

**SHANKLIN TOWN COUNCIL**

**FINANCIAL REGULATIONS**

**Adopted 22<sup>nd</sup> February 2018**

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These Financial Regulations were adopted by Shanklin Town Council at its Meeting held on 22<sup>nd</sup> February 2018.

## **1. GENERAL**

- 1.1 These financial regulations govern the conduct of financial management by the Town Council and may only, be amended or varied by resolution of the Town Council. Financial regulations are one of the Town Council's three governing policy documents providing procedural guidance for Members and Officers. Financial regulations must be observed in conjunction with the Town Council's Standing Orders and any separate financial regulations relating to contracts.
- 1.2 The Town Council is responsible in law for ensuring that its financial management is adequate and effective and that the Town Council has a sound system of internal control, which facilitates the effective exercise of the Town Council's functions, including arrangements for the management of risk.
- 1.3 The Town Council's accounting control systems must include measures:
  - ❖ for the timely production of accounts;
  - ❖ that provide for the safe & efficient safeguarding of public money;
  - ❖ to prevent & detect inaccuracy & fraud; and
  - ❖ Identifying the duties of Officers.
- 1.4 These financial regulations demonstrate how the Town Council meets these responsibilities & requirements.
- 1.5 At least once a year, prior to approving the Annual Governance Statement, the Town 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 Members of the Town Council are expected to follow the instructions within these Regulations & 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 Town Council (s.151 Local Government Act 1972). The Town Clerk has been appointed as RFO for Shanklin Town Council and these regulations will apply accordingly.
- 1.9 The RFO;
- ❖ acts under the policy direction of the Town Council;
  - ❖ administers the Town Council's financial affairs in accordance with all Acts, Regulations & proper practices;
  - ❖ determines on behalf of the Town Council its accounting records and accounting control systems;
  - ❖ ensures the accounting control systems are observed;
  - ❖ maintains the accounting records of the Town Council up to date in accordance with proper practices;
  - ❖ assists the Town Council to secure economy, efficiency & effectiveness in the use of its resources; and
  - ❖ Produces financial management information as required by the Town Council.
- 1.10 The accounting records determined by the RFO shall be sufficient to show and explain the Town Council's transactions & to enable the RFO to ensure that any income & expenditure account & statement of balances, or record of receipts & payments & additional information, as the case may be, or management information prepared for the Town Council from time to time comply with the Accounts & Audit Regulations.
- 1.11 The accounting records determined by the RFO shall in particular contain:

- ❖ entries from day to day of all sums of money received & expended by the Town Council & the matters to which the income & expenditure or receipts & payments account relate;
- ❖ a record of the assets & liabilities of the Town Council; &
- ❖ wherever relevant, a record of the Town Council's income & 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:

- ❖ procedures to ensure that the financial transactions of the Town Council are recorded as soon as reasonably practicable & as Accurately & reasonably as possible;
- ❖ procedures to enable the prevention & detections of inaccuracies fraud & the ability to reconstruct any lost records;
- ❖ identification of the duties of officers dealing with financial transactions & division of responsibilities of those officers in relation to significant transactions;
- ❖ procedures for uncollectible amounts; including bad debts, not be written off except with the approval of members, or under delegated authority, the RFO, and for the approval to be shown in the accounting records.
- ❖ measures to ensure that risk is properly managed.

In addition

- ❖ the Town Council must identify and protect income & expenditure & the money represented by each. They must ensure controls over money are embedded in Standing Orders & Financial Regulations.
- ❖ the Town Council must approve the setting up of & any changes to accounts with banks or other financial institutions.

- ❖ the Town Council must approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature & any amendments to mandates.

1.13 The Town Council cannot delegate the following they shall be a matter for the full Town Council only:

- ❖ setting the final budget or the precept (Council Tax Requirement)
- ❖ approving accounting statements;
- ❖ approving an annual governance statement;
- ❖ borrowing.

1.14 In these financial regulations, references to the Accounts & Audit Regulations or 'the regulations' shall mean the regulations issue under the provisions of section 27 of the Audit Commission Act 1998 & then in force unless otherwise specified.

1.15 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance & Accountability for Local Councils – a Practitioners' Guide (England).

## **2. ACCOUNTING & AUDIT (INTERNAL & EXTERNAL)**

2.1 All accounting procedures & financial records of the Town Council shall be determined by the RFO in accordance with the Accounts & Audit Regulations, appropriate Guidance, & proper practices.

2.2 On a regular basis (on completion of the reconciliation) the Town Mayor shall verify the previous month's bank reconciliation produced by the RFO. The Town Mayor will initial the bank statements, bank reconciliation & any accompanying documents as evidence of verification. This activity shall on conclusion be reported, including any exception, to and noted by the Town Council.

2.3 The RFO shall complete the annual statement of accounts, annual report, & any related documents of the Town Council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year & having certified the accounts shall submit them & report thereon to the Town

Council within the timescales set by the Accounts & Audit Regulations.

## 2.4 The Annual Return

The annual return comprises four linked sections:

- ❖ Section 1 – the accounting statements;
- ❖ Section 2 – the annual governance statement;
- ❖ Section 3 – the external auditor's certificate & opinion;
- ❖ Section 4 – the report from internal audit.

The first three of these sections are intended to be displayed to the public.

