

2023



# Penrith Town Council

## Financial Regulations

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## 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. Financial regulations are one of the Council's three governing policy documents providing procedural guidance for Councillors and officers. Financial regulations must be observed in conjunction with the Council's standing orders 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 These financial regulations demonstrate how the Council meets these responsibilities and requirements.
- 1.5 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.
- 1.6 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.7 Councillors are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute

- 1.8 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Council employs external accountants who are responsible for processing payroll and making all payments for the Council, together with hosting the Council's accounting software. These Regulations shall apply equally to the accountants.
- 1.9 The RFO assisted by the external accountants:
  - 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.
  - g. Produces financial management information as required by the Council.
- 1.10 The accounting records determined by the RFO shall be sufficient to show and explain the Council's transactions and to enable RFO to prepare all required financial information in accordance with the Accounts and Audit Regulations and proper practice.
- 1.11 The accounting records shall, in particular, contain:
  - a. Entries from day to day of all sums of money received and expended by the Council and the details relating to those transactions.
  - b. A record of the assets and liabilities of the Council.
  - 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.
- 1.12 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 (separation of duties).

- d. Procedures are in place to ensure that uncollectable amounts, including any bad debts are not submitted to Council for approval to be written off without the opinion and approval of the RFO and that the approvals are shown in the accounting records measures to ensure that risk is properly managed.
- 1.13 The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. Any decision regarding:
- a. Setting the final budget or the precept (Council tax requirement).
  - b. Approving accounting statements.
  - c. Approving an annual governance statement.
  - d. Borrowing.
  - e. Writing off bad debts exceeding £5,000.
  - f. Declaring eligibility for the General Power of Competence.
  - g. Addressing recommendations in any report from the internal or external auditors
- 1.14 In addition, the Council must:
- a. Determine and keep under regular review the bank mandate for all Council bank accounts.
  - b. Approve any grant or a single commitment more than £25,000.
  - c. 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.
- 1.15 In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of the Local Audit and Accountability Act 2014, 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. 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 Satisfactory monthly bank reconciliations shall be produced promptly by the RFO. At each meeting of the Finance Committee, the most recent monthly bank reconciliation(s), supported by the appropriate bank statement, shall be reviewed by the Committee and both documents signed by the Committee Chair. The approval of the reconciliations shall be recorded in the minutes of the meeting.
- 2.3 The RFO shall complete the annual income and expenditure account, Annual Governance and Accountability Return, and any related documents required with the 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 Councillor 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, external accountants, 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:
  - a. Be competent and independent of the financial operations of the Council.
  - b. Report to Council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year.
  - c. Demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family or professional relationships.
  - d. Have no involvement in the financial decision making, management or control of the Council.

- 2.7 Internal or external auditors may not under any circumstances:
- a. Perform any operational duties for the Council.
  - b. Initiate or approve accounting transactions.
  - c. Direct the activities of any Council employee, except to the extent that such employees have been appropriately assigned to assist the auditor.
- 2.8 Where the internal auditor identifies any issue or irregularity which cannot be explained satisfactorily, he/she shall have direct access to the Chair of the Council to raise and discuss the matter.
- 2.9 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.
- 2.10 The RFO shall arrange for the exercise of electors' rights in relation to the annual accounts, including the opportunity to inspect the accounts, books and vouchers, and display or publish any notices and statements of account required by the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations or any superseding legislation.
- 2.11 The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from the internal or external auditors.

### **3. Annual budget and forward financial planning**

- 3.1 Each Committee shall review its medium-term financial forecast of income and expenditure. 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 November each year, including any proposals for revising the forecast.
- 3.2 The RFO shall, each year, by no later than the end of January, prepare detailed estimates of all expenditure and income, 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 Council.
- 3.3 The salary budgets are to be reviewed during the annual budget process and such review shall be evidenced by a resolution of the Finance Committee. The RFO will inform Committees of any changes impacting on their budget requirement for the coming year in good time.
- 3.4 The Council shall consider annual budget proposals in the context of the Council's medium-term financial forecast, including recommendations for the use of reserves and sources of funding, and update the forecast accordingly.

