable action to ensure the security of all assets under their control, ensuring that all expenditure incurred is legal and properly authorised, that all cash and other income is properly collected, accounted for and banked, and for securing value for money in the use of taxpayers' money.
- 2.8 Senior officers are responsible for ensuring that all staff working in their services are aware of the existence of the Council's Financial Regulations and supporting financial policies and procedures, and that they comply with their requirements.
- 2.9 Any known breach of or non-compliance with these Financial Regulations must be reported to the Council's Internal Auditor. The Internal Auditor, in consultation with the Town Clerk and Finance Manager, will decide whether the breach or non-compliance represents a significant risk of harm to the Council's interests and what disciplinary action is required, and will report the outcome to the Council.
- 2.10 The Financial Regulations will be reviewed and updated annually by the Finance Manager and any revisions will be submitted to Council for approval.

### **3.0 Financial Management Responsibilities**

- 3.1 The financial management responsibilities at each level of the Council are summarised in this section of the Financial Regulations.

#### ***The Council***

- 3.2 The Council is responsible for adopting the Constitution, which contains the Financial Regulations and provides the framework and guidelines within which the Council operates and carries out its business, and for monitoring and ensuring compliance with these requirements.
- 3.3 The Council is responsible, by law, for the overall financial management of the Council, as well as setting the Council Precept, approving the Annual Return, including the Accounting Statements and Annual Governance Statement, approving new borrowing and the bank mandate, writing off debts, declaring eligibility each year to adopt the General Power of Competence, and receiving external audit reports. The Financial Regulations can only be approved and amended by the Full Council.

- 3.4 However, the Council does delegate a number of financial responsibilities to the Policy and Resources Committee, and, as highlighted earlier, is required by law to give responsibility for the day to day management of its financial affairs to a Responsible Financial Officer (RFO).

### ***Policy and Resources Committee***

- 3.5 The Policy and Resources Committee is responsible for monitoring and ensuring compliance with the Financial Regulations and discharging financial functions and responsibilities in accordance with the Regulations.
- 3.6 Policy and Resources Committee are also responsible for considering and recommending for approval by the Council, the annual Revenue and Capital Budget, supporting financial policies such as the Anti-Fraud and Corruption Policy, financial plans such as the Medium Term Financial Plan, and all other relevant financial information such as the quarterly budgetary control reports.
- 3.7 Any decision taken by the Policy and Resources Committee must take account of any legal implications, such as the power to incur any expenditure, financial implications such as the impact on the budget, and any risk management issues that may arise from the decision and whether a risk assessment is required.

### ***Town Clerk***

- 3.8 The Town Clerk is the Council's 'proper officer' in accordance with Section 112 of the Local Government Act 1972, and is ultimately responsible for the discharge of the council's functions, under delegation from the Council.
- 3.9 The Town Clerk is responsible for the overall strategic and corporate management of the Council including the maintenance and update of the Council's Constitution.
- 3.10 The Town Clerk must report to and provide independent, objective and professional advice and information to the Council and its various Committees to help them make appropriate and lawful decisions.
- 3.11 The Town Clerk is also responsible for establishing a framework for management direction and staff management and dealing with any personnel issues, representing the Council, promoting and maintaining high standards of conduct, reporting any breaches of law, health and safety, asset management, data protection, managing and monitoring the performance of the Council, and managing the system of recording and publishing all Council decisions, policies and procedures.
- 3.12 The Town Clerk acts as the Finance Manager's line manager.

### ***Finance Manager***

- 3.13 The Finance Manager is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and, acting under the policy direction of the Council's Policy and Resources Committee, is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations and proper practices.
- 3.14 The Finance Manager is responsible for the following areas of financial management:-
- Advising the Council, in conjunction with the Town Clerk, whether a decision is likely to be lawful and in accordance with the Financial Regulations and the Standing Orders for Contracts and Procurement;

- Determining on behalf of the Council, its accounting systems, internal controls, financial records, accounting policies and financial procedures in order to ensure compliance with the Financial Regulations;
  - Reporting on the Council's financial performance and financial position;
  - Providing financial information to Members and officers including the regular reporting of budgetary control during the year;
  - Preparing the annual Revenue Budget and Capital Programme;
  - Preparing the Medium Term Financial Plan;
  - Preparing the annual Statement of Accounts;
  - Preparing the Annual Governance Statement incorporating the annual review of the effectiveness of the system of internal control;
  - Treasury management including the maintenance of the Treasury Management Code of Practice and the management of the Council's cash flow, loans and investments;
  - Managing an effective accounts payable and receivable function to ensure that all invoices are raised and paid promptly;
  - Managing an effective income collection and banking system to ensure that all income receivable by the Council is collected and banked promptly and recorded accurately;
  - Managing an effective payroll service and providing personnel support;
  - Managing the Council's insurance arrangements;
  - Managing the Council's banking arrangements;
  - Accounting for taxation including VAT, income tax and national insurance;
  - Preparing and monitoring compliance with the Council's Anti-Fraud and Corruption Policy;
  - Overseeing and ensuring an effective internal audit service in accordance with statutory requirements; and
  - Providing financial advice and training to members and officers.
- 3.15 Section 114 of the Local Government Finance Act 1988 requires that the Finance Manager reports to Council and the external auditor, if the Council or one of its officers:-
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted in or would result in a loss to the Council; or
  - is about to make an unlawful entry in the Council's Accounts.
- 3.16 The Council must ensure that the Finance Manager is provided with sufficient staff and other resources to carry out these statutory duties effectively.

### ***Service Managers and Senior Officers***

- 3.17 Service Managers are responsible for managing and controlling income and expenditure within their approved budgets, ensuring compliance with the Financial Regulations and supporting financial policies and procedures, and for the welfare of all staff, assets, cash and other resources under their responsibility.
- 3.18 Service Managers are also responsible for ensuring that the financial implications of all proposals in relation to their service areas have been agreed with the Finance Manager and properly reported to the Council and its Committees.
- 3.19 A list of the current authorised officers of the Council is attached at Appendix 2.

## **4.0 Risk Management and the System of Internal Control**

### ***Risk Management***

- 4.1 The Accounts and Audit Regulations 2015 require the Council to put in place effective arrangements for the management of risk.
- 4.2 It is therefore essential that a robust risk management system is developed and maintained for identifying, evaluating and addressing all significant operational, health and safety and financial risks to the Council. Written risk assessments should be completed and maintained for all identified risks. Risk assessments for all existing services, events and activities should be regularly re-assessed, while new risk assessments should be completed for all new initiatives and activities.
- 4.3 The Council's Corporate and Policy Officer is responsible for preparing and updating the Council's Risk Management Strategy and Policy, maintaining, reviewing and updating the Council's Risk Register, promoting the principles of effective risk management throughout the Council, and reporting risk, on a quarterly basis, to the Audit Sub Committee and Policy and Resources Committee.
- 4.4 The Council maintains a Risk Register which is broken down by service area and identifies and describes each individual risk, sets out any current controls in place to mitigate the risk, assesses the likelihood and potential impact of the risk, which taken together provide a total risk score of low, medium or high. The Risk Register then identifies any further action that is required to mitigate the risk. High level risks are reviewed on a quarterly basis, with low and medium risks reviewed on an annual basis. Any new risk assessments are added to the register as required.
- 4.5 The Finance Manager is responsible for ensuring that appropriate insurance cover is put in place to mitigate the risks identified. The Finance Manager is also responsible for advising Members and officers on all insurance related matters. See Section 18 – Insurance for more detailed information. The Town Clerk is responsible for managing all health and safety risks.
- 4.6 The Policy and Resources Committee are responsible for approving the Council's Risk Management Strategy and Policy and considering the quarterly update reports and annual review of the Council's Risk Register.
- 4.7 Risk assessments are also included as a standard item on all reports to the Council and its Committees and a risk assessment will be undertaken, where necessary, in relation to any new decision made by the Council or committee, and subsequently added to the Risk Register.

### ***System of Internal Control***

- 4.8 Regulation 3 of the Accounts and Audit Regulations 2015 requires the Council to have in place a *'sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective, and includes effective arrangements for the management of risk'*.
- 4.9 The system of internal control refers to the cultures, strategies, policies, management systems and structures, and procedures that are in place within the Council, which together help to ensure the effective exercise of the Council's functions and services in compliance with all relevant laws, acts, regulations and proper practices.

- 4.10 The system of internal control also helps the Council to secure the economic, efficient and effective use of public money, safeguards the Council's assets and interests, and controls the way the Council accounts to, engages with and leads its community, formulates its priorities and objectives, and delivers its services in a way that meets those objectives.
- 4.11 The system of internal control is based on a framework including the proper establishment of the Council's priorities and objectives and effective performance management via the Service Delivery Plan, a fit for purpose scheme of administration supported by robust financial regulations, standing orders, policies and procedures, good officer and member relations and conduct, appropriate segregation of duties, a sound system of management supervision, strong financial management and internal audit, successful risk management, and a relevant system of delegation, authorisation and accountability.
- 4.12 The development, maintenance and implementation of robust and effective financial regulations therefore make a significant contribution towards the maintenance of an effective system of internal control.
- 4.13 The Finance Manager, supported by the Internal Auditor, is responsible for establishing the overall system of internal control, reviewing its effectiveness, and monitoring and ensuring compliance by officers of the Council.
- 4.14 It is the responsibility of service managers to ensure sound internal control arrangements are in place and being followed day to day in relation to their individual service areas, and that these meet the requirements of the Financial Regulations and any supporting financial policies and procedures.
- 4.15 Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct an annual review of the effectiveness of its system of internal control and take the outcome of this review into account in preparing, considering and approving the Annual Governance Statement, which is included in the Annual Return. This review must be considered by the Council as a whole.
- 4.16 More detailed information on the preparation, consideration and approval of the Annual Return and Annual Governance Statement is included in Section 6 of the Financial Regulations.
- 4.17 The annual review of the effectiveness of internal control is significantly informed by the work of the Internal Auditor, who is responsible for ensuring all of the major services, systems and processes of the Council are reviewed annually in order to ensure the internal financial controls are in place and operating effectively.
- 4.18 The Internal Auditor will make comments where necessary in relation to identified weaknesses in internal control arrangements during audit reviews, and will make recommendations for improvements in audit reports.

### ***Internal Audit***

- 4.19 The Accounts and Audit Regulations 2015 require the Council to '*undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account public sector internal auditing standards or guidance*'.
- 4.20 The Accounts and Audit Regulations 2015 require any officer or Member of the Council to '*make available any such documents or records, information and explanations as are considered necessary for the purposes of the internal audit*'.