## THE ACCOUNTING STATEMENTS (SECTION 1 OF THE ANNUAL RETURN)

2.5 Part 1 of the annual return is the Town Council's statutory annual accounting statement. It must be signed by the RFO to certify that it presents fairly the financial position of the Town Council at the end of the year to which it relates.

2.6 The submission of the annual return must also be accompanied by a copy of the Town Council's year-end bank reconciliation.

## THE ANNUAL GOVERNANCE STATEMENT (SECTION 2 OF THE ANNUAL RETURN)

2.7 The Town Council is accountable for ensuring both that public business is conducted in accordance with the law & proper standards, & that public money is safeguarded & properly accounted for, & used economically efficiently & effectively.

2.8 The annual governance statement, together with the accounting statements, must be approved at a full Town Council meeting by the 30<sup>th</sup> June.

## THE EXTERNAL AUDITOR'S CERTIFICATE & OPINION (SECTION 3 OF THE ANNUAL RETURN)

2.9 The issue of a certificate of completion by the external auditor effectively concludes and 'closes' the audit process for any given year.



2.10 The Town Council is responsible for displaying a notice in a conspicuous place for a period of at 14 days stating that the audit has been completed & that the accounts are available for inspection by local electors. The completed annual return bearing the external auditors certificate & signed opinion must either be published or be displayed alongside this notice.

#### INTERNAL AUDITOR'S ANNUAL REPORT (SECTION 4 OF THE ANNUAL RETURN)

2.11 Regulation 6 of the Accounts & Audit (England) Regulations 2011 imposes a duty on local councils to `maintain an adequate & effective system of internal audit of its accounting records & of its system of internal control in accordance with the proper practices in relation to internal control.

2.12 The internal audit function must be sufficiently independent from the management of financial controls & procedures of the council, which are the subject of review. The person or person carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council.

2.13 When securing an internal audit service, the council must make sure that it is fit for the purpose for which it is required at that particular council.

2.14 There are two key principles, which all local councils must follow in setting up their internal audit function, regardless of how procured: Independence & Competence.

2.15 All internal audit work must be reported to the council.

### **3. RISK MANAGEMENT**

3.1 Risk management is central to local council's strategic management.

3.2 The Town Council generally & members individually are responsible for risk management because risks threaten the achievement of policy objectives. As a minimum, at least once each year members must:

- ❖ Take steps to identify & update their record of key risks facing the Town Council ;
- ❖ Evaluate the potential consequences to the Town Council if an event identified as a risk take place;
- ❖ Decide upon appropriate measures to avoid, reduce or control the risk or its consequences; and
- ❖ Record any conclusions or decisions reached.
- ❖ The Town Council uses Local Council Risk System & has a Risk Management Policy in place.

#### **4. ANNUAL ESTIMATES (BUDGET) & FORWARD PLANNING**

- 4.1 The RFO must each year, by no later than (mid February), prepare detailed estimates of all receipts & payments including the use of reserves & all sources of funding for the following financial year in the form of a budget to be considered by the Finance Committee and then the Full Town Council no later than the end of February.
- 4.2 The Town Council shall consider annual budget proposals in relation to the Town Council's three-year forecast of revenue & capital receipts & payments including recommendations for the use of reserves & sources of funding & update the forecast accordingly.
- 4.3 The budget is reviewed against actual expenditure quarterly which gives members early warning about the likelihood of a shortfall (or surplus) & helps them to decide what responsive action to take.
- 4.4 The important statutory stage of the budget process is confirming the precept that is to be raised on the IW Council. The law requires that precepts be issued by the 1<sup>st</sup> March.
- 4.5 The approved annual budget shall form the basis of financial control for the ensuing year.

#### **5. CONTROL & AUTHORITY TO SPEND**

- 5.1 Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:
- The Council for all items over £10000
  - A duly delegated committee of the Council for items over £5000 or
  - The Town Clerk RFO in conjunction with The Town Mayor or Chairman of the appropriate committee for any items below £5000

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Town Clerk RFO, and where necessary the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

- 5.2 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 heading or to an earmarked reserve as appropriate ('virement').
- 5.3 Unspent provisions in the budget (other than ear-marked reserves) shall not be carried forward to a subsequent year.
- 5.4 Salaries are reviewed annually in line with the National agreed pay claim & scale increments & as per individual contracts.
- 5.5 In cases of extreme risk to the delivery of Council services, the Town Clerk RFO may authorise revenue expenditure on behalf of the Town Council, which in the Town Clerk RFO's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £5000. The Town Clerk RFO shall report such action to the Chairman as soon as possible and to the Town Council as soon as practicable thereafter.
- 5.6 No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Town Council is satisfied that the

necessary funds are available and if necessary, the requisite borrowing approval has been obtained.

- 5.7 All Capital works shall be administered in accordance with the Town Council's standing orders & financial regulations relating to contracts.
- 5.8 The Town Clerk RFO shall provide the Town Council quarterly with a statement of payments and receipts under each head of the budget, comparing actual expenditure with that planned.
- 5.9 Changes in earmarked reserves shall be approved by Town Council as part of the budgetary control process.