- 3.5 As part of the budget process, the Council shall approve a Reserves Policy which sets out the purpose and financial limits for each of its financial reserves.
- 3.6 The Council shall set its annual budget and fix the precept (Council tax requirement) and the resulting relevant basic amount of Council tax to be levied for the ensuing financial year not later than by the end of February each year. In setting the budget, the Council shall have regard to the opinion of the RFO concerning the robustness of estimates and the adequacy of reserves. The RFO shall issue the precept to the billing authority and shall supply each Councillor with a copy of the approved annual budget via the relevant agenda. The approved annual budget shall form the basis of financial control for the ensuing year, subject to any amendments authorised by Council.

#### **4. Orders for work, goods, and services**

- 4.1 An official written instruction shall be issued for all work, goods and services over a value of £500 unless a formal contract is to be prepared. Copies of such instructions shall be retained with the appropriate invoice.
- 4.2 Order books shall be controlled by the RFO.
- 4.3 All Councillors and officers are responsible for always obtaining value for money. An officer issuing an official instruction shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction over a value of £500 and up to £15,000, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11 below.
- 4.4 A Councillor shall not issue an official order or make any contract on behalf of the Council.

#### **5. Budgetary control and authority to incur expenditure.**

- 5.1 Authority to spend is recorded within the Scheme of Delegation of Financial Responsibility to Spending Officers (Appendix A). Such authority is to be evidenced by the schedule of payments for approval at the next available meeting.
- 5.2 Contracts may not be disaggregated to avoid controls imposed by these regulations.
- 5.3 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.



- 5.4 Any report or proposal to a Committee or Council that would result in expenditure exceeding the appropriate budget shall not be considered until it has been reviewed by the RFO and their comments considered in making the decision on the proposal.
- 5.5 During the budget year, the RFO, having considered fully the implications, a supplementary estimate may be allocated from any unspent and available budgets which may be transferred to other budget headings ('virement'); however, no virement shall be permitted from salaries budgets. All proposed budget virements exceeding £25,000 to or from reserves will be reported to Finance Committee for approval and ratified by Full Council.
- 5.6 Unspent budget provisions at the end of a financial year shall be retained in general reserves and shall not be carried forward to a subsequent year. Unspent budgets for uncompleted capital projects may be carried forward following approval of the Town Clerk.
- 5.7 In cases of extreme risk to the delivery of Council services, the Town Clerk may authorise revenue expenditure on behalf of the Council which, in the Clerk's judgement, is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with. For the purposes of this paragraph, the circumstances invoked to justify extreme urgency must not in any event be attributable to the Council. Such expenditure includes repair, replacement, or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £25,000.
- 5.8 The Town Clerk shall record such expenditure within the payments schedule and, where there is no budgetary provision for the expenditure, report the expenditure and its purpose in writing to the Council as soon as practicable thereafter.
- 5.9 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 necessary borrowing approval has been obtained.
- 5.10 All capital works shall be administered in accordance with the Council's Standing Orders and Financial Regulations relating to contracts.
- 5.11 The RFO shall regularly provide the Council and Committees with a statement of expenditure and income for the financial year to date against each head of the budget, comparing actual expenditure to the appropriate date against the expected proportion of the budget.

- 5.12 Statements are to be prepared at least quarterly and shall show explanations of material variances from budget.
- 5.13 Transfers to and from earmarked reserves shall be approved by Council in accordance with its Reserves Policy.

## **6. Banking arrangements and authorisation of payments**

- 6.1 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. The arrangements shall be regularly reviewed for security and efficiency.
- 6.2 Any transfer of monies between bank accounts shall be made by any combination of two officers of the Council -the RFO, Services and Contracts Manager, the Town Clerk, the Deputy Town Clerk and in the absence of one, by a designated Councillor pre-approved by the Full Council.
- 6.3 Relevant budget holders in accordance with the Scheme of Delegation of Financial Responsibility to Spending Officers, or the RFO, or designated officers as appropriate, shall examine invoices for arithmetical accuracy.
- 6.4 All invoices for payment shall be examined, verified and certified by the relevant budget holder in accordance with the Scheme of Delegation of Financial Responsibility to Spending Officers, or the RFO as appropriate, to confirm that the work, goods or services to which each invoice relates has been received.
- 6.5 The RFO or Services and Contracts Manager shall post invoices to the appropriate expenditure heading in the general ledger following authorisation by the RFO or Town Clerk.
- 6.6 Four officers of the Council and four Members of the Council will be approved account signatories with any combination of 2 people authorised to sign.