- 4.21 The Public Sector Internal Audit Standards, issued in 2013, have not been applied to smaller authorities, although the Council has voluntarily taken these standards into account in its Internal Audit Code of Practice.
- 4.22 The non-statutory 'guidance' on internal audit for smaller authorities referred to in the Accounts and Audit Regulations 2015 is set out in Section 4 of Governance and Accountability for Local Councils and needs to be taken into account by smaller authorities in order to undertake an effective internal audit.
- 4.23 Internal audit is required to be an ongoing, independent, objective assurance activity whose purpose is to regularly review and report to the Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.
- 4.24 The Internal Auditor must be competent, objective, independent of the financial operations of the Council, and free from any conflicts of interest.
- 4.25 The Internal Auditor will have no involvement in the financial decision making, management and control of the Council and will not, under any circumstances, perform any operational duties for the Council, initiate or approve any financial transactions, or direct the activities of any Council employee.
- 4.26 The Council's Internal Auditor meets these requirements by undertaking audit examinations of all major services, activities, systems and processes and:-
- Reviewing the systems of internal control in place;
  - Ensuring the completeness, accuracy and reliability of financial management information and accounting records;
  - Ensuring compliance with relevant laws and regulations;
  - Ensuring compliance with the Council's Financial Regulations, Standing Orders and other approved Council policies and procedures;
  - Ensuring the protection of Council assets and interests; and
  - Promoting the prevention and detection of fraud.
- 4.27 The Internal Auditor will prepare a risk based annual audit plan setting out the planned programme of internal audit work for the year and will report progress, as well as the conclusions and recommendations from every audit examination to the Council's Audit Sub Committee on a quarterly basis.
- 4.28 The Council's approved Internal Audit Code of Practice sets out the detailed framework for the Internal Audit Service including its purpose, powers and objectives, as well setting out detailed information on the audit planning process, types of audits, audit testing, and reporting of conclusions and recommendations.
- 4.29 The Internal Auditor must complete an Internal Audit Report for the Council at the end of each financial year, focussing on the key internal control objectives that are expected to be in place within all smaller authorities.
- 4.30 This is reported on page 3 of the Annual Return, and confirms to the Council and its external auditors whether, in all significant respects, the expected key internal control objectives have been achieved throughout the year to an adequate standard. The Council must respond to any matters raised, with proposed actions recorded in the minutes, and must also take the internal audit report into account in its consideration of the Annual Governance Statement.
- 4.31 The Council will carry out a review of the effectiveness of its internal audit arrangements at least once every three years.

## **External Audit**

- 4.32 Following changes implemented by the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015, the Council is classified as a 'smaller authority'. This means that the Council is subject to a lighter touch system of external audit known as a 'limited assurance review'.
- 4.33 The external auditors are responsible for auditing, on an annual basis, the Council's Annual Return, which incorporates the Accounting Statements, Annual Governance Statement and the Internal Auditor's Report.
- 4.34 The external auditors are required to issue their formal audit report and certificate by no later than 30<sup>th</sup> September each year in order to allow the Council to publish the audited Annual Return by this date, in accordance with the statutory timetable set out in the Accounts and Audit Regulations 2015. Further information on the preparation and publication of the Annual Return is included in Section 6.
- 4.35 It is important, in terms of providing assurance to local tax payers, that the Council receives an 'unqualified' opinion in the external audit report. An unqualified opinion means that no material issues of concern have been identified by the auditors.
- 4.36 An unqualified audit opinion would mean that the auditors consider that the Council's Accounting Statements present fairly its financial position and are free from material error or misstatement and that the Council's governance and internal control arrangements are sound.
- 4.37 The external audit of the Council is undertaken by the private sector audit firm; Mazars LLP, who have been awarded the limited assurance audit contract for the North East region moving forward.
- 4.38 The Council may also, from time to time, be subject to audit, inspection or investigation by external bodies with statutory rights of access to records and information. These could include HM Customs and Revenues to undertake a VAT inspection, or OFSTED to undertake a pre-school inspection.

## ***Preventing Fraud and Corruption***

- 4.39 The Finance Manager is responsible for developing and maintaining the Council's Anti-Fraud and Corruption Policy and ensuring compliance with this. This policy provides the framework, systems and controls to help prevent and detect fraud and corruption, and sets out the procedures for reporting, investigation and prosecution in relation to any occurrences of fraud and corruption.
- 4.40 The work of the Internal Auditor provides assurance to the Council that its officers adhere to the requirements of this policy and take a pro-active approach to the prevention of fraud, and ensures that any occurrence of fraud is promptly detected, properly investigated and reported to the Council.

## ***Asset Controls***

- 4.41 The Town Clerk, with the assistance of all service managers, is responsible for ensuring that all Council assets are properly maintained and securely held.
- 4.42 The Council's Asset Management Plan provides the framework for the development of the Council's long term maintenance and capital investment plan for its assets and for the development of the Capital Programme Budgets. See Section 17 – Asset Management for further information.

- 4.43 The Town Clerk is responsible for ensuring that the Asset Management Plan is regularly reviewed and that progress in delivering the annual action plan is reported to the Council's Asset Management Working Group during the year.

### **Information Technology Controls**

- 4.44 Use of computers, servers, email, social media and other information technology by staff will be in accordance with the Council's Good Practice Guide to the Use of Computers and Social Media Policy which set out the requirements on use of information technology and social media, including acceptable and unacceptable use, security, personal use, good practice, and health and safety issues.
- 4.45 Access to all Council computers and servers will be monitored remotely by the Council's I.T. support company; Technology Services Group, and controlled via the use of user names and passwords.
- 4.46 Access to the Opera Financial Management System will also be restricted to authorised users and the permissions allocated to individual users will be managed and controlled by the Finance Manager. Access to the system will be via a user name and password set up by the Finance Section.
- 4.47 Access to and use of the Council's internet banking facility will be in accordance with the provisions of Financial Regulation 10.

### **Staffing Controls**

- 4.48 The Town Clerk is responsible for the maintenance of the approved staffing structure and establishment list of the Council, which provides the key control over staffing levels.
- 4.49 Any changes to the approved staffing structure, such as the creation of new posts and changes to grades and hours worked must be reported to and approved by the Council's Personnel Sub Committee.
- 4.50 The Personnel Sub Committee is also responsible for the appointment of senior officers and considering any other relevant staffing related matters such as redundancies and early and flexible retirement requests.
- 4.51 The Town Clerk is responsible for overseeing the overall management of staff and ensuring compliance with all staffing related policies, the performance and development appraisal scheme, staff related health and safety requirements, and for approving annual salary increments.
- 4.52 The Corporate and Policy Officer, with assistance from Durham County Council's human resources department, is responsible for the development and maintenance of all staffing related policies and procedures.
- 4.53 The Finance Manager is responsible for advising the Council of the budget required each year to provide for the approved staffing structure, including the cost of all salaries and wages, employers' national insurance and pension contributions, provision for cover and overtime, training, recruitment advertising, staff insurances, and the cost of the human resources support contract.
- 4.54 Service managers are responsible for controlling total staff numbers and hours worked within the approved staffing structure and budget for their service area, the proper use of recruitment, personnel and disciplinary procedures, co-ordinating and overseeing all staff appraisals, development and training, and recommending changes to staffing structures in order to meet changing operational needs.

## **5.0 Accounting Systems, Records, Policies and Procedures**

- 5.1 Sound financial systems, records, policies, and procedures are essential to an effective framework of financial accountability and control.
- 5.2 The Finance Manager is responsible, under the requirements of the Accounts and Audit Regulations 2015, for *'determining on behalf of the Council the form of its accounting records and financial control systems, and ensuring that the financial control systems are observed and the accounting records are kept up to date'*.
- 5.3 The accounting records determined by the Finance Manager must *'contain entries, from day to day, of all sums of money received and expended by the Council, the matters to which its income and expenditure or receipts and payments relate, and a record of the assets and liabilities of the Council'*.
- 5.4 The financial control systems determined by the Finance Manager must include measures to *'ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable, enable the prevention and detection of inaccuracies and fraud and the reconstitution of any lost records, ensure that 'risk is appropriately managed', and 'identify the duties of officers dealing with financial transactions and division of responsibilities of those officers'*.
- 5.5 The Finance Manager is therefore responsible for the operation of all of the Council's accounting systems, including the computerised financial management system (Pegasus Opera 3), the development and maintenance of financial policies and procedures, the format of the Council's accounts and budget, and all other financial records, reports and supporting information.
- 5.6 The Finance Manager is also responsible for determining the Council's accounting policies relating to the preparation of the annual accounting statements and ensuring that they are applied consistently, as required by the proper practices set out in Governance and Accountability for Smaller Authorities in England.
- 5.7 The Finance Manager, supported by the finance staff and Internal Auditor will ensure that the Council's accounting systems and records are relevant, reliable, accurate and up to date, and that they provide a proper record of the Council's income, expenditure, financial commitments, assets and liabilities.
- 5.8 Service managers are responsible for the proper operation of financial procedures, processes and internal controls in respect of their own service areas and for the maintenance of sound financial records.
- 5.9 Service managers must also ensure that computer and other systems are registered and licenced, and comply with legislation such as the General Data Protection Regulation and Freedom of Information Act.

## **6.0 Annual Return (incorporating the Accounting Statements and Annual Governance Statement)**

### **Statutory Background**

- 6.1 In accordance with the Local Audit and Accountability Act 2014, the Council has been classified as a 'smaller authority', in relation to its statutory accounting and audit arrangements, as its gross income and gross expenditure does not exceed £6.5 million. A smaller authority is referred to as a 'Category 2 Authority' in the Accounts and Audit Regulations 2015.

- 6.2 The Council is required to prepare an Annual Return incorporating its annual accounting statements, annual governance statement and annual internal audit report in accordance with the 'proper practices' set out in Sections 1, 2 and 3 of "Governance and Accountability for Smaller Authorities in England – A Practitioners Guide to Proper Practices to be used in the preparation of Accounts and Governance Statements". This document is produced annually by the Joint Practitioners Advisory Group (JPAG) and jointly published by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC). A copy of this guide is attached at Appendix 1.

### **Annual Governance Statement**

- 6.3 The Annual Governance Statement requires the Council to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- 6.4 The Annual Governance Statement is included within Section 1 of the Annual Return and takes the form of a number of statements, known as assertions, to which the council, as a corporate body, needs to answer 'yes' or 'no', confirming whether it has complied or not. These assertions acknowledge responsibility by the Council for the system of internal control and the governance arrangements in place during the year.
- 6.5 The eight assertions are as follows:-
1. *We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.*
  2. *We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.*
  3. *We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.*
  4. *We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.*
  5. *We have carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and / or external insurance cover where required.*
  6. *We have maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.*
  7. *We took appropriate action on all matters raised in reports from internal and external audit.*
  8. *We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.*

- 6.6 The Council needs to have appropriate evidence available to support all 'yes' answers, and, if it is not able to provide a 'yes' response, it also needs to provide an explanation to the external auditor describing how the Council will address the weaknesses identified.
- 6.7 The annual review of the effectiveness of the system of internal control referred to in Regulation 4.15 must inform the preparation, consideration and approval of the Annual Governance Statement by the Council, and should therefore be considered by the Council before the Annual Governance Statement.
- 6.8 The Annual Governance Statement must be approved by resolution of the Council, in advance of the approval of the Accounting Statements. The Chairman of the meeting and the Town Clerk need to sign and date the annual governance statement and the Council minute reference must be entered.

