

**CYNGOR TREF Y DRENEWYDD A LLANLLWCHAEARN****NEWTOWN & LLANLLWCHAIARN TOWN COUNCIL****FINANCIAL REGULATIONS**

These Financial Regulations were first adopted by the Council at its Annual Meeting in May 2015, then reviewed, approved and retained with amendments at the Annual Meetings since then.

**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 and that the council has a sound system of financial control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the council meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the council. The RFO, acting under the policy direction of the Council, shall administer the Council's financial affairs in accordance with proper practices. The RFO shall determine on behalf of the council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with proper practices. When no RFO is in post, this duty shall be carried out by the Town Clerk.
- 1.3 The RFO shall produce financial management information as required by the council.
- 1.4 At least once a year, prior to approving the annual return, the council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices. This will be carried out by the appointment of an independent Internal Auditor who will report back to council.
- 1.5 In these financial regulations, references to the Accounts and Audit (Wales) Regulations shall mean the Regulations issued under the provisions of section 39 of the Public Audit (Wales) Act 2004 and then in force.
- 1.6 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability for Local Councils in Wales – a Practitioners' Guide which is published jointly by One Voice Wales and SLCC and updated from time to time.

**2 Annual Estimates (Budget)**

- 2.1 The basis of the budget will be "The Council's 5-year plan 2018-23". Each year the Committees shall review progress made towards completing the 5-year plan in the previous year, identify areas which it hopes to action in the following year, and propose a budget commensurate with achieving those aims to Council. This budgeting process will commence in October and finish in January and will include revenue and capital expenditure and identifying sources of funding for the following financial year including the use of reserves if appropriate.

- 2.2 Using information from the committees the RFO will prepare a detailed budget encompassing all the council's planned activities for consideration by the council.
- 2.3 The Council shall review the budget not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.4 The annual budgets shall form the basis of financial control for the ensuing year.

### **3 Budgetary Control & Authority to Spend**

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- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 No expenditure may be incurred that will exceed the amount provided in the revenue or capital budget for that class (cost centre) of expenditure, unless during the budget year and with the approval of council's financial resources committee (having considered fully the implications for public services), unspent and available amounts may be moved to/from other budget headings or moved from reserves as appropriate.
- 3.3 The RFO shall provide the Council/ Committees with a statement of actual income and expenditure to date under each heading of the budget. These statements are to be prepared for each monthly Committee/ Council meeting.
- 3.4 The Town Clerk may incur expenditure on behalf of the Council/ Committees which is necessary to carry out any repair replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £5,000. The Town Clerk shall report the action to the Council/ Committees as soon as practicable thereafter.
- 3.5 The Town Clerk or officer nominated by the Town Clerk may authorise expenditure subject to a limit of £1000 for any one item for reasons of efficient running of Council/ Committees.
- 3.6 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of 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 regulations relating to contracts.

### **4 Accounting and Audit**

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- 4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit (Wales) Regulations.
- 4.2 The RFO shall complete the annual financial statements of the Council, including the council's annual return, 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 Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Auditor General for Wales) and shall submit the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit (Wales) Regulations.
- 4.4 The RFO shall ensure that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make

available such documents of the Council which appear to the RFO or Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.

- 4.5 The Internal Auditor shall be appointed by and shall carry out the work required by the council in accordance with proper practices. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing, or in person, on a regular basis with a minimum of one annual written report in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the council.
- 4.6 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by Public Audit (Wales) Acts and the Accounts and Audit (Wales) Regulations.
- 4.7 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**

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- 5.1 The Council's banking arrangements, including the Bank Mandate, 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/ Committees. If the schedule is in order it shall be authorised by a resolution of the Council/ Committees and shall be initialled by the Chair of the Meeting.
- 5.3 Cheques drawn on the bank account or BACs payment in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4, shall be authorised in normal circumstances by two members of Council specified on the bank mandate, or in exceptional circumstances by one member of the council specified on the bank mandate and the Town Clerk.
- 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 cheque counterfoil.
- 5.5 Direct Debits or Standing Orders will be set up by the Responsible Finance Officer and authorised by two members of Council specified on the bank mandate.

## **6 Payment of Accounts**

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- 6.1 Payments shall be effected by cheque, electronic bank payment or direct debit/ standing order drawn on the Council's bankers. Payments should be made in accordance with the procedures contained in the Practitioner's Guide 2011 'Governance and Accountability for Local Councils in Wales.'
- 6.2 All invoices for payment shall be examined, verified and certified by the Town Clerk or nominated relevant officer. The Town Clerk shall satisfy themselves 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 Town Clerk shall take all steps to settle all

invoices submitted, and which are in order, at the next available Resources <sup>1</sup>Committee Meeting.

