

NEWBIGGIN-BY-THE-SEA TOWN COUNCIL

Minutes of a Meeting of the Finance Committee held on Monday 07 November 2016 at 7.00 pm at The Bungalow Woodhorn Road Newbiggin by-the-Sea.

PRESENT:

Councillors: M Cholerton (Chairperson)

M Boon W Rogers A Thompson S Todd

Officer: D Earl – Town Clerk

Also present: Councillors L Burns, R Dixon, M Peden and 2 members of the public.

FC001/16 ELECTION of CHAIRPERSON

RESOLVED that: Councillor M Cholerton be appointed Chairperson.

FC002/16 MINUTES

RESOLVED that: the minutes of the previous meeting held on 30 March 2016 be approved as a true record.

FC003/16 DISCLOSURE OF INTERESTS There were no new disclosures of interests.

FC004/16 OVER £500 PAYMENTS

Members considered the updated voluntary list of payments over £500.

RESOLVED that: the list be received.

FC005/16 BANK RECONCILIATION

The Town Clerk presented the latest statement reconciling the Councils bank statements.

RESOLVED that: the statement be received.

FC006/16 INCOME AND EXPENDITURE

An income and expenditure report had been circulated comparing budget headings to income and expenditure to date. The Town Clerk explained the two large receipts from the County Council one being repayment of VAT incorrectly charged which would have to be returned to HM Revenue and Customs. The other was a refund of part of the cost of the previous year's enhanced service charge following its end of year accounting process and it was confirmed that this had been common across the county and likely to occur again next year. That receipt would accrue to the Town Council balances.

RESOLVED that: the report be received.

FC007/16 REVIEW OF FINANCIAL REGULATIONS

Following previous consideration and discussion by all Members of the detailed additions and amendments to the NALC model for Financial Regulations the Town Clerk reported and compared these to the Town Council's approach over the past seven years. With Council approved budget allocations and working within those the Town Clerk has arranged services and acquisitions and paid accounts under delegated authority and sought Council decisions for major projects when necessary.

Separation of interests had been maintained throughout with only Councillors signing cheques for payment of accounts and auditors had been perfectly happy with the arrangements.

Considering the balance for the Town Council and desire to maintain separation of responsibilities the Town Clerk had circulated a draft based on the model for consideration. Some areas such as on-line banking; debit cards; petty cash not required at present had been omitted but taking account of Members views on quarterly reporting of income and expenditure at budget head level and bank reconciliation the draft was recommended for adoption.

The Mayor confirmed that most Northumberland local authorities were not adopting the full model. Members raised some queries and the delegation arrangements were clarified as only applying to expenditure within allocated budgets.

In line with the national trend it was suggested that the limit for the voluntary 500 payment list could be lowered to £250 and publish quarterly to increase reporting all.

RECOMMENDED that: the Town Council adopt the revised Financial Regulations attached at Appendix 1 to be implemented at the start of the next financial year.

Signed by the Chairperson:Date:.....

NEWBIGGIN BY-THE-SEA TOWN COUNCIL

FINANCIAL REGULATIONS 2016 REVISION

These Financial Regulations were adopted by the Council at its Meeting held on 09 November 2016 to take effect from 01 April 2017.

1. GENERAL

1.1 These financial regulations govern the conduct of financial management by the council and may only be amended or varied by resolution of the council. The council is responsible in law for ensuring that its financial management is adequate and effective; that a sound system of internal control is maintained; and arrangements exist for the management of risk and internal audit.

1.2 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council and where the Clerk has been appointed incorporating responsibilities as RFO these regulations will apply accordingly. The RFO, acting under the policy direction of the Council, shall administer its financial affairs in accordance with proper practices. The RFO shall determine the Council's accounting records and financial control systems in consultation with the Internal Auditor including the production of accounts; the safe and efficient safeguarding of public money; to prevent and detect inaccuracy and fraud; and identifying the duties of officers.

1.3 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.

1.4 The RFO shall produce financial management information as required by the Council or its Finance Committee and assist the council to secure economy, efficiency and effectiveness in the use of its resources.