### **Accounting Statements**

- 6.9 The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015, require the Council to prepare a statement of accounts each year.
- 6.10 The accounts must *'take the form of an income and expenditure account and statement of balances', prepared in accordance with, and in the form specified in any annual return required by proper practices in relation to accounts'*.
- 6.11 The accounting statements are reported within Section 2 of the Annual Return and take the form of a one page statement covering income, expenditure, opening and closing balances, cash and bank balances, fixed asset values and loan balances. It does not require the Council to produce a detailed income and expenditure account, balance sheet, statement of balances and reserves and asset register.
- 6.12 The accounting statements report the two immediately preceding year's accounts side by side, allowing comparison between the two years.
- 6.13 The Finance Manager is responsible for ensuring that appropriate accounting policies are in place to support the figures included in the accounting statements, and confirming that these policies are consistently applied, and for ensuring that all figures agree to the Council's primary accounting records.
- 6.14 The accounting statements reported within the Annual Return are supplemented by a number of supporting documents including the bank reconciliation, asset register, an explanation of significant variances, and a reconciliation of balances.
- 6.15 In addition, as the Council has an income or expenditure in excess of £200,000 per year, the external auditors require additional information to support the figures reported in the Annual Return via an 'intermediate audit', and the Council must operate its accounts on an income and expenditure basis i.e. adjusting receipts and payments to provide for debtors, creditors, prepayments etc.

### **Preparation, Audit and Publication of the Annual Return**

- 6.16 The Finance Manager is responsible for preparing the Council's Annual Return incorporating the accounting statements, governance statement and internal auditor's report, in accordance with proper practices.

- 6.17 The Finance Manager is also responsible for liaising with and assisting the external auditors in undertaking the annual audit of the Annual Return and making arrangements for the publication of the Annual Return in line with the statutory requirements set out in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 6.18 The Accounts and Audit Regulations 2015 currently require the Finance Manager to certify the unaudited accounting statements, confirming that they present fairly the financial position of the Council at the end of the financial year and the income and expenditure for that year by no later than 30<sup>th</sup> June each year.
- 6.19 The Annual Governance Statement and accounting statements must then be approved (in that order) by resolution of the whole Council, also no later than 30<sup>th</sup> June, and signed by the Chairman of the Council.
- 6.20 Following the approval of the Annual Return by the Council, the Finance Manager is required by the Accounts and Audit Regulations 2015 to set a date to commence the statutory thirty day period for the exercise of public rights in relation to the inspection of the accounts, and publish notice of this, along with links to the unaudited accounts, annual governance statement and supporting documents on the Council website. This period must include the first ten working days of July.
- 6.21 Following the conclusion of the external audit of the Annual Return, the Council is then required to publish the audited Annual Return, together with the report and certificate from the auditor, and notice of the completion of the audit, by no later than 30<sup>th</sup> September.

## **7.0 Financial Planning and Budgeting**

### **Responsibilities**

- 7.1 The Finance Manager is responsible for developing, managing and implementing the Council's financial planning framework and for preparing, on an annual basis, the Council's Medium Term Financial Plan, Budget Framework and Revenue and Capital Budgets.
- 7.2 The Council's Policy and Resources Committee is responsible for considering and recommending for approval to the Council, the Medium Term Financial Plan, Budget Framework and annual Revenue and Capital Budgets.
- 7.3 The Policy and Resources Committee is also responsible for approving requests to use the Revenue Budget Contingency Sum, requests to carry forward budget resources from one year to the next, and requests to make adjustments or variations to the approved budgets. Section 9 on Virement and Treatment of Year End Budget Balances provides further information on these issues.
- 7.4 The Council is responsible for setting the Council's Precept each year, in accordance with the requirements of the Local Government Act 2003.

### ***Medium Term Financial Plan***

- 7.5 The Medium Term Financial Plan sets out the Council's financial strategy for the following five year period and aims to put in place a strategic, pro-active and forward looking approach to the Council's financial planning. It puts in place the framework for the planning of the Council's revenue and capital spending each year via the setting of the annual budget.

- 7.6 The Plan also helps to put in place clear links between the Council's strategic aims and targets and the priorities of the local community, as set out in the Service Delivery Plan, and the Council's financial planning process. This helps to ensure that resources are made available and allocated to services in a way that supports the delivery and achievement of these aims and priorities.
- 7.7 The Plan will set out the Council's financial principles and strategy, the national and local context within which financial planning will be undertaken, taking into account community priorities and key financial influences, estimate the likely available financial resources and set out how these will be allocated between service areas, thereby providing a projection of the Council's Revenue and Capital Budgets, balance sheet and balances and reserves over the five year period.
- 7.8 The Finance Manager is responsible for updating the Medium Term Financial Plan on an annual basis and the Plan will be approved by the Policy and Resources Committee and Council in June or July of each financial year.

### ***Annual Budget Framework and Timetable***

- 7.9 The Finance Manager is responsible for the development of the annual Budget Framework and Timetable each year. This sets out the proposed guidelines and timescale for the setting of the annual Revenue and Capital Budget, based on the financial strategy set out in the Medium Term Financial Plan.
- 7.10 The Budget Framework and Timetable will be reported to and approved each September by the Policy and Resources Committee and, subsequently, Council.

### ***Budget Preparation and Approval***

- 7.11 The Finance Manager is responsible for ensuring that the Revenue and Capital Budget is prepared each year in accordance with the Budget Framework, and that the Council Precept is set in line with statutory requirements and the Durham County Council deadline.
- 7.12 Policy and Resources, Recreation and Environment Committees are responsible for considering the draft service revenue and capital budgets in respect of each committee and making recommendations for proposed amendments.
- 7.13 Policy and Resources Committee are then responsible for considering the overall Revenue and Capital Budget, proposing the required level of Precept and Council Tax, and recommending this to Council.
- 7.14 Full Council are responsible for the setting of the Council Precept and the level of Town Council Tax, as well as considering information on the robustness of the budget and the adequacy of the Council's balances and reserves, in accordance with Section 25 of the Local Government Act 2003.
- 7.15 The Precept Form is signed by the Chairman of the Council and forwarded to Durham County Council as the council tax billing authority, usually by no later than the end of January each year.
- 7.16 The draft budgets will be prepared in full consultation with service managers to ensure that the budgets reflect the strategic aims and targets set out in approved Service Plans and the Service Delivery Plan. Detailed budget guidance notes, supported by training as necessary, will be provided to managers to help them understand their responsibilities in relation to budget preparation.

- 7.17 Detailed estimates of income and expenditure will be prepared for all revenue budgets, supported by budget working papers wherever possible. All changes to the budgets in respect of inflation, unavoidable budget growth, investment in services, efficiency savings and changes in income will be clearly identified, evidenced, and retained on a budget working paper file.
- 7.18 Previous and current year's actual expenditure and income levels will be clearly identified in the budget information provided to service managers and reported to committees in order to enable managers and members' to make comparison with actual spending and income levels in considering the next year's budget.
- 7.19 Any requests for additional investment in existing or new services in the Revenue Budget, not already approved by the Council, will be clearly identified and explained in budget reports to ensure that they are subject to proper consideration and appraisal, prior to approval by the relevant Committee and Council.
- 7.20 The Capital Programme Budget will be developed with priority given to those projects that contribute to the delivery of the Council's approved Asset Management Plan. Any other capital budget requests will be clearly identified and explained in budget reports to ensure that they are subject to proper consideration and appraisal, prior to approval by the relevant Committee and Council.
- 7.21 The budget setting report to the Policy and Resources Committee will set out the key issues and changes in the Revenue Budget and the projects included in the Capital Budget, highlight how the various spending pressures and funding cuts have been offset, consider the need for contingencies and reserves, and clearly explain why any increase in the Town Council Tax has been recommended.
- 7.22 The Council will undertake an annual consultation exercise on the budget proposals, in order to take into account the views of the local community.
- 7.23 The Finance Manager will prepare the Council's Budget Document each year, make this available for public inspection, and supply each Member and service manager of the Council with a copy.
- 7.24 The approved Revenue and Capital Budget will form the basis of financial and budgetary control of the Council's spending and income for the following year.
- 7.25 Subject to the requirements of Section 8 of these Financial Regulations and the Council's Standing Orders for Contracts and Procurement, the approved Revenue and Capital Budget provides the Council's authorised officers with the authority to make spending commitments on behalf of the Council, in accordance with the spending plans approved by members in the budget.

### ***Robustness of Budget Estimates and Adequacy of Reserves***

- 7.26 It is the responsibility of the Finance Manager to provide assurance to the Council each year on the robustness of the annual budget and the adequacy of the Council's balances and reserves, in accordance with Section 25 of the Local Government Act 2003.
- 7.27 An opinion on these issues will be included in the Annual Budget Report to the Council at the time the Precept and Council Tax are set.

## **Referenda Principles**

- 7.28 The Localism Act introduced statutory controls to restrict ‘excessive’ increases in council tax by precepting authorities. Principal councils are currently subject to referenda principles (often referred to as ‘capping’) for increases above 3%. This limits councils to a maximum 3% council tax increase each year unless a referendum is held and the proposed increase is approved by local electors.
- 7.29 The government has consulted in the past on extending referenda principles to larger spending town and parish councils, but has recently confirmed that referenda principles will be deferred until the end of the 2020/21 financial year.
- 7.30 However, this decision is conditional upon *“the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for ‘invest to save’ projects which will lower ongoing costs”,* and the Government *“seeing clear evidence of restraint in the increases set by the sector as a whole”*.
- 7.31 Therefore, while town and parish councils therefore currently have unlimited power to precept, until 2021/22 at the earliest, there remains a possibility that referenda controls could be implemented in the longer term.

## **Balances and Reserves**

- 7.32 Section 26 of the Local Government Act 2003 provides Ministers with a general power to set a minimum level of reserves for local authorities, but this is only currently applied to authorities where Government intervention has been required.
- 7.33 Best practice guidance issued by the Chartered Institute for Public Finance and Accountancy (CIPFA) states that it is the responsibility of chief financial officers *‘to advise local authorities about the level of reserves and to ensure that there are clear protocols for their establishment and use’*.
- 7.34 It also states that local authorities *‘should establish reserves including the level of those reserves based on the advice of their chief financial officer and make their own judgements taking into account local circumstances’*.
- 7.35 The Council currently holds four types of balances and reserves:-
- A general fund balance to help cushion the impact of any unexpected spending commitments or funding cuts;
  - Earmarked revenue and capital reserves to fund future year’s capital investment requirements and specific one-off revenue commitments;
  - An unused capital grants and contributions reserve; and
  - A capital receipts reserve holding the proceeds from the sale of assets;
- 7.36 The Council’s balances and reserves will be monitored and reviewed throughout the year by the Finance Manager, and reported to the Council at the time that the Revenue and Capital Budget and Medium Term Financial Plan are approved, as well as in the quarterly budgetary control reports and annual accounts.
- 7.37 In coming to a view on the adequacy of the Council’s balances and reserves, the Finance Manager will consider the risks facing the Council, in terms of any significant unforeseen spending commitments or funding cuts, as well as capital investment requirements over the medium to long term, taking into account the ability of the Council to secure external funding via grants and contributions, take out additional borrowing, or generate capital receipts from the sale of assets.

