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Kirkbymoorside Town Council

Financial Standing Orders

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KIRKBYMOORSIDE TOWN COUNCIL

FINANCIAL STANDING ORDERS

1. GENERAL

- 1.1** These financial standing orders govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council. Financial regulations are one of the council's governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the council's standing orders¹ and any individual financial regulations relating to contracts.
- 1.2** The council is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk.
- 1.3** The council's accounting control systems must include measures:
- a) for the timely production of accounts;
 - b) that provide for the safe and efficient safeguarding of public money;
 - c) to prevent and detect inaccuracy and fraud; and
 - d) identifying the duties of officers.
- 1.4** At least once a year, prior to approving the Annual Governance Statement, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.5** The Responsible Financial Officer (RFO), under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs. The Clerk has been appointed as RFO for this council and these regulations will apply accordingly.
- 1.6** The RFO shall be responsible for the production of financial management information;
- a) acts under the policy direction of the council;
 - b) administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
 - c) determines on behalf of the council its accounting records and accounting control systems;
 - d) ensures the accounting control systems are observed;
 - e) maintains the accounting records of the council up to date in accordance with proper practices;
 - f) assists the council to secure economy, efficiency and effectiveness in the use of its resources; and

¹ Model Standing Orders for Councils (2018 Edition) is available from NALC (©NALC 2018)

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

approve any grant or a single commitment in excess of £5,000; and in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant committee in accordance with its terms of reference.

In these financial regulations, references to the Accounts and Audit Regulations or 'The Regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation, and then in force unless otherwise specified.

In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability for Local Councils - a Practitioners' Guide (England)* issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

2. ANNUAL ESTIMATES

- 2.1** The RFO shall formulate and submit proposals to the Council in respect of revenue and capital costs for the following financial year not later than the Council meeting in November each year.
- 2.2** Detailed estimates of all receipts and payments for the year shall be prepared each year by the RFO.
- 2.3** The Council shall review the estimates not later than the Council meeting in December each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall supply each member with a copy of the approved estimates.
- 2.4** The annual budgets shall form the basis of financial control for the ensuing year.

3. BUDGETARY CONTROL

- 3.1** Expenditure on revenue items may be incurred up to the amounts included in the approved budget.
- 3.2** No expenditure may be incurred which exceeds the amount provided in the revenue budget unless authorised by the Council and so minuted.
- 3.3** The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned.
- 3.4** The Clerk may incur expenditure on behalf of the Council, which is necessary to carry out any repair, replacement or other work, which by its nature must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1000[1] in any one month. The Clerk shall

report the action to the Council as soon as is practicable thereafter. Payment for such work(s) shall be invoiced and presented for payment as per Standing Orders.

- 3.5** Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:
The clerk, in conjunction with the Chair.[2]
Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.
- 3.6** Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless so approved by the Council.
- 3.7** No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.8** All capital works shall be administered in accordance with the Council's standing orders and financial standing orders relating to contracts.

4. ACCOUNTING AND AUDIT

- 4.1** All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate guidance and proper practices.
- 4.2** The RFO shall be responsible for completing the annual financial statements of the Council as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.
- 4.3** The RFO shall complete the annual statement of accounts, annual report, and any related documents of the council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them and report thereon to the council within the timescales set by the Accounts and Audit Regulations.
- 4.4** The council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary for that purpose.

- 4.5** The Internal Auditor shall carry out the work required by the RFO, or by the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual report in respect of each financial year.
- 4.6** At the appointment or re-appointment of the Internal Auditor written terms of reference will be agreed; these will include a specific requirement that a report on the operation of the bank accounts be provided to the Council.
- 4.7** Any officer or member of the Council shall, if the Internal Auditor requires, make available such documents of the Council which appear to the Internal Auditor to be necessary for the purpose of the internal audit and shall supply the Internal Auditor with such information and explanation as required.
- 4.8** The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.
- 4.9** The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

5. BANKING ARRANGEMENTS AND CHEQUES

- 5.1** The Council's banking arrangements shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- 5.2** A schedule of the payments required, forming part of the Agenda for the Meeting shall be prepared by the RFO and, together with the relevant invoices, be presented to Council. If the schedule is in order it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the Meeting. If more appropriate, the detail may be shown in the Minutes of the Meeting.
- 5.3** Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4, shall be signed by two members of Council. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.
- 5.4** To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories

shall each also initial the invoice. The RFO and the Chairman will also initial the cheque counterfoil or in the case of any other order for direct payment, the monthly payments statement.

- 5.5 The Clerk and RFO shall have delegated authority to authorise the payment of items in the following circumstances:
- a) If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of council, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of council [or finance committee];
 - b) An expenditure item authorised under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of council [or finance committee]; or
 - c) fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council or finance committee.
- 5.6. For each financial year the Clerk and RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council, or the Finance committee, may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of council, or the Finance Committee.

