

Skegness Town Council

Financial Procedures

March 2016

Steve Larner –Town Clerk and Responsible Finance Officer

**Town Hall
North Parade, Skegness**

Signed Town Clerk and RFO:..... Date.....

Signed Chairman of Council:..... Date.....

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GENERAL

- 1.1. These financial procedures set out the detailed financial management arrangements established and maintained by the Responsible Finance Officer.
- 1.2. The Council maintains computerised systems which form the basis of its accounting systems and controls. These include:
 - 1.2.1. RBS Financial Management System (OMEGA)
 - 1.2.2. IRIS Payroll System
 - 1.2.3. RBS Cemetery Management System
 - 1.2.4. RBS Allotment System
 - 1.2.5. Microsoft Office – various Excel Spreadsheets and Word Tables
- 1.3. The operation of all systems is to be in accordance with operating manuals, on line help systems and any training that has been provided.
- 1.4. Additionally there are a number of paper based systems, receipt books and files, details of which can be found in the filing index kept as both a computerised file and also as a manual copy in the filing room.
- 1.5. The Business and Resources Committee review the appointment of the Internal Auditor as part of the Risk Management reviews within the Governance function and make any recommendations for change to Council. Council appoint the Internal Auditor at the start of the financial year.
- 1.6. The following Officers have specific roles and responsibilities to play:-
 - 1.6.1. The **Town Clerk** – Has overall operational responsibility to the Council
 - 1.6.2. The **Responsible Finance Office (RFO)** works under the Town Clerk but has specific statutory responsibilities to the Council for the Council's Finances. Currently the position of Town Clerk and RFO are held by one Officer.
 - 1.6.3. The **Deputy Town Clerk** – Other than in respect of financial authorisations (unless specified below) the post undertakes has delegated authority from the Town Clerk perform similar duties to the Town Clerk. The Town Clerk has given specific delegated authority to authorise orders to the value of £250, to approve travel expenses and to authorise petty cash vouchers to the value of £25 and provide reimbursement. In the prolonged absence of the Town Clerk the post holder may authorise the preparation of cheques for payment of any invoice or salary payment. In the normal absence of the Town Clerk, the post holder may check and sign off payroll for payment approval by Councillors.
 - 1.6.4. The **Finance Officer (FO)** – undertakes day to day financial work including the input of data into the computer, running of reports, bank reconciliations and other work as delegated by the RFO.
 - 1.6.5. The **Administrative Officer** – undertakes work that supports the Financial Regulations and Procedures under direction, including occasionally receiving or checking cash.

1.6.6. **Foreman** – has delegated authority from the Town Clerk to order specific grounds maintenance items within budget and other constraints from an existing approved Town Council supplier account.

2. Annual Estimates (Budget)

- 2.1 Current year budget and expenditure information will be extracted from the Council's Financial Management System and input into a spreadsheet so that proposed changes developed through the Estimates Process can be more easily modelled.
- 2.2 An estimate sheet will be produced by the RFO that shows by computer account code (Detail) within computer cost centre (Class), the current year budget together with the preliminary draft budget for the coming year. This will take into account known factors such as changes to contract costs, known inflationary costs, volume changes and any other known changes that maintain the Service Level, but which reflects any changes already approved by Council since the previous budget was set. Recommendations as to revised Fees and Charges will also be included. The sheet will show the budget over five years (current years plus 4 future years).
- 2.3 At the first Council meeting after 31st August in each year, the Council will agree the timetable for the setting of the precept.
- 2.4 The Business and Resources Committee (including any successor Committee) will review the Operational expenditure and income estimates to ensure that these meet the service levels required by the Council. Any proposed changes will be recorded by the RFO.
- 2.5 The Direction and Strategy Committee (including any successor committee) will put forward detailed proposals to increase/decrease service levels or introduce new services together with any new fees and charges. This should include as a minimum an outline business case (can be simple) for doing so. Any proposed changes will be recorded by the RFO.
- 2.6 Once the first round of Committee changes have been proposed, Council will consider these and the associated impact on the budget. Council will determine whether to support or reject any changes and may direct the Committees and/or RFO to put forward new options to meet an overall policy objective (i.e. precept rise, overall budget level etc.).
- 2.7 The cycle will then be repeated in accordance with the agreed timetable, allowing both Committees to modify the budget or change proposals so as to give Council options that fall within its policy direction.
- 2.8 No later than 25th January in any year, Council will approve a budget and the associated precept, taking account of any legal or financial advice given by the RFO/Town Clerk.
- 2.9 Once the precept has been agreed, the RFO will notify the billing authority in the required format. Budgets will be loaded into the financial management system as part of the year end process. The Town Clerk will issue a press release that explains the level of precept agreed by Council. A breakdown of the Council's budget will be provided to the billing authority in the agreed format for the purposes of the Council Tax Information Leaflet.