- 7.38 The Council's policy for balances and reserves will be reviewed at the time the Revenue and Capital Budget is set. The current policy is as follows:-
- Maintain a General Fund Balance and Revenue Budget Support Fund of around 10% of the Net Budget Requirement, to protect against unforeseen Revenue Budget pressures and funding cuts;
  - Set aside such sufficient sums in Earmarked Reserves, as is considered prudent, to fund future year's capital investment requirements and specific one-off revenue commitments; and
  - Undertake an annual review of the level of General Balance and Earmarked Reserves as part of the annual update of the Medium Term Financial Plan and the annual budget setting process.

### ***Budget Format***

- 7.39 The general format of the budget will be determined by the Finance Manager and agreed by Policy and Resources Committee at the time the annual Revenue and Capital Budget is approved.
- 7.40 The budget format will be based around and take into account any statutory or recommended accounting formats in place at the time.
- 7.41 The format of the budget will detail the allocation of resources to committees and individual service areas, break down income and expenditure into specific classes and categories, and include prior year spending and income figures. It will also include an explanation of the proposed precept and council tax, capital investment plans, and the levels and proposed use of Council balances and reserves.

## **8.0 Budget Monitoring and Budgetary Control**

- 8.1 Responsibility is delegated by the Council to service managers to incur, monitor and control income and expenditure within the approved budgets for their service areas, although budget monitoring and control is overseen and regularly reviewed by the Policy and Resources Committee.
- 8.2 Every effort should be made by service managers to ensure that expenditure and income are managed and controlled within the approved totals included in each service revenue budget.
- 8.3 However it is acknowledged that in some cases expenditure and income are not directly controllable by service managers and that it may not always be possible to control income and expenditure within budget, for example maintenance costs, gas, electricity and water costs, grant funding etc.
- 8.4 The Finance Manager should be notified of any potential budget overspends as soon as possible, and spending over and above the amounts included in the appropriate service revenue budgets, should only be incurred in consultation with and following the agreement of the Finance Manager.
- 8.5 Any transfers of unspent resources between service revenue budgets and financial years must be made in line with the rules set out in Section 9 of the Financial Regulations - Virement and Treatment of Year End Balances.

- 8.6 It is the responsibility of the Finance Manager to provide clear, timely and understandable financial information to service managers on a regular basis, and to provide financial advice and training as required, to allow managers to carry out their budget monitoring and budgetary control responsibilities effectively.
- 8.7 The Finance Manager is also responsible for reporting budgetary control figures to Members and will report to Policy and Resources Committee on a quarterly basis, including explanations of any material variances, projections of expected outturn in the second and third quarters of the year, and the year-end outturn position including transfers to and from balances and reserves, following the year-end.
- 8.8 The Town Clerk may incur unbudgeted expenditure on behalf of the Council which is of an emergency nature e.g. where it is necessary to carry out a repair or other work which is of such urgency that it must be undertaken immediately.
- 8.9 This is subject to a financial limit of £5,000, and thereafter the procurement must be made in line with the Standing Orders for Contracts and Procurement.
- 8.10 In either case, the Town Clerk or Finance Manager would need to retrospectively report the action to the Policy and Resources Committee as soon as practicable thereafter.

## **9.0 Virement and Treatment of Year-End Budget Balances**

### ***Virement***

- 9.1 Virement relates to the transfer of unspent budget resources from one budget head to another, one service budget to another, or one committee to another.
- 9.2 Budget managers may exercise virement within their own service budgets, within the overall approved budget total with no limitations. In practice this does not actually involve transferring budgets or changing budget totals, but permits service managers flexibility to overspend on one budget head and underspend on another, as long as they remain within the approved budget in overall terms.
- 9.3 Virement between service budgets within the same Committee can be exercised with the approval of the Finance Manager and Town Clerk but must then be reported to and approved by Policy and Resources Committee.
- 9.4 Any virement of budget between Committees must be approved by the Council.

### ***Treatment of Year End Budget Savings and Overspends***

- 9.5 The Finance Manager is responsible for agreeing the procedures for the carry forward of savings on approved budgets and also for the treatment of any overspending on approved budgets.
- 9.6 Where a service overspends its approved budget, depending upon the circumstances, the value of the over spend may be carried forward into the following financial year, as the first call on that year's budget. This would be subject to the consideration and recommendation of the Town Clerk and Finance Manager and the subsequent approval of Policy and Resources Committee.
- 9.7 Where a service achieves a saving on its approved budget, and where there is a proven commitment in the following year for which no budget provision is already available, carry forward of the unspent resources may be permitted.

- 9.8 Carry forward of savings is subject to the receipt of a verbal or written carry forward request and the necessary justification from the relevant budget manager, and the agreement of the Town Clerk and Finance Manager.
- 9.9 Carry forward requests will be recorded on a revenue budget carry forward schedule and must be approved by the Policy and Resources Committee and subsequently the Council, when the year-end outturn figures are approved.
- 9.10 Resources from all approved carry forward requests will be transferred to the Revenue Budget Support Reserve and released to the appropriate Revenue Budget as required in the following year to meet the commitment for which it was set aside.
- 9.11 Any unspent Revenue Budget resources that have not been requested and approved to be carried forward to the following year, will be transferred to the Council's General Fund Reserve and reallocated to the Council's Earmarked Reserves, as required, as part of the year-end closedown process.

### ***Use of the Revenue Budget Contingency Sum***

- 9.12 Where emergency or other unavoidable expenditure is incurred over and above the approved budget and the sum required cannot be met from virement or savings made elsewhere within the budgets, service managers may make a request to use the Revenue Budget Contingency Sum.
- 9.13 Requests to use the Revenue Budget Contingency Sum should be made to the Finance Manager and, if approved, would need to be reported to and approved by the Policy and Resources Committee and subsequently ratified by the Council.
- 9.14 The Policy and Resources Committee may also approve one-off use of the Revenue Budget Contingency Sum during the year, for specific purposes.

## **10.0 Banking Arrangements**

- 10.1 The banking arrangements of the Council, including the authorised bank mandate, will be set up and managed by the Finance Manager and any changes must be reported to and approved by the Council's Policy and Resources Committee and subsequently Full Council.
- 10.2 The four following officers are currently authorised on the bank mandate:-
- Town Clerk;
  - Finance Manager;
  - Corporate and Policy Officer;
  - Senior Accountancy Assistant.
- 10.3 Councillors are not included on the bank mandate due to the very high volume of transactions requiring approval on a day to day basis and the increasing move towards electronic banking and payments. This arrangement is permitted following the repeal of Section 150 of the Local Government Act 1972.
- 10.4 One current account is currently maintained at the Council's bank, and this is used to account for all payments made by the Council for goods and services and staff salaries and wages, and also the receipt of all income due to the Council from fees and charges, grants, contributions and the Precept payment. A subsidiary current account is also maintained for the purposes of making online catering orders.

- 10.5 All cheques drawn on the general bank account must be signed by two of the authorised signatories on the Council's bank mandate.
- 10.6 Finance staff use an internet banking facility to undertake many of the day to day banking functions including checking of balances, making payments by BAC's, and undertaking transfers between accounts or to and from investments.
- 10.7 All electronic payments and transfers between bank accounts or to and from investments must be electronically authorised by two of the authorised signatories on the Council's bank mandate. All BAC's payment lists and bank transfers must also be printed off and signed by the Finance Manager or Town Clerk.
- 10.8 Each of the three members of Finance Section staff has their own smart card and personal identification number (PIN) and will access the internet banking function using a card reader machine issued by the Council's bank.
- 10.9 However, only the Finance Manager and Senior Accountancy Assistant have system administrator permissions to authorise payments and make bank transfers, in accordance with the Council's bank mandate.
- 10.10 The Accountancy Assistant has limited access which allows payments and transfers to be 'imported' and bank accounts to be viewed, but which does not allow authorisation of payments or other system administrator permissions.
- 10.11 The internet banking function is set up with dual authority so that any changes to user permissions or authorisation of payments or bank transfers must be subject to approval by both system administrators.
- 10.12 However, there may be occasions where both system administrators are not present e.g. when one of the two members of staff is on holiday, and in such cases the remaining member of staff is permitted to undertake both elements of the approval using the other system administrator's smart card and PIN.
- 10.13 However, this is subject to the requirement that the payment list or bank transfer has been signed and authorised by another officer from the bank mandate.
- 10.14 As an added control, the Council also has a daily payment limit in place which would not allow an individual payment or series of payments above the value of £274,500 to be processed in a single day, without arranging special approval with the Council's bank.
- 10.15 The smart cards and the card reader machine are securely held in the Finance Section whilst the PIN's are known only to members of the Finance Section and are held in a sealed envelope in the Finance safe.
- 10.16 A cash book will be maintained on the Council's financial management system which will record all payments made and receipts taken by the Council.
- 10.17 A cash flow forecast will be produced and maintained by the Finance Manager in order to plan, monitor and control bank and investment balances throughout the year, and ensure that sufficient balances are available.
- 10.18 A bank reconciliation will be undertaken by the Finance Section, agreeing all entries on the bank statements received from the bank, to daily payments, receipts and bank transfers as recorded in the cash book. Copies of the cash book, bank reconciliation and all bank statements received from the Council's bank will be held on file in the Finance Section.

- 10.19 A summary of the bank reconciliation, setting out all transactions from the Council's current bank account for each month will be prepared by the Finance Section and reported to each meeting of the Policy and Resources Committee.
- 10.20 The year-end bank reconciliation is required to be provided as supporting information to the Annual Return, as evidence of the figures included in the accounting statements for cash and short term investments.
- 10.21 The Council does not have or require an authorised overdraft limit and the Finance Manager and Senior Accountancy Assistant will ensure that the current account does not become overdrawn.
- 10.22 The Council's banking arrangements will be reviewed periodically to ensure they continue to meet the Council's requirements and provide security and value for money, and any recommended changes would be brought forward for consideration by the Council.

## **11.0 Purchase Ordering and Payments for Goods and Services**

### ***General***

- 11.1 All procurement undertaken by the Council must be legal and will be made in accordance with the Public Contracts Regulations 2015 and the Council's Standing Orders for Contracts and Procurement, which set out the specific requirements and procedures to be undertaken by officers when undertaking procurement activity, as well as the rules for contracts and tendering.
- 11.2 This section of the Financial Regulations therefore focusses mainly on the requirements and procedures relating to the actual processes of ordering and making payments for goods and services. It should be noted that the Council's Purchase Ordering and Payments for Goods and Services Policy provides more detailed procedures in respect of this area of the Financial Regulations.