## **7. Making and approval of payments**

### **Payment Method**

- 7.1 The Council will make safe and efficient arrangements for the making of its payments. The RFO and Services and Contracts Manager, Town Clerk and Deputy Town Clerk shall have delegated authority to process payments in respect of all authorised items of expenditure as and when, and on a timely basis, to ensure that all invoices are paid in accordance with terms as far as is practicable.
- 7.2 Payments by direct debit will be used where the Council is committed to regular payments, principally for utilities and payments under lease arrangements.

- 7.3 All other payments shall be made through the electronic banking system (EBS), or BACS provided by the Council's current account provider. Only the Council's appointed external accountants shall have the ability to make electronic payments on the Council's behalf. In setting up access to the current account provider's EBS, the Council's bank signatories will direct that the Council's external accountants shall:
- a. Be the System Administrator for the Council's use of the EBS.
  - b. Be the only holder of the current account provider's device, which is required to make an electronic payment.
  - c. Be the only user capable of setting up a new payee.
  - d. Set the Town Clerk, RFO, Services and Contracts Manager as Systems Administrators with access to the EBS except that no ability to make a payment or create a new payee.
- 7.4 The RFO and Services and Contracts Manager and/or Town Clerk shall have delegated authority to process payments via the external accountants in respect of all authorised items of expenditure as and when, and on a timely basis, to ensure that all invoices are paid in accordance with terms as far as is practicable.
- 7.5 In exceptional circumstances where payment is required by cheque, these shall be signed by the RFO, Services and Contracts Manager and/or Town Clerk and in the absence of one, by the Deputy Town Clerk or a pre-approved designated Councillor.
- 7.6 The bank mandate approved by the Full Council shall clearly state the officers authorised to approve transactions and act as signatories.
- 7.7 The bank mandate approved by the Full Council shall clearly state the four Councillors authorised to approve transactions and act as signatories.
- 7.8 Corporate credit and debit cards, and trade card accounts opened by the Council shall be specifically designated to named officers, as approved by the Town Clerk shall be subject to automatic payment in full each month. Refer to Appendix B.

### **Certification of Payments**

- 7.9 All invoices for payment shall be examined, verified and certified manually by an appropriate combination of the Town Clerk/Services and Contracts Manager/ Deputy Town Clerk/RFO and officers with authority to spend to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously authorised by the RFO or Town Clerk. This includes any amounts paid by direct debit.

- 7.10 The Services & Contracts Manager/Town Clerk/RFO shall examine invoices for arithmetical accuracy and appropriateness and allocate the expenditure to the appropriate budget heading.
- 7.11 The Services & Contracts Manager/Town Clerk/RFO shall ensure that there is budget provision for payment. Where there is no budget provision, the RFO and Town Clerk shall determine how funds should be made available to pay the amount due and make a virement.
- 7.12 The Services & Contracts Manager/Town Clerk/RFO shall then arrange for payment and report payments made to the next available Finance Committee.

### **Setting up new Payees**

- 7.13 The authorisation of an invoice by the RFO or Town Clerk will provide an instruction to set up a new payee.

### **Making Payments**

#### **Direct Debits**

- 7.14 The RFO will instruct the external accountants to set up, or cancel, any required direct debits. The RFO will keep a record of any such instructions and report any newly created direct debits to the next Finance Committee.

#### **Electronic payments**

- 7.15 When the Services & Contracts Manager/Town Clerk/Deputy Town Clerk/ has properly certified payment of an invoice, the external accountants will be instructed to make a payment to the payee. This will be by providing the accountants with a weekly payments schedule and copies of the associated invoices.
- 7.16 The external accountants shall have the authority to challenge any proposed payment which they consider could be fraudulent, unlawful, unauthorised, or inappropriate and raise the issue with the appropriate officer, Chair of the Council, or the Police as they think fit.
- 7.17 Ad hoc payments can be requested where the RFO determines that a payment is urgent. The Services & Contracts Manager/RFO will keep a record of all weekly payment schedules and any ad hoc payments.

## **Cheque payments**

- 7.18 Any cheque payments must be requested by the RFO and signed by two signatories, who shall also countersign the cheque stub. The requirement for two signatories must be part of the bank mandate. The RFO will keep a record of all cheque payments.