3 Budgetary Control

- 3.1 Before any purchase order is made, the Officer placing the order shall check to ensure that there are sufficient remaining funds, within the relevant budget, taking into account any commitments and any special approvals given by Council. Orders may be placed in writing, by email, by telephone or in person. In all cases a list of outstanding orders should be kept so that the total committed position is known.
- 3.2 Where an order or requisition is authorised by the Foreman, the Foreman must first check that this is within the limits and guidelines set out by the RFO. On receipt of the goods or service the Foreman must sign off any delivery note or requisition to confirm that the item has been received. The documentation must be presented to the RFO as soon as possible and not later than 7 days.
- 3.3 Before the close of each financial period the FO will ensure that all income and expenditure has been entered into the system. The RFO will then run an income and expenditure report and taking account of any outstanding commitments, check that all expenditure and income is in line with expectations (orders, delivery notes, requisitions etc.) and the budget. Where there are discrepancies, the RFO shall firstly check the allocation of expenditure/income and instruct the FO to make any necessary adjustments by journal transfer within the system or to rectify any anomalies. Where the allocation is correct the RFO can authorise the movement or virement of budget within a class of expenditure. Where virement within a class of expenditure does not resolve the problem any overspend must be reported to Council at the earliest opportunity in order that the situation can be rectified.
- 3.4 At the end of each quarter, the RFO will produce an Income and Expenditure Statement as part of the Quarterly Governance Report for presentation to the Business and Resources Committee. The Committee will review the overall position, reporting any irregularity or concerns to the next meeting of Council and instructing the RFO if additional controls or explanatory information are required. Additionally the committee shall appoint two members to undertake monthly checks between meetings.

4. Accounting and Audit

- 4.1 All accounting records, including all payments and income, shall be entered on the RBS Omega Accounting System, in accordance with the operating instruction manual, as soon as practically possible, and always before the close of that monthly period. The system is a double entry income and expenditure system which has audit facilities to ensure data integrity and to record who has input data or made changes. For this purpose each user has their own username and password.
- 4.2 The RFO will maintain a list of accounting codes and cost centres on the system that meets the reporting needs of the Council and also matches the Council's approved budget. All budgets will be entered on the system for the New Financial Year as part of the previous year end close down process.

- 4.3 Payments will be recorded from cheque stubs, electronic payment confirmations, supporting invoices, salary payment letters, notifications from Bankers of charges or standing payments and checked for appropriate authorisation. Every payment will include a brief description and will be coded against the appropriate budget. The person entering payments on the system will wherever possible be different from the person authoring the payment (e.g. writing the cheque, processing an on-line payment).
- 4.4 Income received will be recorded from paying in books, receipts, remittance slips and bank statements. In the case of cemetery income it will be cross checked monthly against the cemetery system income received/due report to ensure accuracy and completeness.
- 4.5 Precept payments and any other direct payments (e.g. grants) will be taken from notifications and income showing on the bank statements.
- 4.6 All Petty Cash expenditure claims shall initially be recorded in the Petty Cash Book and once this has been reconciled to cash held and signed off by the Mayor or other nominated councillor, the transactions shall be entered on to the system. This shall be completed not less frequently than each quarter according to the number of transactions.
- 4.7 All payments and receipts will be reconciled by the FO completing bank reconciliation (a function within the computerised financial system) for each month and signed off by the RFO. All discrepancies will be investigated, corrected and explained. Should a situation ever arise that the accounts cannot be reconciled; this must be reported to the Mayor and Deputy Mayor immediately and to the next Council meeting so that action can be taken. Once the bank reconciliation has been signed off by the RFO, it will be checked and signed off as correct by two members as appointed by the B&R Committee from time to time. The sign off sheets shall be presented at the next Council meeting together with the balance sheet to substantiate the Council's financial controls are in place.
- 4.8 During April and no later than 31st May, all accounts for previous years shall be reconciled. Any outstanding payments and income due recorded in accordance with the computer system's procedures for end of year. Adjustments to ear marked reserves, asset values, stock and any other balance sheet items shall be input accordingly.
- 4.9 Once all adjustments and records have been made a trial balance shall be run. Once the RFO is satisfied that this represents a true and fair record of the Council's accounts, a full set of accounts shall be printed from the system, including the annual return. This shall then be made available, together with all supporting documents and read only system access, to the Internal Auditor, (appointed by Council in April each year), who will carry out checks to satisfy themselves that the accounts are fair and accurate.
- 4.10 Once the accounts have been signed off by the Internal Auditor, their report together with the accounting statement, balance sheet and supporting income and expenditure accounts shall be presented to Council for scrutiny and approval. The Council shall then consider and respond to the required accounting statements. If approved the document shall be signed by the Mayor and RFO for dispatch to the External Auditor in accordance with their procedure and statutory deadlines.