## **6. BANKING ARRANGEMENTS & AUTHORISATION OF PAYMENTS**

- 6.1 The Town Council's banking arrangements, including the bank mandate, shall be made by the Town Clerk RFO and approved by the Town Council; banking arrangements may not be delegated to a committee. They shall be reviewed for safety and efficiency. The Town Council may seek credit references in respect of Members or employees who act as signatories.
- 6.2 The Town Clerk RFO shall prepare a schedule of payments requiring authorisation, forming part of the agenda of the meeting and together with the relevant invoices, present the schedule to Town Council. The Town Council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the Town Council.  
The schedule shall be ruled off and initialled by the Chairman of the meeting or a signatory other than the Town Clerk RFO who will sign the bottom of the schedule. The schedule will form part of the attached papers to the filed minutes of the meeting. Personal payments, and any payment made in relation to termination of a contract of employment may be summarised to remove public access to any personal information.
- 6.3 All invoices for payment shall be examined, verified, and certified by the Town Clerk 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 Town Council.

- 6.4 The Town Clerk RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The Town Clerk RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available Town Council meeting.
- 6.5 The Town Clerk RFO shall have delegated authority to authorise payment of items in the following circumstances:  
If the payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (interest) Act 1998, and the due date for the payment is before the next scheduled meeting of the Council, where the Town Clerk RFO certify that there is no dispute or other reason to delay payment. An expenditure item budgeted for such as salaries, PAYE, & NI, Superannuation fund and regular maintenance contracts and the like provided that the requirements of regulation 5.1 (budgetary controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of the Council.
- 6.6 Town Clerk RFO has delegated authority along with 2 other authorised signatory (in line with the banking mandate) see appendixes 1, to sign cheques for payments out of meetings, provided that a list of such payments shall be submitted to the next appropriate meeting of the Council.
- 6.7 Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.

## **7. INSTRUCTIONS FOR THE MAKING OF PAYMENTS**

- 7.1 The Town Council will make safe and efficient arrangements for the making of its payments.
- 7.2 Following authorisation under Financial Regulation 6 above, the Town Council, a duly delegated committee or, if so delegated the Town Clerk RFO shall give instruction that a payment shall be made.

- 7.3 All payments shall be effected by cheque or other instructions to the Town Council's bankers, or otherwise, in accordance with a resolution of the Town Council.
- 7.4 Cheques or orders for payment, including electronic payments, drawn on the bank account in accordance with the schedule of payments as presented to the Town Council shall be signed at meetings by two Members & the Town Clerk RFO as authorised signatories, payments out of meetings shall be signed by two Member and the Town Clerk RFO, in accordance with a resolution instructing that payment. If a Member who is, also a bank signatory has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which the payment is being made, that Councillor shall be required to consider Standing Orders, and thereby determine whether it is appropriate and/or permissible to be a signatory to that transaction in question.
- 7.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, a Member signatory shall initial the cheque counterfoil.
- 7.6 Any signatures obtained away from Town Council meetings shall be reported to the Town Council at the next convenient meeting.
- 7.7 If thought appropriate by the Town Council, payment for utility supplies (energy, telephone, water) and any National Non-Domestic rates may be made by variable Direct Debit provided that the instructions are authorised by the Town Clerk RFO and Town Mayor and payments shown on the payments schedule. The approval of the use of a variable Direct Debit shall be renewed by resolution of the Town Council every two years.
- 7.8 If thought appropriate by the Town Council, payment for certain items (principally salaries) may be made by Bankers Standing Order provided that the instructions are signed, or otherwise evidence by two members are retained and any payments are reported to Council as made. The approval of the use of a Bankers Standing Order shall be renewed by resolution of the Council as least every two years.
- 7.9 If thought appropriate by the Council, payment for certain items may be made by BACS or CHAPS methods provided that the

instructions for each method are signed or otherwise evidence, by two members are retained and any payments are reported to Council as made. The approval of the use of BACS or CHAPS shall be renewed by resolution of the Council at least every two years.

- 7.10 If thought appropriate by the Council payment for certain items may be made by internet banking transfer (not currently applicable) provided evidence is retained showing which members approved payment.
- 7.11 Where a computer requires use of a PIN or password, for access to the Town Council's records, a note shall be made of the password and contained in a metal locked tin in a metal cupboard in the office.
- 7.12 No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council or a duly delegated committee.
- 7.13 Regular back-up copies of records on any computer shall be made and shall be stored securely away from the computer in question, and preferably offsite. (Town Clerk RFO does this weekly).
- 7.14 The Town Clerk RFO using computers for the Council's financial business shall ensure that anti-virus anti-spyware and firewall; software with automatic updates, together with a high level of security is used.
- 7.15 Where internet banking arrangements are made with any bank, the Town Clerk shall be appointed as the Service Administrator. The Bank Mandate approved by the Council shall identify a number of Councillors authorised to approve transactions on those accounts. (Internet banking not currently carried out).

See Appendix one for list of signatories.

- 7.16 Access to any internet banking accounts will be directly to the access page (which may be saved under "favourites"), and not through a search engine or e-mail link remembered or saved passwords facilities must not be used on any computer used for Council banking work. Breach of this regulation is a serious matter. (Internet banking not currently carried out).