### ***Public Contracts Regulations 2015***

- 11.3 The Public Contracts Regulations 2015 set out the rules for the procurement of goods, services and works, above certain thresholds, by public authorities.
- 11.4 Many of the requirements of the regulations only apply in relation to procurement over the value of £181,302 for the supply of goods and services, and £4,551,413 for public works contracts, and are therefore very unlikely to apply to the Council.
- 11.5 However, the Council is required to register any proposed procurement activity over the £50,000 threshold set in the Council's Standing Orders for Contracts and Procurement, on the Government 'Contracts Finder' website.
- 11.6 The Council's Standing Orders for Contracts and Procurement provide further details of the specific requirements of Public Contracts Regulations 2015 in relation to the above.

### ***Responsibilities and Separation of Duties***

- 11.7 The Members' and Officers' Codes of Conduct require all Members and senior officers to make declarations of 'disclosable pecuniary interests'. This includes disclosing any relationships or financial or business interests with a supplier of the Council and any offers of gifts or hospitality by a supplier. Members and senior officers are responsible for declaring any such interests in order to ensure that no special favour is shown to businesses run by family or friends.

- 11.8 The key principle of separation of duties will be observed, as far as is practicable within the staffing resources available, throughout the process of purchase ordering and payments for goods and services.
- 11.9 Responsibility for raising orders for goods and services and receiving those goods and services lies with those officers who are authorised to do so within each service area of the Council. The Council's Authorised Officers List, attached at Appendix 2, provides a list of those officers currently authorised to raise and certify purchase orders and receive goods and services.
- 11.10 Responsibility for authorising the payment of invoices received from suppliers in respect of goods, services or works may only be undertaken by a senior officer or service manager of the Council. The Council's Authorised Officers List, attached at Appendix 2, provides a list of the senior officers and service managers currently authorised to approve invoices for payment.
- 11.11 Responsibility for the actual payment of all invoices for goods, services and works provided to the Council and for recording and reconciling expenditure in the Council's financial management system lies with the Finance Section.
- 11.12 As a minimum, the duties of checking, paying and recording sums payable by the Council by Finance Section staff will be separated completely from the duties of ordering and receiving goods and certifying and authorising expenditure.

### ***Purchase Orders***

- 11.13 All requests for goods and services will be made by an authorised officer, using a computer generated purchase order, with the exception of the following:-
- Regular payments such as subscriptions and service agreements which are paid on an annual, bi-annual, quarterly or monthly basis;
  - Payments made by direct debit or standing order such as gas and electricity bills, business rates and machine rentals;
  - Goods and services required as a matter of emergency;
  - One-off purchases made using a cheque requisition;
  - Purchases made using the Council credit card;
  - Services for which a formal contract has been prepared; and
  - Petty cash purchases.
- 11.14 As far as is practicable, purchase orders should be sent to suppliers in advance of the delivery of the goods or services.
- 11.15 Council Members cannot issue purchase orders.
- 11.16 In order to comply with the minimum expected level of internal control and to help ensure value for money, the duties of placing the purchase order, receiving the goods or services, and certifying the purchase order for payment following receipt of the goods and services, must be separated as far as possible.
- 11.17 All officers are responsible for ensuring value for money at all times. An officer issuing a purchase order must ensure, as far as reasonable and practicable, that the best available terms have been obtained in respect of each transaction.
- 11.18 Completed purchase orders must include enough detail, using the description field on the order, to enable proper checks to take place when the order is being matched to the subsequent invoice prior to payment. If multiple orders are being placed, each individual item or set of items must be shown on a separate line.

- 11.19 Purchase orders must be coded to the appropriate account code and cost centre using the Council's Approved Code List, thereby ensuring that the expenditure is charged against the correct budget. Authorised officers must ensure that only codes relating to their own budget areas are used.
- 11.20 Purchase orders can only be placed with a supplier included on the Council's approved list of suppliers. If a new supplier is required to be added to the approved supplier list, this must be requested on a New Supplier Form, approved by an authorised officer, and submitted to the Finance Section for processing.
- 11.21 Verbal orders must not be placed, except in emergency circumstances.
- 11.22 The Council's approved Standing Orders for Contracts and Procurement require that any procurement over the value of £5,000 is subject to the obtaining of three competitive quotes, unless an exemption from the requirements of the Standing Orders is applied for. Please refer to the Standing Orders for further details.
- 11.23 Officers receiving delivery of goods should examine them at the point of delivery, checking all items against the delivery note and original order, and then sign, whether this is manually or electronically, only for those items present. The officer must then ensure that the goods are stored in a secure area. Signed delivery notes should be retained in order to enable the proper certification of purchase orders when the invoice is subsequently received.
- 11.24 The electronic purchase orders must be certified on the Opera 3 financial management system by an authorised officer following the receipt of the goods and services to confirm that they have been received as per the original order and to an acceptable standard and quality. Certifying a purchase order means that responsibility is taken for the subsequent expenditure.
- 11.25 Wherever possible, certification of purchase orders should be made by reference to the signed delivery note, or other proof that the goods, services or works have been received.
- 11.26 When invoices are subsequently received for payment, the Finance Section will cross check the invoice back to the appropriate purchase order, check the invoice for reasonableness, arithmetical accuracy, coding and treatment of VAT, before passing the invoice onto the relevant service area for authorisation.
- 11.27 Invoices should then be checked by a service manager or senior officer particularly in relation to the price and coding, and authorised for payment.
- 11.28 The invoice will then be passed back to the Finance Section for processing in line with Financial Regulations 11.61 to 11.70.
- 11.29 In no circumstances should the same officer raise a purchase order, receive the goods and services, certify the order and authorise the invoice for payment.

### ***Regular Payment Invoices***

- 11.30 Regular payment invoices relate to those payments which are made on a regular basis e.g. once a year, bi-annually, quarterly or monthly. Examples include machine rentals, service agreements, and subscriptions.
- 11.31 Purchase orders are *not* required to be raised for regular payments.

- 11.32 Instead, regular payment invoices will be confirmed as regular payments by Finance Section staff, and checked for reasonableness, arithmetical accuracy and treatment of VAT. They will then be coded to the appropriate budget, before being passed onto the relevant service area for authorisation.
- 11.33 Invoices should then be checked by a service manager or senior officer particularly in relation to whether the goods or services are still required, the price, and the coding, then authorised for payment and passed back to the Finance Section for processing in line with Financial Regulations 11.61 to 11.70.

### ***Direct Debits and Standing Orders***

- 11.34 A direct debit or standing order may be set up to make a regular payment where this is more cost effective i.e. to achieve a lower price or avoid charges for paper billing, or where this is required by the supplier as a condition of the sale. Examples include gas and electricity bills, fuel costs, business rates, machine rentals, loan repayments, bank charges and telephone bills.
- 11.35 Direct debit instructions may only be requested by an authorised officer and will be set up by the Finance Section.
- 11.36 Invoices received in respect of direct debits or standing orders will be checked by Finance Section staff for reasonableness, arithmetical accuracy and treatment of VAT. They will then be coded to the appropriate budget, before being passed onto the relevant service area for authorisation.
- 11.37 Invoices should then be checked by an authorised officer particularly in relation to the price and coding, authorised for payment and passed back to the Finance Section for processing in line with Financial Regulations 11.61 to 11.70.
- 11.38 Direct debit invoices will be filed on a direct debit file and reconciled to the bank account when the payment is taken, via the cash book and bank reconciliations.

### ***Cheque Requisitions***

- 11.39 There may be some circumstances where service managers may need to request that a manual cheque is raised, outside of the purchase ordering system.
- 11.40 For example, in some cases goods or services may be required on a one-off basis, for example where the supplier or service provider will never be used again and do not therefore need to be added to the approved supplier list.
- 11.41 In other cases, a supplier may not accept purchase orders or offer an invoicing facility and may therefore require a cheque to be provided or sent before releasing the goods or services.
- 11.42 Cheque requisitions are also used where 'cash' is required e.g. to issue or top up a petty cash float.
- 11.43 Council donations are also paid by cheque requisition.
- 11.44 In such instances, rather than raising a purchase order, a 'cheque requisition form' should be completed and certified by an authorised officer, requesting that a cheque is raised and either sent direct to the supplier or payee, or returned to the requesting officer.

11.45 The cheque requisition form requires the requesting officer to complete the name and address of the payee, the invoice number and invoice date if applicable, the account code and cost centre to which the expenditure is to be charged, a description of the goods and services being procured, the net and gross amount, and any VAT that is payable. A copy invoice from the supplier should be attached to the form wherever possible.

### ***Council Credit Card***

11.46 On rare occasions, service managers may need to request the use of the Council's credit card for the purchase of goods or services.

11.47 Examples of occasions where the Council credit card could be used would be purchases made over the telephone or internet, train or hotel bookings, and emergency purchases where the supplier will not accept a purchase order.

11.48 The Council currently holds one credit card, and this is held by the Senior Administration Officer, who will make and record all credit card purchases. The Finance Manager may also make purchases using the credit card, in the absence of the Senior Administration Officer.

11.49 This arrangement allows for separation of duties between requests to use the card by service managers, its actual use by the Senior Administration Officer or Finance Manager, and the checking, coding and payment of the credit card bills, which is undertaken by Finance Section staff.

11.50 All purchases that are required to be made using the credit card must be made via the Senior Administration Officer who will seek approval from the Town Clerk or Finance Manager. All purchases will be logged in a 'credit card purchases record book', which is held in the Administration Section.

11.51 Credit card purchases are paid by direct debit. Invoices are received by the Finance Section and checked for reasonableness and accuracy. The invoice is then passed to the Senior Administration Officer, who will reconcile it to the credit card purchases record, and code up all purchases to the appropriate budget.

11.52 Credit card invoices are then passed to the Town Clerk for authorisation and passed back to the Finance Section for processing in line with Financial Regulations 11.61 to 11.70.

11.53 Personal credit or debit cards must not be used under any circumstances.

### ***Petty Cash Floats***

11.54 All service areas may be provided with a small petty cash float, if required.

11.55 Petty cash floats allow responsible officers to purchase small sundry or one-off items, from local shops, that may be required immediately to meet operational needs, without the need to raise a purchase order.