5. Payment of Accounts and Expenses

- 5.1 All payments (other than Petty Cash) shall be effected by cheque, electronic payment or other order drawn on the Council's bankers.
- 5.2 All invoices for payment shall be examined, checked for arithmetic accuracy by the RFO or FO and then verified and certified by the Clerk. The Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.
- 5.3 The Clerk shall either settle all invoices submitted in accordance with Financial Regulation 5.5. or shall otherwise present them to Council for authorisation prior to payment.
- 5.4 A schedule of the payments since the last meeting shall be reported from the Accounting System and be presented to Council as a standing item on the Council Agenda of every ordinary meeting. The schedule of payments shall clearly show the payment type showing an appropriate reference, the payee and a brief description from the computer record. If the schedule is in order, it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the Meeting. It shall be published as part of the Council's minutes, which shall also act as the Council's obligation to publish financial transactions.
- 5.5 Once payments are recorded on the Financial System all invoices shall be kept in an invoice file by year and month of payment. Individual invoices shall be marked with a payment reference (e.g. cheque number) to aid easy cross referencing of payments and by way of recognising payment.
- 5.6 Any Cheques drawn on the bank account shall be signed by two members of Council, and countersigned by the Clerk. 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
- 5.7 The Clerk is authorised to use electronic transfer or electronic banking under Financial Regulation 6.4. Where an electronic or e-banking transaction is to take place, an e-banking proforma (**Appendix A**) must be signed by two cheque signatories and countersigned by the Clerk prior to the transaction taking place (this effectively puts in place the same checks and controls as for cheque payments). Electronic banking transactions shall be clearly identified on the schedule of payments presented to Council.
- 5.8 Any internet or electronic banking must be used in accordance with the instruction and guidelines of the Council's bankers, including but not limited to the management of security and passwords and in compliance with Financial Regulations 6.10 to 6.16 inclusive.
- 5.9 The Clerk is authorised by Financial Regulation 6.17 to hold a debit card for the Council's bank accounts and may use this for payment for goods and services where the following conditions apply:-

a) For online, telephone or in person orders where payment is required at the time of the order transaction (i.e. purchase orders are not accepted or would incur additional charges)

b) The transaction is incurred within the Council's budgeted expenditure and does not exceed £500.

c) A debit card transaction proforma (**Appendix B**) has previously been signed by two cheque signatories and countersigned by the Town Clerk OR where in an emergency or urgent situation the Town Clerk authorises a payment without two signatories, this shall be as soon as practically possible reported to the Mayor and Deputy Mayor and a detailed explanation provided at the next meeting of Council.

d) Electronic payments shall be separately identified on the schedule of payments presented to Council.

5.10 Any use of a payment card must be used in accordance with the card issuer instructions and guidelines, including but not limited to the management of any security and passwords and in compliance with Financial Regulations 6.10 to 6.16 inclusive.