- 6.4 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, or to meet statutory deadline, and the due date for payment is before the next scheduled Meeting of Council/ Committees, where the Town Clerk and RFO certify that there is no dispute or other reason to delay payment, the Town 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/ Committees.
- 6.5 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
- a) The RFO shall maintain a petty cash float for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
  - b) Reasonable amounts of income received as cash may be paid into the petty cash float and recorded as such.

## **7 Payment of Salaries and Allowances**

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- 7.1 As an employer, the council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE, Pension, and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE, Pension and National Insurance currently operating, and salaries shall be as agreed by Council.
- 7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance, pension contributions, or statutory or approved salary deduction schemes, may be made in accordance with the payroll records, authorisations by employees or statutory bodies and on the appropriate dates stipulated in employment contracts or statute, provided that each payment is reported to and ratified by the next available Council/ Committees Meeting.
- 7.3 Payment of allowances to Councillors will be made under deduction of tax at source rules unless agreement otherwise is made with HMRC.

## **8 Loans and Investments**

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- 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 In accordance with statutory guidance issued by the Welsh Government, all local councils are required to have an Annual Investment Strategy (see Practitioner's Guide 2011 'Governance and Accountability for Local Councils in Wales.'
- 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. The terms and conditions of borrowings shall be reviewed at least annually.
- 8.5 All investment certificates and other documents relating thereto shall be safely stored by the RFO.

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<sup>1</sup> Or equivalent

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**9 Income**

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- 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, as part of the budget setting process, notified to the RFO, and the RFO shall be responsible for the collection of all accounts due to the Council.
- 9.3 The Council/ Committees will review all fees and charges by report of the Town 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 (or recorded in petty cash as in 6.5b) as directed by the RFO. 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.

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**10 Orders for Work, Goods and Services**

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- 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 All members and Officers are responsible for obtaining best 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, subject to any de minimis provisions in Regulation 11 (I) below.
- 10.4 The ordering Officer 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 Officer shall ensure (with the RFO or Town Clerk) that the statutory authority is identified and reported to the relevant (sub)committee so that the Minutes can record the power being used.

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**11 Contracts**

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- 11.1 Procedures as to contracts are laid down as follows:
- (a) 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) 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 £250 (in excess of this sum the Town Clerk and RFO shall act after consultation with the Mayor and Deputy Mayor)
  - vi. for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- (b) Where it is intended to enter into a contract exceeding £20,000 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 Town Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list.
- (c) 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.
- (d) Such invitation to tender shall state the general nature of the intended contract and the Town 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 Town Clerk in the ordinary course of post.
- (f) All sealed tenders shall be opened at the same time on the prescribed date by the Town Clerk in the presence of at least one member of Council.
- (g) If less than three tenders are received for contracts above £20,000 or if all the tenders are identical the Council/ Committees may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (h) Any invitation to tender issued under this regulation shall contain a statement to comply with Standing Orders
- (i) Where it is intended to enter into a contract less £20,000 in value, the following criteria are to be applied: items up to £1,000 officers' discretion; items greater than £1,000 and up to £3,000 obtain at least one estimate; items over £3,000 up to £20,000 obtain 3 quotes. All amounts are net cost to council. The overriding aim of the Officer is to obtain best value for purchases – not necessarily the cheapest.
- (j) The Council/ Committees shall not be obliged to accept the lowest or any tender, quote or estimate.

## **12 Payments under Contracts for Building or Other Construction Works**

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- 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 by 5% or more a report shall be submitted to the Council/ Committees.
- 12.3 Any significant variation to a contract or addition to or omission from a contract must be approved by the Council/ Committees and the Contractor in writing, the Council/ Committees being informed where the final cost is likely to exceed the financial provision.

## **13 Stores and Equipment**

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- 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.

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#### **14 Assets, Properties and Estates**

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- 14.1 The Town 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 Accounts and Audit (Wales) 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 £50.
- 14.3 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

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#### **15 Insurance**

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- 15.1 Following the annual risk assessment, the RFO shall affect all insurances and negotiate all claims on the Council's insurers.
- 15.2 The relevant officer shall give prompt notification to the RFO of all new risks, properties or vehicles 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.

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#### **16 Charities**

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- 16.1 Where the Council is sole trustee of a Charitable body the Town 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 Town Clerk and RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.]

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#### **17 Risk Management**

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- 17.1 The council is responsible for putting in place arrangements for the management of risk. The Town Clerk with the 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 Town Clerk with the RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.
- 17.3 The Council shall carry out a Financial Risk Assessment on an annual basis in accordance with the Accounts and Audit Regulations. The minutes shall record such review of the financial risks.

## **18 Revision of Financial Regulations**

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- 18.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The Town 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.

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1 <sup>st</sup> Draft – F&GP for Annual Meeting May 2016	V0.2	13/04/2016
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