11.56 Petty cash floats are currently authorised for the following service areas:-

- Council Offices Petty Cash                      £200
- Sports Complex General Petty Cash        £100
- Works Department Petty Cash                £100
- Golf Shop Petty Cash                            £100
- St Oswald's Pre School Petty Cash        Up to £250

11.57 The general rules to be applied to petty cash are as follows:-

- (a) There is a petty cash float limit of £250;
- (b) Receipts must be retained for payments made from petty cash to substantiate the payment and VAT receipts should be requested for all purchases to which VAT applies.
- (c) Claims to reimburse petty cash floats must be made to the Finance Section as and when required via a Petty Cash Claim Form, accompanied by receipts for all payments claimed for;
- (d) In no circumstances should any income received by the service area be paid into the petty cash float. Income must be separately banked, as set out elsewhere in these Regulations;
- (e) Payments to reimburse Petty Cash Floats will be made by the Finance Section, and drawn against the Council's current bank account.
- (f) The Finance Section will keep records of all petty cash top ups;
- (g) Petty cash will be posted up and reconciled on a regular basis by the Finance Section.

11.58 Services may also be issued with change floats as required.

### **Sports Complex Debit Card**

11.59 The Sports Complex has been issued with a debit card for a petty cash bank account to enable online catering orders to be placed with the local supermarket.

11.60 This bank account and debit card are operated in the same way as a petty cash float and subject to the rules set out in Regulation 11.57. The bank account is topped up to a maximum of £250 upon receipt of a formal claim from the sports complex supported by receipts.

### **Payment of Invoices by Cheque and BACs**

11.61 The process of invoice payment and the subsequent accounting for expenditure relating to creditor payments on the Opera 3 Financial Management System is the responsibility of the Finance Section, and is therefore completely separated from the purchase ordering process.

11.62 Authorised invoices are filed on an 'invoices awaiting payment' file and will be paid via the weekly purchase ledger payment run, in accordance with the relevant payment terms for each supplier.

11.63 The Finance Section will take all possible steps to settle all invoices which are in order and on which there is no dispute, within the supplier's payment terms.

11.64 Payments to creditors are made by cheque or BAC's transfer and the Finance Section actively encourages suppliers to accept payment by BAC's transfer as this is a quicker and cheaper method of payment.

11.65 Only the four senior officers named on the Council's approved bank mandate are authorised to sign cheques and approve BAC's payments. These are currently the Town Clerk, Finance Manager, Senior Accountancy Assistant and Corporate and Policy Officer.

11.66 Each week, before the creditors payment run is undertaken, the Finance Manager (or Senior Accountancy Assistant in his absence), will be provided with a copy of the 'suggested payments list', for that week by the Accountancy Assistant, along with copies of all of the invoices making up the suggested payment run.

- 11.67 The Finance Manager (or Senior Accountancy Assistant in his absence), is responsible for undertaking a final check of the invoices due for payment, including querying any invoices or payments which look unusual, and checking that adequate funds are available to make the payment, and then authorising the payment run to go ahead.
- 11.68 For cheque payments, the required number of cheques will be signed out of the stock of cheques held in the Finance safe using the 'cheques signed out' sheet. The cheques will then be printed off and signed by two of the officers from the bank mandate, before being sent to the supplier. A cheque list is also produced and signed by one of the authorised officers from the bank mandate.
- 11.69 For BAC's payments, the relevant payments that are due for payment will be 'imported' from the Opera Financial Management System to the Barclays Internet Banking facility by a member of the Finance Team and then authorised by the Finance Manager or Senior Accountancy Assistant. A BAC's list is also produced and signed by one of the authorised officers from the bank mandate.
- 11.70 Any changes to supplier records, and in particular bank details, must only be actioned following receipt of a formal written notification from a supplier.

### ***Checking, Recording and Reporting Payments for Goods and Services***

- 11.71 All payments to creditors for goods and services will be recorded in the Council's Opera Financial Management System, and the creditor's account will be reconciled on a monthly basis.
- 11.72 All creditors' expenditure will also be checked and verified independently to supplier statements, and via the cash book and bank reconciliations.
- 11.73 Internal audit checks will also be regularly undertaken on the purchase order system and creditors' payments.
- 11.74 All invoices paid via the purchase ledger weekly payment run will be recorded on the 'Accounts Control Sheet' schedule, analysed by service area, and reported to Members on a weekly basis. Accounts Control Sheets are then considered and approved at each meeting of the Policy and Resources Committee.
- 11.75 Payments made by direct debit, credit card and cash book cheques will be recorded on the 'Current Bank Account' analysis referred to in paragraph 10.19 and also reported to each meeting of the Policy and Resources Committee.

### ***Grants***

- 11.76 The Council will consider grant applications from local charities, community and voluntary organisations and individuals and may award grants under the General Power of Competence.
- 11.77 The Council has set aside a small donations budget for this purpose.
- 11.78 The Council does not currently have a grants policy and will judge each grant application on its merits. The Council will request copy accounts where relevant to assist with the consideration of grant requests.
- 11.79 Donations will be paid by cheque, by the Finance Section following their approval by the Council.

## ***Openness of Local Government Regulations 2014***

- 11.80 The Openness of Local Government Regulations 2014 require the Council to publish on its website details of any officer decision to award a contract or incur expenditure which 'materially affects the Councils financial position'.
- 11.81 In accordance with the Standing Orders for Contracts and Procurement, the Council has determined that any expenditure over the value of £5,000 will be deemed 'material', and therefore a written record of any officer decision to incur expenditure over the value of £5,000 must be published on the Council website.
- 11.82 In many cases, the relevant decisions made by officers will have already been reported to the Council or a Committee as a matter of course, for example in the case of all capital expenditure and contracts.
- 11.83 However, it must be ensured that any decisions not reported to the Council or a Committee, for example in the case of revenue expenditure, are recorded on a 'Record of Officer Decision to Award a Contract or Expenditure Over the Value of £5,000' form, and published on the Openness of Local Government Regulations section of the Council website.

## ***Local Government Transparency Code 2015***

- 11.84 The Local Government Transparency Code 2015 constitutes recommended practice for town and parish councils with an annual income or expenditure exceeding £200,000.
- 11.85 One of the key requirements of this Code is the publication of all items of expenditure over the value of £500. The Finance Section will publish all expenditure over the value of £500, on a monthly basis, on the Data Transparency section of the Council website.

## **12.0 Payment of Salaries and Wages and Members' Allowances**

- 12.1 The Council must make payments of salaries, wages, and members' allowances in accordance with the statutory requirements placed on all employers by current PAYE Tax and National Insurance legislation issued by HM Revenues and Customs, as well as all other relevant legislation such as pension regulations and statutory sickness, maternity and paternity pay rules.
- 12.2 All employee related payments also need to be made in accordance with the National Joint Council for Local Government Services (NJC) National Agreement on Pay and Conditions of Service (otherwise known as 'the Green Book'), the requirements of the Durham County Pension Fund, the Council's approved staffing establishment, the terms and conditions set out in individual contracts of employment, and the approved Officers' Allowances Policy.
- 12.3 The Town Clerk is paid in accordance with the National Agreement on Pay and Conditions of Service for Clerks as recommended by the National Association of Councils (NALC) and Society for Local Council Clerks (SLCC).
- 12.4 The Finance Manager and Senior Accountancy Assistant are responsible for ensuring that all relevant legislation, Council policies and other requirements relating to the payment of salaries and wages are complied with.

- 12.5 No changes will be made to any officer's pay, hours or terms and conditions of employment without the approval of the Council's Personnel Sub Committee. The Personnel Sub Committee will also be responsible for approving any redundancy or termination payments, and any early and flexible retirement requests.
- 12.6 Timesheets are required to be completed for all weekly paid staff and for any member of staff claiming overtime for working outside of normal working hours. All timesheets must be certified for accuracy and completeness by the relevant service manager or another authorised officer.
- 12.7 Claims for car mileage, subsistence and other expenses such as train fares and parking charges, must be made on an official claim form, supported by receipts or other evidence and duly authorised by the relevant service manager. Payments will be made in accordance with the Council's Officers' Allowances Policy.
- 12.8 Payments of Members' Allowances and any claims for subsistence and mileage expenses by members will be made in accordance with the Council's approved Members' Allowances Scheme.
- 12.9 Employers' and employees' pension contributions in respect of staff who are members of the Local Government Pension Scheme will be calculated in accordance with relevant pension regulations, automatic enrolment legislation and the rules and requirements of the Durham County Pension Fund.
- 12.10 The payment of all salaries and wages to staff and Members' Allowances will be made by the Finance Section from the Council's current bank account. The weekly and monthly payrolls will be checked for accuracy and signed off by the Finance Manager or, in his absence, the Town Clerk, prior to payments being made.
- 12.11 Monthly payroll related payments made by BAC's to HM Revenues and Customs in respect of Income Tax and National Insurance Contributions, Durham County Council in respect of pension contributions, as well as trade union contributions, will also be checked and signed off by the Finance Manager prior to being paid.
- 12.12 All employee related payments including salaries, wages, allowances, income tax, national insurance and pension contributions will be recorded on the Current Bank Account analysis referred to in paragraph 10.19 and reported to each meeting of the Policy and Resources Committee.
- 12.13 Particular attention will be paid to situations where contractors are being used to carry out Council services, to ensure that their self-employed status has been checked and verified.
- 12.14 The Council will publish details of its staffing structure, the pay multiple ratio and senior officer pay, on the Council website, in accordance with the requirements of the Local Government Transparency Code 2015.

## **13.0 Collection and Banking of Income**

### ***Responsibilities and Separation of Duties***

- 13.1 The principle of separation of duties shall be observed in connection with collection and banking of income, as far as is practicable within the staffing resources available. As a minimum, separation of duties must be observed in respect of the following areas:-

- (a) The duty of collection and preparation for banking of income, and the duty of checking, recording and reconciling that income;
  - (b) The duty of requesting a sales invoice or calculating an amount due to the Council, and the process of raising a sales invoice and recording and reconciling the subsequent income.
- 13.2 The Finance Manager, supported by the Finance Section, is ultimately responsible for the collection of all monies due to the Council, and the raising of all invoices for work carried out, services rendered, or goods supplied by the Council.
- 13.3 The Finance Section are responsible for the following income collection procedures:-
- setting up customers on the computerised sales ledger;
  - checking the calculation of the amount due or charge levied;
  - setting the payment terms;
  - ensuring the correct VAT treatment;
  - ensuring the correct coding;
  - raising the invoice promptly;
  - sending out reminder letters;
  - co-ordinating any recovery action;
  - ensuring all income directly receivable by the Council in the form of cash, cheques and card payments, is properly collected, receipted and recorded, securely held and banked promptly and intact; and
  - ensuring all income is properly reconciled and accurately accounted for.
- 13.4 The Council's Charges Working Group will consider all fees and charges for services provided by the Council, annually, and make recommendations to the Council around the time that the Council Budget is set.
- 13.5 Outstanding debts will be reported to the Policy and Resources Committee as and when necessary. The Finance Manager is responsible for the recovery of all outstanding debts. Any requests for the write off any irrecoverable debts will be reported to and approved by the Policy and Resources Committee.
- 13.6 The detailed systems and procedures for the collection and banking of all sums due to the Council are set out in the Income Collection and Debt Recovery Policy.