5.11 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. Wherever possible and for larger expenses, officer expenses will be reimbursed through the payroll system. Valid councillor expenses will be paid with the next Councillor Allowance due.

a) The RFO shall maintain a petty cash float of up to a maximum of up to £250 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment together with an account or book that reconciles the float.

b) Income received must not be paid into the petty cash float but must be separately banked, as provided in section 9 of the Financial Regulations and described in the Income section of this document.

c) Payments to maintain the petty cash float shall be clearly identified on the schedule of payments presented to Council.

6. Payment of Salaries

6.1 Skegness Town Council provides its own payroll service using the IRIS payroll system. The operation of the system shall be in accordance with any operating manuals or system help.

6.2 The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council through Employment Contracts. The RFO shall use the computerised system to process, calculate and report payroll.

- 6.3 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to and ratified by the next available Council Meeting.
- 6.4 Salary amounts will be in accordance with the contract of employment, together with any approved overtime or expense claim. Where overtime is claimed this shall be recorded on a timesheet and will have been authorised by the Town Clerk. All overtime will be recorded on a spreadsheet and the monthly total input to the payroll system under the appropriate heading. Months for overtime purposes shall run until the Sunday prior to payroll processing (i.e. approx. 21st day of the month). Any claim received after this date shall be included in the following month.
- 6.5 Any out of pocket expenses and car mileage expenses shall be claimed on the appropriate form and authorised by the Town Clerk. Expenses will normally be paid through the next available payroll run using the payroll system which will make any appropriate tax/NI deductions. In exceptional circumstances the Town Clerk can authorise the use of Petty Cash making appropriate adjustments in the next payroll where there are potential tax or NI implications.
- 6.6 Payment of salaries may be by cheque, e-banking, BACS, or other order on the Council's bank account and shall be completed so that it arrives in the employees account no later than 28th day of each month or earlier where 28th falls on a weekend or bank holiday. Each employee shall be given a printed payslip detailing pay and deductions. Payments made will be signed by two Councillors from the authorised list and at the same time any expenses claimed by the Town Clerk shall be checked and countersigned.
- 6.7 Payments of Councillor allowances including the Mayor's Allowance and expenses will be made quarterly in arrears using the Council's payroll system. In exceptional circumstances to meet expenses already incurred only, the RFO may make a payment on account but this amount shall show as a payment on account on the payslip.
- 6.8 Returns to the HMRC are made using the Real Time Interface (RTI) an online submission process and all tax and NI information is transferred immediately payment is made to the HMRC and not later than 18th day of the following month.
- 6.9 Returns to the Pension Fund Provider shall be completed so as to arrive no later than the 18th day of the following month.
- 6.10 All payments due to HMRC and the Pension Fund Provider shall be made so as to arrive no later than 18th day of the following month.
- 6.11 From the end of 2013/14 all HMRC processes with the exception of P11Ds (expenses) are automated using RTI. It is anticipated that all expenses will be recorded on the payroll system with appropriate tax and NI calculations from 1st April 2014.
- 6.12 Each year the RFO shall complete a Pension Fund Return as prescribed by the Pension Fund Provider from time to time.

- 6.13 At year end a P60 statement for all employees and Councillors will be produced and supplied by the required date. P11D where required will be produced by the statutory deadline and any additional payment of tax or NI made to the HMRC in accordance with their procedures.
- 6.14 All Payroll records shall be kept for a minimum of 7 years.
- 6.15 The Mayor or other appointed member will check from time to time the salary levels paid are in accordance with Employment Contracts.

7. Loans and Investments

- 7.1 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 or where not specified for periods of 3, 6 or 12 months at the Town Clerk's discretion.
- 7.2 The council shall consider the need for an Investment Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Where a Policy exists it shall be reviewed at least annually.
- 7.3 All investments of money under the control of the Council shall be in the name of the Council.
- 7.4 All borrowings shall be taken out 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.
- 7.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 7.6 All interest payments or receipts shall be recorded within the accounting records against the appropriate fund.

8. Income

- 8.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO, who may delegate specific tasks to other Officers, with a view to creating separation of duties where possible.
- 8.2 The Council will review all fees and charges at least annually, following a report of the Clerk, to be made for work done, services rendered or goods supplied. The RFO shall be responsible for the collection of all accounts due to the Council.
- 8.3 Where any amount due is more than 30 days in arrears the FO shall issue a Final Demand Notice. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.