- 7.17 Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by the Town Clerk RFO. A programme of regular checks of standing data will be followed. (Internet banking not currently carried out).
- 7.18 Any Debit Card issued for use will be specifically restricted to the Town Clerk RFO and will also be restricted to a single transaction maximum value of £1000 unless authorised by Council or Finance Committee in writing before any order is placed. (No debit cards currently used).
- 7.19 A pre-paid debit card may be issued to the Town Clerk RFO with varying limits. These limits will be set by the Town Council. Transactions and purchases made will be reported to the Council and authority for topping-up shall be at the discretion of the Council. (Not currently applicable).
- 7.20 Any corporate credit card or trade card account opened by the Council will be specifically restricted to use by the Town Clerk RFO and shall be subject to automatic payment in full at each month-end. (Not currently applicable).
- 7.21 All cash received must be banked intact. Any payment made in cash by the Town Clerk RFO & other staff members shall be evidenced by a receipt. Disbursements shall be refunded on a regular basis, at least quarterly. Members' refund of disbursements on production of a receipt will be paid at the next appropriate Council meeting.

## **8. PAYMENT OF SALARIES**

- 8.1 As an employer, the Town Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating.
- 8.2 Payments of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance, pension contributions, or similar statutory or discretionary



deductions must 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.

- 8.3 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without prior consent of the Council.
- 8.4 Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 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;
  - d) by any person authorised under Audit Commission Act 1998.
- 8.5 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 actually been paid.
- 8.6 An effective system of personal performance management should be maintained for the senior officers.
- 8.7 Any termination payments shall be supported by a clear business case and reported to the Town Council. Termination payments shall only be authorised by Council.
- 8.8 Before employing interim staff the Council must consider a full business case.

## **9. LOANS AND INVESTMENTS**

- 9.1 All loans and investments shall be negotiated by the Town Clerk RFO in the name of the Council and shall be for a set period in accordance with Council policy.
- 9.2 All investments of money under the control of the Council shall be in the name of the Council.

- 9.3 All borrowings and application for borrowing approval shall be approved and be effected in the name of the Council. The terms and conditions of borrowings shall be reviewed at least annually.
- 9.4 All investment certificates and other documents relating thereto shall be retained in the custody of the Town Clerk RFO.

## **10. INCOME**

- 10.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the Town Clerk RFO. Library monies are collected by the Library co-ordinator checked & passed to Town Clerk RFO for checking and banking.
- 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 Town Clerk RFO and the Town Clerk RFO shall be responsible for the collection of all accounts due to the Council.
- 10.3 The Council will review all fees and charges annually at the Finance budget meeting.
- 10.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Town Council 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 Town Clerk RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the Town Clerk RFO considers necessary.
- 10.6 The origin of each receipt shall be entered onto the paying-in slip.
- 10.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 10.8 The Town Clerk 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. (Quarterly in our case).

## **11. ORDER FOR WORK, GOOD AND SERVICES**

- 11.1 An official order, letter, or email 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.
- 11.2 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 Regulations 12.1 below.
- 11.3 A member may not issue an official order or make any contract on behalf of the Council.

## **12. CONTRACTS**

- 12.1 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 this regulation need not apply to contracts, which relate to items (i) to (vi) below:
  - (b) for the supply of gas, electricity, water, sewerage, telephone and broadband services;
  - (c) for specialist services such 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 Town Council;
  - (f) for additional audit work of the external Auditor up to an estimated value of £500 (in excess of this sum the Town Clerk RFO shall act after consultation with the Town Mayor;

- (g) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- (h) 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 two or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions.
- (i) The Town Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- (j) Should it occur that the Town 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 a later tender, estimate or quote who was present when the original decision making process was being undertaken.

See Appendix two for table of Financial thresholds for procurement.

**13. The Public Contracts Regulations 2015** implement the new Public Sector Procurement Directive (2014/24/EU) which provides modernised rules for the procurement of goods, services and works, above certain thresholds for public authorities.

13.1 Many of the requirement of the regulations only apply in relation to procurement over the value of £181,302 (From 1<sup>st</sup> January 2018) for the supply of goods and services, £4,551,413 for public works contracts, and are therefore very unlikely to apply to the Town Council.

13.2 However the major change under the Public Contracts Regulations 2015, affecting the Town & Parish Council sector, is that local Councils undertaking procurement over the value of £25,000 are now required to register the contract under the Government 'Contract Finder' website and comply with other 'light touch' rules as set out in the Regulations.

13.3 However, where a local authority has existing Standing Orders/Financial Regulations in place that have a higher value for

advertising procurement opportunities, the higher value applies rather than the £25,000.

13.4 Where the Town 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 which is valued at £25,000 or more the Town Council shall comply with the relevant requirements of the regulations.

13.5 Contracts over £25,000 (ex vat)

(a) Where it is intended to enter into a contract exceeding £25,000 (ex vat) in value for the supply of work, goods or services the Council will publish the opportunity via 'an invitation to tender' on the Government's Contracts Finder and the Town Council's website.

#### **14. PROCEDURE TO FOLLOW PRIOR TO UNDERTAKING PROCUREMENT**

14.1 Consider the nature of the procurement and determine exactly what will be required e.g. what needs to be procured, the contract specification, likely cost, budget available, availability of suppliers and the preferred procurement method.

14.2 Obtain approval from the appropriate spending committee if the procurement relates to a capital project over the value of £5000.

14.3 If the proposed procurement is less than £5000 then the Town Clerk RFO need not but may seek 2 written quotations or tenders but regard to value for money must be observed in accordance with Financial Regulation 16 below.