1.5 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.

1.6 The accounting records determined by the RFO shall in particular contain:

- 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;
- a record of the assets and liabilities of the council; and
- 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.

1.7 The accounting control systems determined by the RFO shall include:

- procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;

- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records.

1.8 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.

1.9 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. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

2.1 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.

2.2 At each financial year end and on a regular basis, at least once in each quarter, the RFO shall report the bank reconciliations (for all accounts) to and provide such information as may be required by the Finance Committee which may from time to time appoint two members to carry out verification and report as necessary.

2.3 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.

2.4 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.

2.5 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.

2.6 The internal auditor shall:

- be competent and independent of the financial operations of the council;
- report to council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;
- to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and

- have no involvement in the financial decision making, management or control of the council.
- Internal or external auditors may not under any circumstances:
- perform any operational duties for the council;
- initiate or approve accounting transactions; or
- direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.

2.7 For the avoidance of doubt, in relation to internal audit the terms ‘independent’ and ‘independence’ shall have the same meaning as is described in proper practices.

2.8 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.

2.9 The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

3. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING

3.1 Any committee may prepare or review its budget or three year forecast of revenue and capital receipts and payments. Having regard to the forecast, it shall thereafter formulate and submit proposals for the following financial year to the council not later than the end of December each year including any proposals for revising the forecast.

3.2 The RFO must each year, by no later than December, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Finance Committee and the Council in January.

3.3 The council shall consider annual budget proposals and any three year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.

3.4 The council shall fix the precept (council tax requirement), and relevant basic amount of council tax to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

3.5 The approved annual budget shall form the basis of financial control for the ensuing year and be available to each member.

4. BUDGETARY CONTROL AND AUTHORITY TO SPEND

4.1 All expenditure may be authorised by the Council or by a Committee or the Clerk/RFO up to the amounts included for that class of expenditure in the approved budget. This authority may be determined by:

- the Council for all items;
- the Finance Committee or a delegated committee of the Council for items up to £30,000;
- the Clerk/RFO for items up to £5,000, and in conjunction with the Chairman, for any items below £20,000.

Such authority is to be evidenced by a minute or recorded by the Clerk in a schedule of payments. Contracts may not be disaggregated to avoid controls imposed by these regulations.

- 4.2 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').
- 4.3 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year unless approved by Council and placed in an earmarked reserve.
- 4.4 The salary budgets are to be reviewed at least annually and incorporated by the Finance Committee in the budget for the following financial year.
- 4.5 In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement, safety or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000. The Clerk shall report any such action to the Chairman as soon as possible and include in the next report to the Finance Committee.
- 4.6 No expenditure shall be authorised 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 and any requisite borrowing approval has been obtained.
- 4.7 All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.
- 4.8 The Clerk/RFO shall regularly provide the Finance Committee or Council with a statement of receipts and payments to date under each main head of the budgets, comparing actual expenditure to the budget. These statements are to be prepared at least at the end of each financial quarter and include explanations of any variances if the budgets are profiled.
- 4.9 Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

- 5.1 The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency. The council may seek credit references in respect of anyone who acts as signatories.
- 5.2 The RFO shall maintain and publish from time to time a schedule of payments in excess of £250. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) will be excluded to remove public access to any personal information.
- 5.3 All invoices for payment shall be examined for arithmetical accuracy, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.

6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS

- 6.1 The council will make safe and efficient arrangements for the making of its payments.
- 6.2 Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee or, if so delegated, the Clerk or RFO shall give instruction that a payment shall be made.
- 6.3 All payments shall be effected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council.
- 6.4 Cheques or orders for payment drawn on the bank account shall be signed by two members of council to maintain the key principle of separation of financial responsibilities.
- 6.5 The signatories may require the production of any information or documentation relating to each payment.
- 6.6 Where convenient payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two members.
- 6.7 The council will not maintain any form of cash float. All cash received must be banked intact. Any payments made by the Clerk/RFO shall be refunded on a regular basis.