6. PAYMENT OF ACCOUNTS

- 6.1 Apart from petty cash payments and payments as in 6.5 all payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 All invoices for payment shall be examined, verified and certified by the RFO. The RFO shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.
- 6.3 The RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.
- 6.4 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of Council, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, the Clerk may (notwithstanding para 6.3) take all steps necessary to settle such invoices

provided that a list of such payments shall be submitted to the next appropriate meeting of Council.

- 6.5 Payments by standing order, direct debit or direct credit, may be made on the appropriate dates providing that each payment is reported to, and ratified by, the next available Council meeting. If thought appropriate by the council, payment for certain items (principally salaries) may be made by banker's standing order and any payments are reported to council as made.
- 6.6 Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk and shall be subject to automatic payment in full at each month-end. Personal credit or debit cards of members or staff shall not be used under any circumstances.
- 6.7
 - a) The RFO shall maintain a petty cash imprest of £100.00 for the purpose of defraying operational and other expenses.
 - b) Vouchers for payments made from petty cash shall be retained and produced to substantiate the payment, and shall be shown separately on the schedule of payments presented to Council under 5.2 above.
- 6.8 The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk or RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

7. PAYMENT OF SALARIES

- 7.1 Unless the Clerk has elected to be treated as self-employed, the payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.
- 7.2 Remuneration and expenses will be set with reference to agreed National Joint Council scales which may be adjusted from time to time.
- 7.3 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates, provided that each payment is reported to and ratified by the next available Council Meeting.
- 7.4 Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
 - a) by any councillor who can demonstrate a need to know;
 - b) by the internal auditor;

- c) by the external auditor; or
- d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

- 7.5 A self-employed Clerk shall make the appropriate provision for the payment of income tax and National Insurance contributions, records of which shall be made available on request for audit purposes.
- 7.6 All payments must be reported to and ratified by the Council at the next meeting.

8. LOANS AND INVESTMENTS

- 8.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.
- 8.2 The Council's Investment Policy shall be in accordance with the Trustee Act 2000, and shall be reviewed on a regular basis (at least annually).
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

9. INCOME

- 9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 9.3 The Council will review all fees and charges annually.
- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 9.5 All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 9.6 The origin of each receipt shall be entered on the paying-in slip.

- 9.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year-end.
- 9.9 Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

10. ORDERS FOR WORK, GOODS AND SERVICES

- 10.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 10.2 Order books shall be controlled by the RFO.
- 10.3 All members and Officers are responsible for obtaining value for money at all times. An RFO in issuing an official order is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction.
- 10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

11. CONTRACTS

- 11.1 Procedures as to contracts are laid down as follows:
Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) and (vi) below:
- (i) for the supply of gas, electricity, water, sewerage and telephone services;
 - (ii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
 - (iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
 - (iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;

- (v) for additional audit work of the external Auditor up to an estimated value of £500 (in excess of this sum the RFO shall act after consultation with the Chairman of the Finance Committee);
- (vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

11.2 Where the council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (“the Regulations”) which is valued at £30,000 [Ma3] or more, council shall comply with the relevant requirements of the Regulations².

The full requirements of The Regulations, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)³.

11.3 When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.

11.4 Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.

11.5 All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council

11.6 If less than three tenders are received for contracts above £25,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

11.7 Any invitation to tender issued under this regulation shall be consistent with the Councils Standing Orders and shall refer to the terms of the Bribery Act 2010.

11.8 When it is intended to enter into a contract less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist service other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain three quotations (priced

² The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts

³ Thresholds currently applicable are:

- a) For public supply and public service contracts 209,000 Euros (£181,302)
- b) For public works contracts 5,225,000 Euros (£4,551,413)

descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk or RFO shall strive to obtain three estimates. Otherwise, Regulation 11.4 above shall apply.

- 11.9 The Council shall not be obliged to accept the lowest of any tender, quote or estimate.
- 11.10 Should it occur that the council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision-making process was being undertaken.

12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

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

13. STORES AND EQUIPMENT

- 13.1 The RFO shall be responsible for the care and custody of stores and equipment.
- 13.2 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.
- 13.3 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.4 The RFO shall be responsible for periodic checks of stocks and stores at least annually.
- 13.5 The RFO shall seek the approval of the Council for the disposal of equipment and the disposed item's deletion from the Asset Register except as instanced in 14.2.

14. PROPERTIES AND ESTATES

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Regulation 5(3)(b) of the Accounts and Audit Regulations.
- 14.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £250. Such movable items are to be disposed of at the discretion of the RFO and reported to the Councillor Auditors.

15. INSURANCE

- 15.1 Following an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers.
- 15.2 The RFO shall consider all new risks, properties and equipment which require to be insured and of any alterations affecting existing insurances.
- 15.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 15.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.
- 15.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance, which shall cover the maximum risk exposure as determined by the Council.

16. RISK MANAGEMENT

- 16.1 The Clerk shall prepare and promote risk management policy statements in respect of all activities of the Council.
- 16.2 When considering any new activity the Clerk shall prepare a draft Risk Management policy for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.

17. REVISION OF FINANCIAL REGULATIONS

- 17.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time, at least every four years, or as changed circumstances might demand.