14.4 Procurement activity between the value of £5001 and £24999 must follow the requirement of Financial Regulation 17 and seek two written quotations.

14.5 **Procurement to follow for all procurement over the value of £25,000 and up to a value of £181,302 (as at 1/1/2018)**

If the value of the proposed procurement is between the value of £25,000 and £181,302 the procurement opportunity must be registered on the Government's Contracts Finder website in accordance with the requirements of the Public Contracts Regulations 2015 and in accordance with Financial Regulation 18.

If the value of the proposed procurement is below £25,000 the Town Clerk RFO must strive to seek at least two written quotes.

#### **14.6 Procedure for procurement over the value of £181,302 (as at 1/1/2018)**

If the proposed procurement value is more than £181,302 then the full application of the Public Contractors Regulations is mandatory as the procurement is over the EU threshold. The tender process must comply with EU Directives as per Financial Regulation 19.

If the proposed procurement value is less than £181,302 the procurement opportunity must be registered on the Government's Contracts Finder website in accordance with the requirements of the Public Contracts Regulations 2015 and in accordance with Financial Regulation 18.

### **15. Procedure prior to procurement**

- 15.1 Before commencing the procurement process the Town Clerk RFO should ensure that they have:
- Considered the objectives of the procurement;
  - Considered the need to achieve value for money;
  - Verified the lawful nature of the proposed procurement particularly when the procurement activity relates to a new service or initiative or an irregular payment;
  - Appraised the need for the expenditure and its priority;
  - Ensured that sufficient revenue or capital programme budget provision exists;
  - Informed the Town Mayor if the expenditure is unexpected, unbudgeted, or is likely to be material;
  - Referred to the Financial Regulations in order to determine the required procurement action.

- Considered which procurement method is most likely to achieve the purchasing objectives and achieve value for money e.g. negotiating with existing suppliers, testing the market, utilising professional advice e.g. surveyors, architects etc.

15.2 In all cases where the procurement is over £5000 and relates to a capital programme project approval must be sought from the Town Council before proceeding.

15.3 All regular expenditure relating to the Revenue Budget and any Capital Programme Budget expenditure that is less than £5000 does not require approval from the Town Council before spending but the procurement process must follow the requirements of the Financial Regulations and obviously will go to full Council on the usual payments list. (Town Clerk RFO can submit to full Council prior to spending if felt appropriate).

15.4 However, if the procurement involves unbudgeted revenue or capital expenditure approval must always be sought from the full Council before proceeding.

15.5 Town Clerk RFO may consult with potential suppliers prior to any issue of any invitation to quote or tender; but only in general terms about the nature, level and standard of the supply and other general matters, provided that this does not prejudice any potential candidate.

15.6 When seeking more than one quote, Town Clerk RFO should avoid seeking technical advice from suppliers, as this may prejudice the equal treatment of all potential candidates.

## **16. Procurement up to and including £5000**

16.1 Where the total value of the procurement is less than £5000 ex VAT, these Financial Regulations do not include a formal requirement to seek two written quotes or tenders, although there is nothing to stop the Town Clerk RFO from doing so.

16.2 What is important is that the Town Clerk RFO is satisfied that value for money i.e. economy, efficiency, and effectiveness in the use of public money has been achieved.

16.3 This could be demonstrated by informally seeking prices from a number of alternative suppliers e.g. via an internet search, using suppliers that have provided a good service and value for money to the Town Council in the past or negotiating a better deal with existing suppliers.

16.4 Records for procurement under £5000 should be kept i.e. supplementary evidence relating to the purchase should be retained including copy purchase orders, price lists, web page prints, emails, invoices etc.

**17. Written Quotations (Procurement over £5,001 and up to and including £24,999 ex VAT)**

17.1 Where the procurement of the goods, materials, services or works is in excess of £5000 but below £24,999, at least two written quotations are required to be obtained unless an exemption has been applied for under the requirements of these Financial Regulations.

17.2 The Town Clerk RFO will be required to set out ideally in writing the particulars of the procurement or a specification for the contract into which the Town Council wishes to enter, and to seek, via invitations to quote, at least two written quotations from relevant persons, suppliers or contractors able to provide the required goods, materials or services, or undertake the required works.

17.3 The Town Council does not have a select list of tenderers and the choice of suppliers should be based on the professional knowledge of the Town Clerk RFO under taking the procurement.

17.4 Every effort should be taken to obtain at least two written quotations and consideration should be given to seeking more quotes if more than two relevant suppliers are available.

17.5 If less than two quotes are actually received following the invitation to quote, this Financial Regulation permits only those quotations actually received to be considered. Further quotes do not need to be sought.