## **Reporting and Approving Payments**

- 7.19 Following production of a satisfactory bank reconciliation, the RFO shall prepare a report of payments made each month, as part of the agenda for each Finance Committee meeting. The report will be produced from the Council's accounting system. All payments on the report shall be supported by appropriate documentation, i.e. invoices etc., which will be provided separately to all Councillors in advance of the Committee meeting.
- 7.20 Prior to the Finance Committee meeting, the report of payments shall be reviewed by two members of the Committee, selected on a rota basis, who shall confirm the accuracy and appropriateness of those payments and recommend their acceptance and approval by the Committee.
- 7.21 The minutes of the Committee shall note its approval of the payments made and refer to the payment period schedule.
- 7.22 Details of all payments shall be placed on the Council's website, once confirmed by the Finance Committee.

## **Personal Payments**

- 7.23 Personal payments (including salaries, wages, expenses, and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

## **Corporate Credit/ Debit Cards**

- 7.24 Any corporate credit or debit card account opened by the Council will be specifically restricted and shall be subject to automatic payment in full by no later than each month-end. Personal credit or debit cards belonging to members or staff shall not be used under any circumstances. Refer to Appendix B
- 7.25 The RFO shall determine procedures for the recording, reconciliation and reporting to Councillors, of all payments made by means of the corporate debit/credit card.

## **Cash**

7.26 The Council shall not maintain any form of cash float. Any payments made in cash by staff (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

## **8. Payment of salaries**

- 8.1 As an employer, the Council shall arrange to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. All salaries shall be calculated in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by Council.
- 8.2 The Council's external accountants shall, on instructions from the Town Clerk, calculate, record, and pay all salaries and related costs for Council officers. The accountants shall deal with all relevant correspondence and complete all required forms relating to the Council's payroll and pensions.
- 8.3 Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions shall be made in accordance with the payroll records and on the appropriate dates, stipulated in employment contracts, provided that each payment is reported to the next available Council meeting, as set out in these regulations above.
- 8.4 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.
- 8.5 Each 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. 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 the Local Audit and Accountability Act 2014 or any superseding legislation.
- 8.6 The total of such payments in each calendar month shall be reported with all other payments as made as may be required under these Financial Regulations, to ensure that only payments due for the period have been paid.
- 8.7 An effective system of personal performance management should be maintained for the senior officers.

- 8.8 Any termination payments shall be supported by a clear business case and reported to the Council. Termination payments shall only be authorised by Council.
- 8.9 Before employing staff, the Council must consider a full business case.

## **9. Loans and investments**

- 9.1 All borrowings shall be affected 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. The application for Borrowing Approval, and subsequent arrangements for the Loan shall only be approved by Full Council.
- 9.2 Any financial arrangement which does not require formal Borrowing Approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the full Council. In each case a report in writing shall be provided to Council in respect of value for money for the proposed transaction.
- 9.3 All loans and investments shall be negotiated and recorded in the name of the Council and shall be for a set period in accordance with Council policy. Investment decisions made for cash flow purposes shall be determined by the Finance Committee following advice from the RFO, and subsequently reported to Full Council. Authorised signatories for the management of investment accounts shall be determined in the same manner as those for the Council's bank accounts.
- 9.4 During the annual budget process, the Council shall approve an Investment Policy which shall be in accordance with relevant regulations, proper practices, and guidance.
- 9.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 9.6 Payments in respect of short term or long-term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 6 (Authorisation and making of payments).

## **10. Income**

- 10.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 10.2 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, who shall be responsible for the collection of all accounts due to the Council.
- 10.3 The Council will review all fees and charges at least annually. Fees and charges to be made for work done, services rendered, or goods supplied shall be reviewed and agreed annually by Full Council, following a report by the Services and Contracts Manager. Charges shall be notified to the RFO and the RFO shall be responsible for the collection of accounts due to the Council.
- 10.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council, accompanied by an opinion from the RFO, and shall be written off in the year.
- 10.5 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.
- 10.6 The origin of each receipt shall be entered on the paying-in slip.
- 10.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 10.8 The RFO shall promptly complete any claim for the refund of VAT that is required. Such repayment claims, due in accordance with VAT Act 1994 section 33, shall be made at least quarterly, including the financial year end.
- 10.9 The Council shall not accept the receipt of sums of cash more than £500, nor smaller amounts which have been disaggregated to avoid this limit.
- 10.10 Where any significant sums of cash are regularly received by the Council, the RFO shall determine the steps and reasonable measures to determine the procedures that are adopted when the cash is counted in the first instance, that there is a reconciliation to some form of control, and that appropriate care is taken in the security and safety of individuals banking such cash



## 11. Contracts

Procedures for contracts are laid down as follows:

- 11.1 Every contract shall comply with these financial regulations and the detailed procedures in the Procurement Policy; no exceptions shall be made otherwise than in an emergency provided that these regulations need not apply to contracts which relate to items i to 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 chair and vice chair of Council); and
  - 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 £25,000 or more, the Council shall comply with the relevant requirements of those Regulations. 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.
- 11.3 The full requirements of the 2015 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 Government Procurement Agreement (which may change from time to time).
- 11.4 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 resolution of the Council.
- 11.5 Such invitation to tender shall state the nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
- 11.6 The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post.