### **Raising of Sales Invoices, Monitoring of Debt and Recovery Action**

- 13.7 With the exception of allotments invoices, all requests to raise a sales invoice for income due to the Council must be made on an official sales order requisition, from the responsible officer within the relevant service area, authorised by the appropriate service manager, and forwarded to the Finance Section.
- 13.8 Due to the volume of invoices involved, allotments invoices are not raised using a debtor requisition form. These invoices are raised annually, usually in December, prior to the start of the new allotments year, based upon information held on the on the allotments database and the allotments rents charging model, and are evidenced by a letter to each tenant.
- 13.9 Requisitions received in respect of bookings at the Sports Complex are also slightly different in that they are provided in the form of an invoice generated by the Torex Leisure Booking System.
- 13.10 All sales order requisitions should be priced, wherever relevant using the Council's approved fees and charges schedule.

- 13.11 Sales order invoices will be raised and sent out by the Finance Section as soon as possible following receipt of a sales order requisition and will show the following information:-
- The name and address and contact details of the Council;
  - The Council's VAT registration number;
  - Invoice number and date;
  - Customer name and address;
  - Description of the goods or services provided;
  - Value of the goods or services provided,
  - Any VAT chargeable;
  - Total amount chargeable;
  - Payment terms; and
  - The Council's bank details.
- 13.12 There are currently three forms of payment available which are cash, cheque and BACS, and the Council's bank details are stated on the invoice.
- 13.13 If a customer is not already set up on the Opera Financial Management System, then a new debtor request form must be completed, approved by an authorised officer, and submitted to the Finance Section. New debtor forms are not required for other councils or public sector organisations.
- 13.14 Payment terms will normally be set at 21 days for all customers.
- 13.15 If a credit note is required to cancel an invoice or reduce the amount payable, a credit note requisition form must be completed and authorised.
- 13.16 The status of all debtors will be reviewed by the Finance Section on a regular basis and at the end of each month a debtors list will be produced showing outstanding debtors and the age of the debt. A statement will then be sent out for those debtors, which are outside of the 21 days payment terms, stating that the amount is overdue and needs to be paid as soon as possible.
- 13.17 Reminder letters will be sent, with threat of further recovery action, if the outstanding debts are still not paid, followed up with a telephone call to the debtor.
- 13.18 If the debt remains unpaid following the issue of a reminder letter, a final notice will be sent informing the debtor that the debt may now be passed to a collection agency or small claims court for recovery. The debt will also be referred back to the originating service manager for appropriate action e.g. the allotment tenancy terminated, golf membership cancelled, or sports complex user barred from future use of the facilities.
- 13.19 If the payment is still not forthcoming, a judgement will then be made by Finance Manager in consultation with Town Clerk, as to whether the debt should be referred for legal action. The materiality of the debt will need to be taken into account as taking legal action will incur court costs which would need to be added to the debt.
- 13.20 If the debt is considered irrecoverable, it would then be referred to the Council's Policy and Resources Committee to consider write off.

### **Collection of Income**

- 13.21 Income received at the Council Offices includes allotments fees, cemeteries fees, football pitch charges and payments in respect of sales invoices raised.

- 13.22 All cash and cheques received at the Council Offices will be logged by reception staff, the Works and Environment Manager or Grounds Maintenance Services Co-ordinator, and then forwarded to the Finance Section.
- 13.23 Payments by credit and debit card are not currently taken at the Council Offices due to the low level of income taken.
- 13.24 Each cash or cheque payment will be receipted using an official Council receipt book. There are currently two receipt books, one for cemeteries receipts and one for general receipts.
- 13.25 Once receipted, all cash and cheques received will be held in a cash box in the finance safe prior to banking, usually on a weekly basis, by Finance Section staff.
- 13.26 Prior to banking, all receipts will be individually recorded on a weekly banking sheet and a bank paying in slip will be completed and retained for all bankings.
- 13.27 Income is taken regularly at the Oak Leaf Sports Complex reception and bar in the form of cash, cheques and credit and debit card payments.
- 13.28 All income will be cashed up and reconciled to the till reports at the end of each shift by a Duty Manager. All income will then be checked, recorded and prepared for banking, on a twice weekly basis, and signed off by the Sports Complex Clerical Assistant or Duty Manager. Takings will be held in the Sports Complex safe for collection by the Council's security company twice a week.
- 13.29 The Finance Section will independently check all Sports Complex collections and bankings to actual till readings and cash statement reports to ensure their accuracy, prior to posting the income to the Sports Complex Budget. Valid explanations will be required for any over or under bankings.
- 13.30 Income in respect of the Golf Complex will be collected by the golf shop staff and cashed up and reconciled to the till on a daily basis and held in the Golf Shop safe.
- 13.31 The Finance Section will, twice weekly, check the takings on site to actual till readings and cash statement reports and prepare them for banking and collection twice a week by the Council's security company.
- 13.32 Valid explanations will be required for any over or under bankings.
- 13.33 The Council allows annual golf memberships to be paid by four instalments, each due on the first day of the month, from 1<sup>st</sup> April through to 1<sup>st</sup> July. Instalments are monitored by the Finance Section and if any member is found to be in default, a reminder letter will be sent requesting payment, and the member suspended from using the course until payment is made.
- 13.34 Fees in respect of St Oswald's Pre-School will be collected on a daily basis, reconciled to daily attendance lists, and securely held on site. Cash will be collected by a member of the office staff on a weekly basis, and brought up to the Finance Section to be banked as part of the main office banking. Any overdue fees will be recorded and followed up with letters to parents.
- 13.35 The Council's insurance policy provides cover for cash held in safes and in the custody of Council staff e.g. when being prepared for banking or taken to the bank. The Finance Manager will review this insurance regularly and ensure that

the level of cover remains appropriate.

- 13.36 All bankings are recorded on banking sheets and reconciled to the Council's bank accounts on a weekly basis via the cash book reconciliation.
- 13.37 In no circumstances will personal cheques be cashed out of money held on behalf of the Council.
- 13.38 Change floats and one-off temporary change floats will be provided to the offices, sports complex and golf complex as required, and will have a limit of £1,000.

#### **Payments Received via Credit and Debit Card**

- 13.39 The Council currently accepts payments by credit and debit card on a daily basis at the Oak Leaf Sports Complex and Oak Leaf Golf Complex, and has electronic point of sale machines at both facilities to facilitate this.
- 13.40 In taking payments by credit and debit card, staff must comply with the Payment Card Industry Data Security Standard (PCI DSS) and the Council's policy and procedures in relation to card payments are set out in the Payment Card Data Security Policy.

#### **Receipt of the Precept, Grants and Other Funding**

- 13.41 The Finance Manager is responsible for ensuring that all grants and other funding provided by external bodies, including the Precept, Council Tax Support Grant, Section 106 Agreements, Community Infrastructure Levy, capital grants and contributions and pre-school funding are properly claimed, received promptly, checked for accuracy, properly recorded in the Council's Accounts, and only used for the purposes for which they were awarded.

### **14.0 Treasury Management**

#### ***Overall Arrangements***

- 14.1 The Council's treasury management activities are controlled by Schedule 1 of the Local Government Act 2003, in relation to Capital Finance for Parish and Community Councils.
- 14.2 The Council is also required by the Local Authorities Capital Finance and Accounting (England Regulations 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications; the Treasury Management in the Public Services Code of Practice and the Prudential Code for Capital Finance in Local Authorities in relation to its treasury management activity.
- 14.3 The Council has in place a Treasury Management Code of Practice which sets out its treasury management policies and objectives, and how it will manage, control and report its treasury management activities.
- 14.4 Responsibility for the approval and monitoring of the Treasury Management Code of Practice lies with the Policy and Resources Committee, while responsibility for implementing and administering treasury management decisions lies with the Finance Manager, who will act in accordance with the Council's Code of Practice and the CIPFA Standard of Professional Practice on Treasury Management.

## **Loans**

- 14.5 The Finance Manager is responsible for the management of repayments in respect of the Council's existing outstanding loans.
- 14.6 Proper records of loans will be maintained and regularly reconciled to actual repayments made and current balances outstanding.
- 14.7 Responsibility for the approval of any new external borrowing and any rescheduling of existing borrowing lies with the Council and would be based on advice provided by the Finance Manager.
- 14.8 In accordance with the Treasury Management Code of Practice, the Council's approved method for any new borrowing will be Public Sector Loans Board (PWLB) loans. The Public Sector Loans Board is a government department that makes finance available to local authorities at government borrowing rates.
- 14.9 The Council would need to obtain a borrowing approval from the Department for Communities and Local Government before taking up any new borrowing.
- 14.10 An application form should be submitted via the County Durham Association of Local Councils (CDALC), and, if approved, DCLG will send the Council a borrowing approval letter which will set out a number of conditions that need to be fulfilled, specify how much the council can borrow, and the maximum term of the loan. Loans would only generally be approved for specific capital investment purposes and not merely as a way of replenishing Council balances.
- 14.11 In accordance with the Treasury Management Code of Practice, any new borrowing will be made up of fixed interest rate loans so as not to subject the Council to the risks associated with interest rate fluctuation.
- 14.12 All borrowings will be taken out in the name of the Council and will be negotiated on behalf of the Council by the Finance Manager, following the receipt of a borrowing approval from the DCLG.
- 14.13 The revenue costs of the Council's current outstanding borrowing will be regularly monitored and reviewed by the Finance Manager.
- 14.14 Rescheduling or early repayment of debt will be considered only where it is financially advantageous for the Council to do so. A number of factors would need to be considered, including balancing the savings that may be made in interest payable and annual repayment costs, against the reduction in Council balances in order to repay the debt, and the premiums that might be payable in order to do so.
- 14.15 Borrowing for capital projects will only be considered where absolutely necessary i.e. where there is no other funding is available. Any future borrowing would be made in compliance with the Council's Treasury Management Code of Practice.

## **Investments**

- 14.16 A local council has the power to invest surplus funds for "*any purpose relevant to its functions or for the purpose of prudent financial management*".
- 14.17 Section 15(1) of the Local Government Act 2003 requires local authorities to have regard to the Statutory Guidance on Local Government Investments issued by the Department for Communities and Local Government (DCLG) where total

investments exceed a value of £500,000.