- 17.6 Upon receipt of written quotations the Town Clerk RFO will then be required to evaluate the quotes received against the requirements of the procurement or the contract specification and recommend the preferred contractor, including the reasons if the lowest price is not accepted or if less than two quotes were received.
- 17.7 All procurement relating to capital projects over £5000 must be reported to full Town Council, including details of the quotes sought and received and the recommended contractor, including the reason if the lowest price is not accepted.
- 17.8 There are a number of items of expenditure relating to the Revenue Budget which are over the value of £5000.
- 17.9 However, as these are regular payments already well-established with the Revenue Budget these Financial Regulations do not require revenue expenditure to be reported to the full Town Council other than on the payments list at meetings.
- 17.10 However, a record of the decision to incur any revenue expenditure over the value of £5000 will be on the website as we will publish all payments over £250 under the Transparency Policy.
- 17.11 Additionally, if the procurement involves unbudgeted revenue or capital expenditure or a request to use the contingency sum, approval must be sought from the full Town Council before proceeding.
- 17.12 The following supporting records must be kept for all procurement activity between the value of £5,001 and £24,999 -
- Copies of invitations to quote;
  - Copies of any contract specification;
  - Copies of all quotations received;
  - Reports to full Council;
  - Purchase orders, emails, invoices;
  - Copies of any contract where relevant;
  - A record of the reasons if the lowest price was not accepted (STC have no obligation to accept the lowest or any price);

- Copies of correspondence with the successful contractor.

**18. Public Notice of Contract on Contracts Finder (Procurement over £24,999 up to and including £181,302 net of VAT) at 1/1/2018.**

- 18.1 This Financial Regulation will have effect where the Town Council is undertaking a procurement exercise for the supply of goods, materials, services or works that is over the Public Contracts Regulations threshold of £25,000 but below the EU threshold of £181,302.
- 18.2 This Financial Regulation will only apply on the occasions that the Town Council itself manages the procurement exercise and not in cases where the contract is to be managed by another local authority.
- 18.3 In such cases where the Town Council is undertaking a procurement exercise, quotes or tenders will be sought via the Government's Contracts finder website, in accordance with the requirements of the Public Contracts Regulations.
- 18.4 The public notice must set out the nature and purpose of the contract into which the Town Council wishes to enter, and must include the time by which interested parties must respond, how and to whom to respond, and any other requirements to enable participation in the procurement.
- 18.5 The Town Council must also, by means of its website, offer unrestricted and full direct access, free of charge, to any relevant contract documents.
- 18.6 The Town Council must not include a pre-qualification stage in a procurement exercise whereby the Town Council assesses the suitability of candidates with a view to reducing the number of candidates who will proceed to a later stage in the process.
- 18.7 The Town Council may ask candidates to answer 'suitability assessment questions' relevant and proportionate to the subject of the procurement, such as whether candidates meet minimum standards of suitability, capability, legal status or financial standing.

- 18.8 Detailed tendering procedures including instructions for tenderers, standard conditions of tender, submission, receipt and opening of tenders, shortlisting, evaluation and award of contract and the withdrawal of tenders are set out in Financial Regulation 20.
- 18.9 The Town Council need only consider those expressions of interest or tenders received and if fewer than two organisations have responded to the public notice, the Town Council does not need to seek further tenders.
- 18.10 When a contract is awarded, the Town Council must publish on the Contracts Finder website, the name of the contractor, the date on which the contract was entered into, the value of the contract, and whether the contractor is a SME (small or medium sized enterprise);
- 18.11 The following supporting records for all procurement between the value of £25,000 and £181,302 would be expected to be retained:
- A copy of the electronic notice published on the Contracts Finder website;
  - Cuttings or copies of any newspaper or magazine advertisement(s);
  - The tender document including contract specification if relevant;
  - Completed tender documents received from candidates;
  - The contract document if relevant;
  - A record of the reasons if the lowest price was not accepted;
  - Copies of all written correspondence with candidates during the tender process;
  - Post tender correspondence with the successful contractor;
  - Post contract evaluation and monitoring records.
- 18.12 It is unlikely that the Town Council would consider procurement over £181,382, should that happen a Financial Regulation will be written to cover that purpose.

## **19. Invitation to Tender & Instructions for Tenderers**

- 19.1 The invitation to tender must state that no tender will be considered unless it is received by the date and time stipulated. No tender delivered in contravention of this rule will be considered.
- 19.2 All invitations to tender will include the following information:

- A specification of the goods, materials, services or works that required, describing the Town Council's requirements including any British or European Standards that apply, in sufficient enough detail to enable the submission of consistent and competitive tenders;
- A requirement for the candidate to declare that the tender content, price or any other particulars concerning the tender have not been disclosed to any other party;
- A requirement for the candidate to complete fully and sign all tender documents;
- Notification that tenders are submitted to the Town Council on the basis that they are compiled at the candidate's expense;
- A description of the award procedure and a definition of the award criteria see Financial Regulation 21.
- A stipulation that any tenders submitted by email or any other electronic means will not be considered;
- The method by which any arithmetical errors discovered in submitted tenders will be deal with, in particular whether the overall price prevails over the individual rates in the tender;
- A statement that the Town Council is not bound to accept the lowest or any tender received;
- A statement that unless otherwise agreed by the Town Council tenders for a part or parts of the works, services, goods or materials will be rejected.

19.3 All candidates invited to tender must be issued with the same information at the same time, and subject to the same conditions. Any supplementary information must also be given on the same basis.

19.4 All invitations to tender must specify the terms and conditions of the contract that will apply. The content of contract documents is covered in more detail in Financial Regulation 25.

19.5 Candidates invited to respond must be given an adequate period of time in which to prepare and submit a proper tender, consistent with urgency of the contract requirement. This will normally be three weeks.

19.6 If so decided for any particular contract, the tender conditions should state that the Town Council may, in its absolute discretion, extend for all candidates the time and date for return.