- 11.7 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.
- 11.8 Where appropriate, tenderers shall be required to obtain a performance bond to protect the Council against a failure to deliver the contract.
- 11.9 All sealed tenders shall be opened at the same time on the prescribed date by the two officers of the Council from the Town Clerk, RFO Services and Contracts Manager and Deputy Town Clerk in the presence of at least one Councillor.
- 11.10 If less than three tenders are received for contracts above £15,000 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.
- 11.11 Any invitation to tender issued under this regulation shall be subject to Standing Order 18 and shall refer to the terms of the Bribery Act 2010.
- 11.12 When it is proposed to enter into a contract of £25,000 or less 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 regulation 11.1.
- 11.13 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) officers shall strive to obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £15,000 and above £500. Otherwise, Regulation 4.3 above shall apply.
- 11.14 The Council shall not be obliged to accept the lowest or any tender, quote, or estimate.
- 11.15 All evaluations will be completed fairly, and equitably to all bidders, and it should be subject to any conflict of interest policy the Council to ensure impartiality of decision making.
- 11.16 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.
- 11.17 The Council shall publish details of any awarded contract valued over £5,000 on its website

## **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 the retention of any percentage withheld 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. Assets, properties, and estates**

- 13.1 The Council's internal solicitor shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council. The solicitor and 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.
- 13.2 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 £25,000.
- 13.3 No real property (interests in land) shall be 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 surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 13.4 No real property (interests in land) shall be purchased or acquired without the authority of the full Council. In each case a Report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 13.5 Subject only to the limit set in Reg. 13.2 above, no tangible moveable property shall be purchased or acquired without the authority of the full Council. In each case a Report in writing shall be provided to Council with a full business case.

- 13.6 The Town Clerk/Services & Contracts Manager/RFO shall ensure that all assets for which they are responsible are protected against loss or damaged, maintained appropriately and subject to periodic safety inspections.
- 13.7 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. Assets shall be valued in accordance with proper practice and any policy adopted by the Council. 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.

#### **14. Insurance**

- 14.1 Following the annual risk assessment required by Financial Regulation 16, the RFO shall be responsible for effecting all appropriate insurances and shall negotiate all claims on the Council's insurers.
- 14.2 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it. He shall also be informed promptly of any new risk, activity or asset for which insurance cover is required.
- 14.3 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.
- 14.4 All appropriate Councillors 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 annually by the Council, following advice from the RFO.

#### **15. Stores and Equipment**

- 15.1 The officer in charge of each function shall be responsible for the care and custody of any stores and equipment in that function.
- 15.2 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.
- 15.3 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 15.4 The Services and Contracts Manager shall be responsible for periodic checks of stocks and stores at least annually.

## **16. Risk management**

- 16.1 The Council is responsible for putting in place arrangements for the management of risk. The Services & Contracts Manager/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.
- 16.2 When considering any new activity, the Clerk/Services & Contracts Manager/RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

## **17. Revision & Suspension 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. The RFO 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.
- 17.2 The Council may, by formal proposal of a resolution, 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 Councillors.

### **APPENDICES: 2023-2024 Policies of financial governance**

- A: Scheme of Delegation – Authority to spend and signatories
- B. Debit and Credit Card Policy
- C. Reserves Policy
- D. Investments Policy

**ADOPTED:2015**

**REVIEWED: ANNUALLY**

**AMENDED:2023**

## Appendices

### **Policies of financial governance**

- A: Scheme of Delegation – Authority to spend and signatories
- B. Debit and Credit Card Policy
- C. Reserves Policy
- D. Investments Policy

## **Scheme of Delegation of Financial Responsibility for Spending & Signatories**

This Council delegates spending responsibilities to certain officers, and with certain limits. This list has recently been reviewed and is as follows:

<b>Officer</b>	<b>Limit</b>
Town Clerk Account signatory	Any expenditure that is within the budgets approved by Full Council
Responsible Finance Officer Account signatory	Any expenditure that is within the budgets approved by Full Council
Services & Contracts Manager Account signatory	Any expenditure that is within the budgets approved by Full Council
Solicitor	Any expenditure that is within the budgets approved by Full Council
Deputy Town Clerk Account signatory	Any expenditure that is within the budgets approved by Full Council
Community Services Officer	Any expenditure that is within the budgets approved by Full Council
Economic Development Officer	Any expenditure that is within the budgets approved by Full Council
Sustainability Officer	Any expenditure that is within the budgets approved by Full Council

Where an authorisation would result in an individual budget being overspent then the necessary virement should be approved and actioned before authorisation takes place by the RFO and Town Clerk.

1. It is an expressed requirement of this Protocol that all Officers abide by the following:
  - a) Standing Orders
  - b) Financial Regulations.
  - c) Procurement Strategy particularly in respect of the threshold figures for seeking quotations.
  - d) Any expenditure must be authorised from an approved budget.
  - e) Any leasing of equipment can only be entered into with the specific approval of the Responsible Financial Officer or the Town Clerk.
2. Any breach of any aspect of this Protocol will lead to action under the Disciplinary Procedure.

**ADOPTED:2015**

**REVIEWED: ANNUALLY**

**AMENDED:2023**

## Debit And Credit Card Policy

Wherever possible an order should be made and paid for with an invoice. However, it is recognised that this may not always be the most efficient option in relation to low value spend and so, the use of debit and cards is permitted but must only be used to acquire goods and services for approved Council business.

This policy is intended to provide detailed guidance and assistance in obtaining and using Penrith Town Council debit and credit cards, and describes the responsibilities and restrictions which cardholders must accept before being provided with any such card.

Any attempt by the cardholder to make changes to the Councils terms and conditions of the card or the associated bank account will be treated as a disciplinary offence.

### **1. Obtaining Cards**

- a) All cards are issued for the sole purpose of facilitating the conducting of Council business that cannot be paid for by invoice.
- b) Debit and credit cards must only be used by the authorised signatory named on the card and must not be used by any other person.

### **2. Use of Cards**

- a) Cards can be used for on-line and point of sale transactions in accordance with this policy document, within the pre-defined limits of the accounts.
- b) A receipt must be obtained and provided, together with an expense sheet, to the Town Clerk.
- c) The cardholder must ensure that the correct amount is received at the point of receipt and register any discrepancies with the bank/store immediately, or the following working day if out of normal business hours.
- d) If any purchase contains any charges for VAT, a proper VAT receipt or invoice should be obtained.
- e) Transactions and supporting documents (such as receipts) must be kept for a period of six years plus the current financial year by the relevant department for audit and HMRC purposes.
- f) Payments made via debit card are limited to the cleared funds available in the pre-paid account.



### **3. Reconciliation and Inspection**

- a) All debit card transactions will appear on the bank account's bank statement, the receipts/invoices obtained must be reconciled to the statement, monthly as a minimum.
- b) All credit card transactions will appear on the credit card account statement, the receipts/invoices obtained must be reconciled to the statement, on a monthly basis as a minimum.
- c) All receipts and the reconciliation schedule must be checked and authorised by the RFO, Services and Contracts Manager, and Town Clerk. A segregation of duties by a minimum of two persons must be maintained at all times.

### **4. Restrictions**

- a) Debit and credit cards must not be used for any non-Council business or personal expenses.
- b) Only secure sites should be used to make purchases via the internet with a web address beginning HTTPS.
- c) The only person authorised to use the card is the cardholder. Card details are NOT to be retained by an online website.
- d) The cardholder shall not make any attempt to change the terms and conditions on which the card is held.
- e) The cardholder must not share any account details or passwords in respect of transactions with anyone else.

### **5. Security**

- a) The card will only ever be used by the person named on the card.
- b) It is the personal responsibility of the card holder to ensure the card is kept secure at all times and cannot be accessed by any other persons. Reasonable steps should be taken to ensure the card details cannot be viewed or overheard by any other persons.
- c) Passwords or other details relating to the debit card or cardholder must not be written down.
- d) Debit cards details must not be stored where others may have access to them.
- e) It is recommended for security reasons that wherever possible transactions are processed by the cardholder being physically present at the point of sale.
- f) The card's Security PIN number must be kept secure and not disclosed to anyone else, under any circumstances.
- g) The bank must be notified immediately if the card is lost or stolen, or fraudulent use is suspected.
- h) The cardholder will surrender their card to the Town Clerk when the cardholder leaves the employment of the Council, or if circumstances change so that a card is no longer required. The card should then be destroyed by the Town Clerk and the provider notified.