- 14.18 The guidance recommends that the council prepares an investment strategy setting out policies for the *'prudent investment of funds that it holds on behalf of the local community'*.
- 14.19 The investment strategy must give priority firstly to the security (the protection from potential loss) of those investments and, secondly, to their liquidity (the availability of the money when required) and lastly, once proper levels of security and availability have been secured, to the yield.
- 14.20 It also identifies the procedures for monitoring, assessing and mitigating the risk of loss of the invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
- 14.21 The Council's investment strategy is set out in the approved Treasury Management Code of Practice with the overriding priorities being the security and liquidity of the public money invested.
- 14.22 Responsibility for the investment of surplus balances lies with the Finance Manager and is subject to the approval of Policy and Resources Committee. Any changes to the Council's investment arrangements would need to be reported to the Policy and Resources Committee and approved by the Council.
- 14.23 All investments of money under the control of the Council will be in the name of the Council. The Council's approved methods of investment are short term treasury deposits, high interest bank accounts, term deposits with banks and building societies, and the Public Sector Deposit Fund.
- 14.24 The Council's overriding priority will be the security and liquidity of its investments, with the maximisation of the interest receivable will be undertaken within the confines of these overall objectives.
- 14.25 All investment certificates and other documents relating to investments shall be retained by the Finance Manager. Proper records of investments will be maintained and regularly reconciled to actual balances held.
- 14.26 Short term surplus cash flow resources are currently held either in a higher interest account at the Council's bank or in the Public Sector Deposit Fund, both of which offer high security and instant access to the money, whilst providing a small interest return to the Council.
- 14.27 The Council's longer term earmarked balances and reserves are currently invested in either a treasury deposit or a 90 day notice account, both of which are held with the Council's bank. These investments provide high security along with a slightly higher interest return, although they do require a period of notice to be provided in order to access the money.

## **15.0 Capital Programme Works and Contracts**

- 15.1 The Council's detailed rules for all procurement relating to capital programme works including the rules and procedures for the award and management of contracts and tenders are set out separately in the Standing Orders for Contracts and Procurement.

## **16.0 Management of Consumable Stocks**

- 16.1 Service managers are responsible for the care and custody of any consumable stocks utilised in the provision of their service areas.
- 16.2 A stock card system or other method of stock control should be maintained, where appropriate, for all material consumable stocks held by the Council.
- 16.3 Delivery notes should be retained, where available, in respect of all goods received into stocks, and all goods must be checked with regard to quantity and quality at the time delivery is made.
- 16.4 Stock cards should be updated as soon as possible after the issue, use or sale of any stocks.
- 16.5 As a general rule, stocks should be maintained at the minimum levels consistent with operational requirements.
- 16.6 The Internal Auditor is responsible for organising annual checks of all stocks and stores, as well as spot checks throughout the year.
- 16.7 An external stock taker will also be engaged to undertake monthly stock checks in respect of the Council's two material stock areas in relation to the bar and catering functions at the sports complex, and to report on the profitability of the operation.

## **17.0 Asset Management**

- 17.1 The Town Clerk, supported by the relevant service managers is responsible for ensuring that the Council's Asset Management Plan is maintained and updated and that the supporting Action Plan is monitored and implemented.
- 17.2 The Asset Management Plan puts in place a comprehensive record of the Council's fixed assets and a strategic, long term plan for their management and maintenance.
- 17.3 It helps to ensure the effective optimisation and utilisation of the Council's land, buildings, vehicles, machinery and other assets in order to maximise service benefits and return, avoids improper management and use, and clearly identifies long term maintenance and capital investment requirements.
- 17.4 Service managers are responsible for the day to day care and custody of any assets such as plant, vehicles, machinery and equipment utilised in the provision of each service.
- 17.5 Service managers are also responsible for maintaining up to date inventory records for all fixtures, fittings, machinery and equipment utilised in their service areas, in accordance with internal audit requirements.
- 17.6 The Internal Auditor is responsible for ensuring an annual check of inventory records is undertaken in respect of specific service areas.
- 17.7 The Finance Manager will maintain a fixed asset register for all major land, buildings, plant, vehicles, machinery and equipment over the value of £2,500. The asset register will record the asset type and description, dates of acquisition, upgrade and disposal, estimated useful life, asset values, the cost of any enhancing capital expenditure, the service area and location. The asset register will be updated at the end of each financial year.

- 17.8 The total value of the Council's fixed assets, as recorded on the asset register as at 31<sup>st</sup> March each year is reported on the Council's Annual Return.
- 17.9 The Finance Manager, supported by the relevant service managers, will also maintain and update each year, a schedule of the estimated remaining life and replacement costs for all material plant, vehicles, machinery and equipment, as part of the Council's Asset Management Plan.

## **18.0 Management of Land and Property**

- 18.1 The Town Clerk will also make appropriate arrangements for the custody of title deeds and Land Registry Certificates of properties and land owned by the Council and ensure that records are maintained recording the location, plans, land registry reference, purchase details, nature of the interest, tenancies, leases or licences granted, rents payable and the purpose for which held.
- 18.2 All Council owned land and buildings will also be mapped on the Council's Geographic Information System.
- 18.3 No land or property shall be purchased or otherwise acquired, or sold, leased or otherwise disposed of without the authority of the Council and all transactions involving land and property shall be reported to and subject to the approval of Policy and Resources Committee.
- 18.4 The Council will publish a record of all of its land and building assets in accordance with the requirements of the Local Government Transparency Code.

## **19.0 Insurance Arrangements**

- 19.1 It is very important that the Council is adequately insured against the various risks identified in its risk register.
- 19.2 The Finance Manager is responsible for managing and arranging the Council's insurance cover and negotiating all insurance claims with the Council's insurers in consultation with the Town Clerk and the relevant service manager.
- 19.3 As a minimum, the Council's insurance policy will cover the following areas:-
- Public liability cover of £10 million;
  - Employers liability cover of £10 million;
  - All risks property damage cover for all Council buildings, plant, machinery, contents, play equipment, computer equipment and street furniture;
  - Theft cover for all contents, machinery, and office equipment;
  - Motor insurance cover for all Council vehicles;
  - Business interruption cover for the sports and golf complex, and pre-school;
  - Money cover for all cash held in safes and cash in transit;
  - Libel and slander cover and fidelity guarantee for Members and officers;
  - Legal expenses cover;
  - Engineering insurance and damage to plant; and
  - Personal accident cover for Members and officers.
- 19.4 The Town Clerk or Corporate and Policy Officer, in consultation with other senior officers, will give prompt notification to the Finance Manager of all new or increased risks from the Council's Corporate Risk Register that require a possible change to the Council's insurance arrangements.

- 19.5 Service managers must also inform the Finance Manager of any new purchases or disposals of plant, vehicles, machinery or equipment, which require insurance, and of any other changes to their services that may affect the Council's existing insurance cover.
- 19.6 The Finance Manager will ensure that all buildings owned by the Council are revalued as necessary for insurance purposes.
- 19.7 The Finance Manager will keep a record of all insurance policies held by the Council, including full details of the property, plant, vehicles, machinery and equipment and risks covered by the policies.
- 19.8 The Finance Manager will also maintain a comprehensive record of all insurance claims, covering both open and closed claims, and including copies of all correspondence and evidence relating to the claims.
- 19.9 The Council's insurance arrangements will be reviewed every year and considered at the Annual General Meeting of the Council, in accordance with the Council's Standing Orders. The Finance Manager will also meet periodically with the Council's insurers to discuss and review the Council's insurance arrangements.
- 19.10 The Finance Manager must be promptly notified of any accident, loss, liability, physical damage, or any other event likely to lead to an insurance claim. This is the responsibility of the appropriate service manager.
- 19.11 Service managers must ensure that any potential insurance claims are evidenced as far as possible. Managers may be required to assist or liaise with the Council's insurers in relation to any claims made. A crime reference number must be sought from the police for all claims involving criminal damage or other criminal activity.
- 19.12 All Members and officers of the Council will be covered by personal accident insurance during official duties and fidelity guarantee insurance will be put in place to protect the Council against employee or Member fraud and corruption.

## **20.0 Taxation**

- 20.1 The Finance Manager is responsible for advising Members and officers on all taxation issues affecting the Council, including complying with tax law, maintaining the Council's tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date, and assisting with any tax inspection visits.
- 20.2 The main taxation issues relevant to the Council are employee related taxes such as PAYE and National Insurance Contributions and VAT. All of these taxes are all payable to HM Customs and Revenues.
- 20.3 The Council is not subject to corporation or capital gains tax.

## **21.0 Update of the Financial Regulations**

- 21.1 The Finance Manager is responsible for ensuring that the Financial Regulations are reviewed on an annual basis, updated where necessary, and that any changes are reported to and approved by the Council.

## **Appendix - Great Aycliffe Town Council Authorised Officers List**

### **Bank Mandate Officers**

The following officers are identified on the Council's Bank Mandate with authorisation to sign cheques, approve BACs payments and undertake bank transfers.

<i>Town Clerk</i>	<i>Mr. Andrew Bailey</i>
<i>Finance Manager</i>	<i>Mr. Dan Austin</i>
<i>Corporate and Policy Officer</i>	<i>Mrs. Christine Walton</i>
<i>Senior Accountancy Assistant</i>	<i>Mrs. Angela Blom</i>

### **Senior Officers and Service Managers**

The following officers are designated as Senior Officers in accordance with the Council's Financial Regulations and Standing Orders for Procurement and have responsibility for managing budgets, staff and assets, signing off timesheets, and authorising payments on behalf of the Council.

<i>Town Clerk</i>	<i>Mr. Andrew Bailey</i>
<i>Finance Manager</i>	<i>Mr. Dan Austin</i>
<i>Senior Accountancy Assistant</i>	<i>Mr. Mark Nicholson</i>
<i>Corporate and Policy Officer</i>	<i>Mrs. Christine Walton</i>
<i>Works and Environment Manager</i>	<i>Mr. Steve Cooper</i>
<i>Grounds Maintenance Services Co-ordinator</i>	<i>Mr. Lee Williams</i>
<i>Leisure Manager</i>	<i>Mrs. Judith Thexton</i>
<i>Senior Administration Officer</i>	<i>Miss. Christine Ryder</i>
<i>Pre School Manager</i>	<i>Miss Julie Gale</i>

### **Authorised Officers**

These officers have responsibility for budget monitoring, raising and certifying purchase orders, dealing with petty cash, raising sales orders and invoices, and reconciling and banking Council income.

<i>Accountancy Assistant</i>	<i>Vacant</i>
<i>Corporate and Leisure Assistant</i>	<i>Mrs Marie Robinson</i>
<i>Works Team Leader</i>	<i>Mr. Andy Hill</i>
<i>Works Maintenance Technician</i>	<i>Mr. Gary Parsons</i>
<i>Head Greenkeeper</i>	<i>Mr. Ian Barion</i>
<i>Sports Complex Duty Manager</i>	<i>Mr. Tony Mackinder</i>
<i>Sports Complex Duty Manager</i>	<i>Mrs. Marian Thompson</i>
<i>Sports Complex Duty Manager</i>	<i>Mrs. Anne Watson</i>
<i>Sports Complex Relief Duty Manager</i>	<i>Mrs. Susanne Miller</i>
<i>Sports Complex Relief Duty Manager</i>	<i>Mrs. Cyd Upton</i>
<i>Sports Complex Clerical Assistant</i>	<i>Mrs. Rachel Goddard</i>
<i>Golf Administrator</i>	<i>Mrs. Marie Thompson</i>