- 8.4 All sums received on behalf of the Council shall be banked intact usually weekly or when any significant sums are received. In all cases, all receipts shall be deposited with the Council's bankers with such frequency so as reduce the risk of loss, taking into account any limits that may be imposed by the Council's insurers.
- 8.5 The origin and where available a reference or description for each receipt shall be entered on the paying-in slip.
- 8.6 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 8.7 The FO shall each quarter complete any Value Added Tax (VAT) Return that is required, reconciling this to the VAT control account. This shall be presented to the RFO for checking and authorisation. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.
- 8.8 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 receipt issues, and that appropriate care is taken in the security and safety of individuals banking such cash.
- 8.9 Where cash is received it shall be kept in the safe overnight or at weekends until ready for banking. Cash should not be left out at any times on desks or otherwise loose in the office. If cash is received when a safe key holder is not available, any money shall be locked in the secure Fireproof drawers used for cemetery documentation.

9. Orders for Work, Goods and Services

- 9.1 An official order or letter shall be used by the FO where the RFO shall determine it appropriate to do so for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate (e.g. on-line purchases, telephone). Copies of orders shall be retained or where no official order is sent an equivalent file note.
- 9.2 Ordering systems shall be controlled by the RFO, but day to day functions will be delegated to the FO.
- 9.3 All members and Officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations, estimates or price lists from appropriate suppliers, subject to any de minimis provisions in the Financial Regulations.
- 9.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used. In general practice each budget code has one or more statutory authorities associated with it. Since the Council has adopted the General Power of Competence, it is unlikely that many types of purchase will be ultra vires. Focus should therefore be on unusual

items rather than day to day purchases that have been made many times before and powers already established.

10. Contracts

- 10.1 Procedures as to contracts are as set out in the Financial Regulations. It is not considered necessary to have separate detailed procedures as contracts as opposed to orders are few and far between.

11. Payments Under Contracts for Building, Other Construction Works or Contracts where contract variations occur

- 11.1 Procedures are as set out in the Financial Regulations. It is not considered necessary to have separate detailed procedures as occurrences are few and far between.

12. Stores and Equipment

- 12.1 Officers shall be responsible for the care and custody of stores and equipment in their charge.
- 12.2 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. The delivery notes shall be signed by the recipient and sent to the RFO so these can be checked against orders and invoices.
- 12.3 Stocks, other than stationery, will generally be under the supervision of the Foreman. The stocks shall be kept at the minimum levels consistent with operational requirements. The RFO/Town Clerk will check from time to time to check and agree appropriate stock levels with the Foreman.
- 12.4 The RFO shall be responsible for periodic checks of stocks & stores at least annually. This will involve undertaking spot checks, with the Foreman completing a check of Public Property Assets.

13. Assets, Properties and Estates

- 13.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.
- 13.2 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.
- 13.3 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.

14. Insurance

- 14.1 Following the annual risk assessment (per Financial Regulation 17), the RFO shall take out and administer all insurances and negotiate all claims on the Council's insurers.
- 14.2 The RFO shall keep a record of all insurances taken out by the Council and the property and risks covered thereby and annually review it.
- 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 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.

15. Charities

- 15.1 Where the Council is sole trustee of a Charitable body the Clerk shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The Clerk shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

16. Risk Management

- 16.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk 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 Business and Resources Committee (or successor committee) each quarter and any issues or actions reported to Council at the next available Council meeting.
- 16.2 When considering any new activity, the Town Clerk shall prepare a draft risk and financial assessment including risk management proposals for consideration and adoption by the council.

17. Revision of Financial Procedures

- 17.1 The Town Clerk/RFO has responsibility to the Council for maintaining appropriate financial procedures that support the Council's Financial Regulations. It is the duty of the Council to review the Financial Regulations of the Council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to the financial regulations and any consequential changes to the Financial Procedures.

Debit Card Proforma

No.DC 00001

Payee

**Total
Amount**

£	-	p
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Details

SignedDate..... Member

SignedDate..... Member

Counter Signed..... Clerk