- i) Staff will be held personally liable for any transactions processed through the card until the time when the card is physically surrendered.
- j) If the cardholder misuses the card or fraudulently uses the card or knowingly permits any other person to use the card, this will result in disciplinary action being taken against the cardholder.

**ADOPTED:2023**

**REVIEWED: ANNUALLY**

## Reserves Policy

### Purpose

The Town Council maintains two types of reserves, for differing reasons:

- a General Reserve (the General Fund working balance), which provides working capital and a buffer against financial risks; and
- earmarked reserves to meet known, planned, or predicted spending requirements which have been identified specifically.

The Council acknowledges that there is a balance to be struck between holding excessive reserves raised from public monies and retaining a prudent level of funds. It will therefore take advice from its Responsible Finance Officer on the adequacy and appropriateness of its reserves, primarily when setting its revenue budget.

### 1. General Reserve

This reserve represents the balance on the Council's revenue account, i.e. the account which records all its financial transactions. Unless allocated for a specific purpose, revenue budget underspending and windfalls are added to the working balance, while overspendings are taken from the balance.

The balance provides working capital to assist the Council's cash flow, acts as a buffer against unexpected events or expenditure and provides funds for opportunities to be pursued. The optimum level for the working balance is determined by an assessment of the Council's potential exposure to financial risks, together with a judgement of the extent to which earmarked reserves can support its cash flow on a temporary basis.

The medium-term target for the reserve is to accumulate a balance equivalent to 35% of net revenue expenditure by 31 March 2025 reducing to 30% of expenditure from 01 April 2026 onwards. This is to be achieved by regular annual contributions from the revenue account, where necessary. The level of contributions will be determined annually, taking account of the impact on Council taxpayers and the availability of earmarked reserves.

## **2. Earmarked Reserves**

Other than any funds governed by legal conditions, the earmarking of reserves is at the discretion of the Council and monies can be moved from one to another if required. Reserves do not generally accrue interest on the investment of their funds.

In order to avoid future over-commitment, the day to day operational costs of running the Council are to be met from the revenue budget and reserves shall not be used to fund recurring expenditure.

- **Devolution Reserve:** This reserve is credited with the difference (while positive) between the Council tax income equivalent to the special expenses previously levied in Penrith and the net cost of the assets transferred from Eden DC. The reserve will provide a cushion against the full cost of those assets being higher than expected, renovation and/or improvements.
- **Elections Reserve (proposed):** This reserve supports the costs in the future of Parish Council Elections and any one off by election costs and recharges. An allocation of £30,000 met from underspends in the 2022-23 financial year, and thereafter a contribution of £5,000 per annum over the full term of the MTFP.

## **3. Establishment and use of Reserves**

The Annex to this policy provides further details of the Council's current reserves with a target range for each one.

The establishment or closing of an earmarked reserve requires a formal decision of Council. All budget virements exceeding £25,000 to or from reserves will be reported to Finance Committee for approval and ratified by Full Council.

**ADOPTED:2015**

**REVIEWED: ANNUALLY**

**AMENDED:2023**

## CURRENT RESERVES

Reserve	Purpose	Target level
<b>General Reserves</b>		
General Reserve (General Fund Working Balance)	<ul style="list-style-type: none"> <li>• Provision of working capital.</li> <li>• Buffer against uneven cash flows, inflationary pressures, sharp budgetary changes, unexpected events, or emergencies.</li> <li>• Ability to pursue opportunities when identified.</li> </ul>	<ul style="list-style-type: none"> <li>• Assessed primarily on the basis of financial risks to the Council.</li> <li>• Medium-term target to be 35% of net revenue expenditure at 31 March 2025 and thereafter 30%.</li> <li>• Minimum level: £150,000</li> <li>• Range: £150,000 to £300,000</li> </ul>
<b>Earmarked Reserves</b>		
Devolution Reserve	<ul style="list-style-type: none"> <li>• Accumulation of funds in the early years of devolved asset transfers from Eden DC when grant income from that Council is available.</li> <li>• Cushion against the longer-term full costs of devolved assets being higher than expected renovation and/or improvements.</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the allocation of the difference (while positive) between the income equivalent to the special expenses previously levied in Penrith via Council tax and the net cost of devolved assets transferred from Eden DC</li> <li>• Typical Range: £50,000 to £260,000</li> </ul>
Elections Reserve (proposed)	<ul style="list-style-type: none"> <li>• To meet the costs of Parish Council Elections in 2027 and any one off by elections and general election recharges.</li> </ul>	<ul style="list-style-type: none"> <li>• £30,000 met from underspends in 2022-23 financial year.</li> <li>• A contribution of £5,000 per annum over the full term of the Medium Term Financial Plan, 31 March 2028.</li> <li>• Range: £30,000 to £60,000</li> </ul>