## **20. Submission, Receipt and Opening of Tenders**

- 20.1 Written tenders relating to formal contracts, and where an exemption to the Financial Regulations does not apply, shall be received in an official envelope supplied by the Town Clerk RFO for that purpose.
- 20.2 Such envelopes shall not bear any name or mark indicating the sender; and shall remain sealed in the custody of the Town Clerk RFO until the time appointed for opening.
- 20.3 On receipt by the Town Council, the envelope shall be initialled by the Town Clerk RFO and dated/time of receipt.
- 20.4 The Town Council shall be under no duty to consider any tender which is received after the time notified to candidates for return of tender or which otherwise does not comply with these instructions.
- 20.5 Tenders shall be opened at the appointed time and date by the Town Clerk RFO and Town Mayor or other Member if qualified for the purpose. All tenders will be opened at the same time and each tender will be signed and dated by the Town Clerk RFO and Town Mayor/Member.
- 20.6 The Town Clerk RFO will maintain a record on the appropriate contract file of all the tenders received, including those opened and those tenders that have been returned as not complying with these instructions.

## **21. Award Criteria and Evaluation of Tenders & Contracts**

- 21.1 Shortlisting & evaluation of tenders must have regard to the standards set out in the tender or contract specification and the award criteria for the tender or contract.
- 21.2 The Town Clerk RFO must obtain whether any British or European standards apply to the subject matter of the contract. These standards should have been clearly set out in the invitation to/tender and contract specification as set out in Financial Regulation 19 and are necessary in order to properly describe the required quality of the contract.

- 21.3 The Town Clerk RFO must also define the award criteria appropriate to the evaluation of the tenders and shortlist of candidates. Award criteria must be designed in order to ensure an outcome that achieves value for money for the Town Council, and demonstrates economy, efficiency and effectiveness in the use of public resources.
- 21.4 All tenders must be checked for arithmetic accuracy. If arithmetic errors are found they should be notified to the tenderer, who should then be requested to reconfirm the figures or withdraw the tender.
- 21.5 Where the Town Council seeks clarification of a tender, this must either be requested in writing or by way of a meeting during which recorded minutes must be taken.

## **22. Post Tender Negotiation**

- 22.1 Post tender negotiation is defined as negotiations with any tenderer after the submission of a tender, but before the award of the contract, with a view to obtaining an adjustment in price, delivery or content.
- 22.2 However, if post tender negotiating results in a fundamental change to the contract specification, the contract must be re-tendered.
- 22.3 Post tender negotiation must not be conducted where EU Procedure applies, as this may distort competition with regard to price.
- 22.4 Post tender negotiation must be carried out by the Town Clerk RFO and the Town Mayor or another Member.
- 22.5 Post tender negotiations should only be undertaken with the tenderer who has previously been identified as submitting the lowest or most economically advantageous tender.
- 22.6 Tendered rates and prices can only be adjusted in respect of a corresponding adjustment in the scope of quantity included in the tender documents and contract specification.

22.7 The Town Clerk RFO must ensure that all post tender negotiations are properly recorded by way of minutes of any meetings held and that agreement to any amendments is made in writing between the tenderer and the Town Council.

### **23. Acceptance and Award of Tenders**

23.1 All contracts must be evaluated and awarded in accordance with the contract specification and the award criteria as detailed in Financial Regulation 21.

23.2 The Town Council shall not be obliged to accept the lowest or any tender, quote or estimate.

23.3 Should it occur that the Town Council, does not accept any tender, quote or estimate, the work is not allocated and the Town 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.

23.4 Unless otherwise decided by the Town Council acceptance of any tender will not give rise to a contract until a purchase order or formal contract document is completed and signed. Where the invitation to tender stipulates a form of contract or specific contract terms, the form of contract or terms submitted by the tenderer shall not be deemed to be accepted by virtue of the tender being received.

23.5 Following acceptance of a tender by the Town Council the Town Clerk RFO should write to all tenderers who submitted a bid.

### **24. Withdrawal of Tender**

In the event of any person, or organisation withdrawing a tender or declining to sign a form of contract on being called upon to do so after the tender has been accepted by the Town Council, no further tender from such person, or organisation, will in the absence of a satisfactory explanation, be considered by the Town Council.

### **25. CONTRACT & CONTRACT CONDITIONS**

- 25.1 Procurement of goods, materials services or works, for which only written quotations are required, will be made by the issue of an official purchase order, duly certified by the RFO.
- 25.2 However, in specific cases for example where the services or works to be procured are of a specialised or technical nature a written contract may also be required, signed by the Town Clerk RFO and Town Mayor of the Town Council and an authorised representative of the contractor and sealed on behalf of the Town Council. *\*( Local Government Act 1972 - Notwithstanding anything in any rule of law, a parish council need not have a common seal, but where a parish council have no seal any act of theirs which is required to be signified by an instrument under seal may be signified by an instrument signed and sealed by two members of the council.)*
- 25.3 All contracts must be concluded formally in writing before the supply service or works begins, except in exceptional circumstances with the consent of the Town Clerk RFO & Town Mayor an award letter is not sufficient for these purposes.
- 25.4 All contracts for the execution for services or works must include a condition that the contractor will be responsible for ensuring that all persons employed by them, and by any sub-contractor are in the contractor's or sub contractor's direct employment.