7. PAYMENT OF SALARIES

- 7.1 Payment of salaries shall be made through the retained agents Northumberland County Council which shall be responsible also for the maintenance of payroll records, the submission of statutory returns, the payment of PAYE and National Insurance to HMRC for which it shall be reimbursed each month upon receipt of an appropriate invoice.
- 7.2 Salary rates shall be as agreed by council, or duly delegated committee. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the council or delegated committee.

- 7.3 Each and every payment to employees of net salary and to appropriate creditor of the statutory and discretionary deductions shall be recorded as a confidential record in the cash book or a separate confidential cash book.
- 7.4 These confidential records are 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 or external auditor;
 - c. by any person authorised under the Audit Commission Act 1998, or any superseding legislation.
- 7.5 Any termination payments shall only be authorised by council and shall be supported by a clear business case.
- 7.6 Before employing interim staff the council must consider a full business case.

8. LOANS AND INVESTMENTS

- 8.1 All borrowings, loans and investments shall be approved by the Council as to terms and purpose and effected in the name of the council, after obtaining any necessary borrowing approval.
- 8.2 All other financial arrangements shall be approved by the council following a report.
- 8.3 The Chairman may request copies of any financial statements.
- 8.4 The council shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance and reviewed annually.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 8.6 Payments in respect of investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

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 at least annually, following a report of the Clerk.
- 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.
- 9.10 Any income arising which is the property of a charitable trust shall be paid into a charitable bank account. Instructions for the payment of funds due from the charitable trust to the council (to meet expenditure already incurred by the authority) will be given by the Managing Trustees of the charity meeting separately from any council meeting (see also Regulation 16 below).

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 officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in Regulation 11.1 below.
- 10.4 A member may not issue an official order or make any contract on behalf of the council.
- 10.5 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 Every contract shall comply with these financial regulations except in relation to:
- a) in an emergency situation;
 - b) for the supply of gas, electricity, water, sewerage and telephone services;

- c) for specialist services or works and as are provided by solicitors, accountants, surveyors and planning consultants;
 - d) 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;
 - e) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the council;
 - f) for additional audit work of the external auditor; and
 - g) for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
- i. 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 £25,000 or more, the council shall comply with the relevant requirements of the Regulations.
 - ii. 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).
 - iii. 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.
 - iv. 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.
 - v. 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.
 - vi. Any invitation to tender issued under this regulation shall be subject to any relevant Standing Orders and shall refer to the terms of the Bribery Act 2010.
 - vii. When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £10,000 and above £1,000 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.
 - viii The council shall not be obliged to accept the lowest or any tender, quote or estimate.
 - ix. 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 (PUBLIC WORKS CONTRACTS)

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 of 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 officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.

13.2 Delivery notes 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.

14. ASSETS, PROPERTIES AND ESTATES

14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure a record is maintained of all properties held 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 Accounts and Audit Regulations.

14.2 No tangible moveable property shall be purchased or otherwise acquired, 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 £500.

14.3 No real property (interests in land) shall be purchased or acquired, sold, leased or otherwise disposed of without the authority of the council, together with any other

consents required by law. In each case a report in writing shall be provided to council in respect of valuation and condition of the property (including any relevant matters such as planning permission and covenants) together with a proper business case.

- 14.4 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

15. INSURANCE

- 15.1 Following the annual risk assessment (per Regulation 17), the RFO shall effect all insurances and negotiate all claims on the council's insurers.
- 15.2 The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.
- 15.3 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.
- 15.4 All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the council, or duly delegated committee.

16. CHARITIES

Whenever the council is sole managing trustee of a charitable body the Clerk and RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The Clerk and RFO shall arrange for any audit or independent examination as may be required by Charity Law or any Governing Document.

17. RISK MANAGEMENT

- 17.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk/RFO shall prepare, for approval by the council, risk management policy statements in respect of all activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.
- 17.2 When considering any new activity, the Clerk/RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

18. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

18.1 It shall be the duty of the council to review the Financial Regulations of the council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to these Financial Regulations.

18.2 The council may, by resolution of the council duly notified prior to the relevant meeting of council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of council.

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