Reserve	Purpose	Target level
Acquisitions Reserve	<ul style="list-style-type: none"> <li>To support activities associated with buying, surveying, legal fees, investing and managing land and property.</li> </ul>	<p>Range £zero to £50,000</p> <p>The reserve has been reallocated in full (£50k) to meet the costs of new posts on the staff establishment. Approved Full Council 23 May 2022.</p> <p>The Acquisition Reserve be deleted at 31 March 2023.</p>

**DATE OF APPROVAL: 23 January 2023**

**REVIEWED – 20 March 2023** To reflect the changes to Financial Regulations.

## **Investment Strategy 2023-24**

### **Purpose**

The Town Council invests reserves and surplus funds which are not immediately required to meet expenditure.

This strategy provides a framework for the secure and prudent investment of those monies and adopts the relevant principles of statutory guidance issued under the Local Government Act 2003 and of CIPFA codes of practice.

### **Investment Objectives**

The Council invests monies for treasury management purposes.

Its priorities in investing surplus funds are:

- **Security** (protecting the investment from loss).
- **Liquidity** (ensuring the money is available for expenditure when needed).  
and, providing the above objectives have been met,
- Obtaining the best **Yield**.

Investment opportunities are assessed in terms of these objectives; the Council aims to obtain the best possible return commensurate with proper levels of security and liquidity.

### **Types of Investment**

The Council will not invest in non-financial assets such as commercial property.

The Council will only place funds in specified investments, as defined by the Secretary of State, which offer high security and high liquidity. These investments are made in the Council's name and are:

- a. Made in sterling.
- b. Have a maturity of no more than one year.
- c. With a counterparty which is the UK Government, a local authority or a body of high credit quality.

For the 2023-24 financial year, the Council does not intend to use non-specified investments (i.e. those which do not meet these criteria) as these are generally considered to be of higher risk and would require specialist advice.

## **Risk Assessment**

The Council's investments no longer qualify for the Financial Services Compensation Scheme up to £85,000; however, this is considered to be an acceptable limit for investments in organisations of good credit quality. Larger amounts can be invested with organisations of high credit quality.

The Council does not employ external treasury advisors or subscribe to a credit rating agency. It bases its assessment of the risk attaching to potential investments with counterparties on their publicly available information, organisational structure and asset size.

The Council will also have regard to the amount of funds placed with a single institution.

## **Approved Counterparties**

The following counterparties are approved for the investment of surplus funds by the Council, with a duration of no longer than twelve months:

- HM Government and its agencies
- Local Authorities
- UK Clearing Banks
- Building Societies with an asset base more than £1,000 million or smaller societies where there are strategic or local considerations, limited to a principal investment of £85,000 with a single society.
- UK FCA regulated qualifying money market funds with an AAA rating (Fitch credit rating).



## **Treasury Management Responsibilities**

All investments are made in the name of the Town Council and will be approved by Full Council, having taken advice from the Responsible Financial Officer, who has knowledge and experience of the CIPFA codes of practice.

The Finance Committee oversees investment activities and the drafting of changes to this strategy.

Members of the Committee are suitably experienced and understand the nature of investment risks. Where necessary, their knowledge will be supplemented by formal or informal training.

### **Activities For 2023-24**

The Town Council plans to maintain its investments in the Penrith Building Society. As it receives its full annual precept income early in the financial year, it will have surplus funds for most of the year and these will be invested in the CCLA Public Sector Deposit Fund until needed. As the Council does not have a long history of managing its cash flow actively, it will adopt a cautious approach to investing surplus monies to ensure that its bank account balance is always sufficient to meet short-term requirements.

### **REVIEW**

This strategy will be subject to annual review in advance of each financial year.

**ADOPTED:2015**

**REVIEWED: ANNUALLY**

**AMENDED:2023**