## **26. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

- 26.1 Where contracts provide for payment by instalments the Town Clerk 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 contact, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Town Council.
- 26.2 Any variation to a contract or addition to or omission from a contract must be approved by the Town Council and Town Clerk RFO to the Contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.



- 26.3 The following clauses regarding the prevention of corruption should be included in every written contract:

*The Town Council may terminate a contract immediately and recover all of its losses if the contractor, or its employees or anyone acting on the contractor's behalf:*

- Offer, give or agree to give any inducement, reward or consideration of any kind (other than the tender itself) to any person in relation to the listing or selection of any tenderer or the award of any contract with the Town Council, whether or not the contractor has knowledge of those acts;*
- Commit any offence under the Prevention of Corruption Acts 1889- 1916 (or equivalent law);*
- Give any fee or reward; the receipt of which is an offence under s.117 of the Local Government Act 1972 (or equivalent law);*
- Is shown to have knowingly or recklessly given materially false information to the Town Council within a tender.*

## **27. DECLARATIONS OF INTEREST**

- 27.1 If it comes to the knowledge of a Member of the Town Council that a contract in which she or he has a pecuniary interest has been or is proposed to be entered into by the Town Council, she or he must give written notice to the Town Clerk RFO, who will report such declarations to the Town Council.
- 27.2 Those Members would then be excluded from taking part in any discussions relating to the contract or voting thereon at the meeting at which the procurement is to be discussed.
- 27.3 The Town Clerk RFO will maintain a register of all declarations of interest notified by Members.

## **28. ENGAGEMENT OF CONSULTANTS**

- 28.1 The engagement of consultants must be procured in line with the overall requirements of the Financial Regulations.
- 28.2 In considering the need to engage consultants, Members' must have a clear understanding of:

- The precise nature of the work involved and the reasons why it cannot be undertaken by existing staff;
- Whether sufficient budget provision exists to employ the consultant(s);
- The procurement action required in accordance with these Financial Regulations.
- The fees or fee scale payable, and when payable, including details of any instalments;
- The basis on which the fee or fee scale is calculated;
- What if any, additional payments or expenses are payable and what basis;
- What provision there is if the work is aborted part way through or if an extension or addition to the work is required;
- Provision for consultants to give the Town Council ownership of or copyright in any documentary work on completion of the contract.

28.3 The engagement of consultants will be subject to the completion of a formal written letter, contract of appointment or brief.

28.4 Approval should be sought from the full Town Council prior to engaging any consultant.

28.5 Where an architect, engineer, surveyor or other consultant is responsible for the supervision of a contract she/he shall comply with the Town Council's Standing Orders and Financial Regulations as though she/he were an officer of the Town Council and shall produce to the Town Clerk RFO all records kept in relation to the contract.

## **29. ASSETS, PROPERTIES, AND ESTATES**

29.1 The Town Clerk RFO shall make appropriate arrangements for the custody of all title deeds, and Land Registry Certificates of

properties held by the Town Council. Town Clerk RFO shall ensure a record is maintained of all properties held by the Town 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 & Audit Regulations.

- 29.2 No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the Town 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.
- 29.3 No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the Town Council, together with any other consents required by law, in each case a Report in writing shall be provided to Town Council in respect of valuation and surveyed condition of the property with a proper business case (including an adequate level of consultation with the electorate).
- 29.4 No real property (interests in land) shall be purchased or acquired without the authority of the full Town Council. In each case a Report in writing shall be provided to the Town 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).
- 29.5 Subject only to the limit set in Reg 26.2 above, no tangible moveable property shall be purchased or acquired without the authority of the full Town Council. In each case, a Report in writing shall be provided to Town Council with a full business case.
- 29.6 The Town Clerk 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.

### **30. INSURANCE**

- 30.1 Following the annual risk assessment the Town Clerk RFO shall affect all insurances and negotiate all claims on the Town Council's insurers.
- 30.2 The Town Clerk RFO shall keep a record of all insurances affected by the Town Council and the property and risks covered thereby and annually review it.
- 30.3 The Town Clerk RFO shall be notified of any loss liability or report these to the Town Council at the next available meeting.
- 30.4 All appropriate members and employees of the Town 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 Town Council, or duly delegated committee.

## **31. CHARITIES**

Where the Town Council is the sole managing trustee of a charitable body the Town Clerk and RFO shall ensure that separate bank 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 RFO shall arrange for any audit or independent examination as may be required by Charity Law or any Governing Document.

## **32. RISK MANAGEMENT**

- 32.1 The Town Council is responsible for putting in place arrangements for the management of risk. The Town Clerk RFO shall prepare, for approval by the Town Council, risk management policy statement in respect of all activities of the management arrangements shall be reviewed by the Town Council at least annually.
- 32.2 When considering any new activity, the Town Clerk RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Town Council.

**33. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS**

- 33.1 It shall be the duty of the Town Council to review the Financial Regulations of the Town Council annually. The Town Clerk RFO shall make arrangements to monitor changes in legislation or proper practices and shall advise the Town Council of any requirement for a consequential amendment to these financial regulations.
- 33.2 The Town Council may, be by resolution of the Town Council duly notified prior to the relevant meeting of the Town 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 member of the Town Council.

UNDER REVIEW