EAST GRINSTEAD TOWN COUNCIL

FINANCIAL REGULATIONS 2025

(ENGLAND)

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Version	Date	Details of Changes
1	27.1.2025	Adoption of updated NALC Model Financial Regulations, minute # 65
2	7.4.2025	Adopted: Sections 5.3, 5.5 and 5.9 updated as per legislation
3	7.5.2026	Updated Sections 5.6 & 5.7 to reflect transparent approval process

1. General

1.1. These Financial Regulations govern the financial management of the council and may only be amended or varied by resolution of the council. They are one of the council's three governing documents (the others being Standing Orders & Code of Conduct) and shall be observed in conjunction with the council's Standing Orders.

1.2. Councillors are expected to follow these regulations and not to entice employees to breach them. Failure to follow these regulations brings the office of councillor into disrepute.

1.3. Wilful breach of these regulations by an employee may result in disciplinary proceedings.

1.4. In these Financial Regulations:

- 'Accounts and Audit Regulations' means the regulations issued under Sections 32, 43(2) and 46 of the Local Audit and Accountability Act 2014, or any superseding legislation, and then in force, unless otherwise specified.
- "Approve" refers to an online action, allowing an electronic transaction to take place.
- "Authorise" refers to a decision by the council, or a committee or an officer, to allow something to happen.
- 'Proper practices' means those set out in *The Practitioners' Guide*
- *Practitioners' Guide* refers to the guide issued by the Joint Panel on Accountability and Governance (JPAG) and published by NALC in England or Governance and Accountability for Local Councils in Wales – A Practitioners Guide jointly published by One Voice Wales and the Society of Local Council Clerks in Wales.
- 'Must' and **bold text** refer to a statutory obligation the council cannot change.
- 'Shall' refers to a non-statutory instruction by the council to its members and staff.

1.5. The Responsible Financial Officer (RFO) holds a statutory office, appointed by the council. The RFO;

- acts under the policy direction of the council;
- administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
- determines on behalf of the council its accounting records and control systems;
- ensures the accounting control systems are observed;
- ensures the accounting records are kept up to date;
- seeks economy, efficiency and effectiveness in the use of council resources; and
- produces financial management information as required by the council.

1.6. **The council must not delegate any decision regarding:**

- **setting the final budget or the precept (council tax requirement);**

- **the outcome of a review of the effectiveness of its internal controls**
- **approving accounting statements;**
- **approving an annual governance statement;**
- **borrowing;**
- **declaring eligibility for the General Power of Competence; and**
- **addressing recommendations from the internal or external auditors**

2. Risk management and internal control

2.1. **The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.**

2.2. The Clerk & RFO shall prepare, for approval by the council, a risk management policy covering activities of the council. This policy and consequential risk management arrangements shall be reviewed by the council annually.

2.3. When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration by the council.

2.4. **At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.**

2.5. **The accounting control systems determined by the RFO must include measures to:**

- **ensure that risk is appropriately managed;**
- **ensure the prompt, accurate recording of financial transactions;**
- **prevent and detect inaccuracy or fraud; and**
- **allow the reconstitution of any lost records;**
- **identify the duties of officers dealing with transactions and**
- **ensure division of responsibilities.**

2.6. At least once in each quarter, and at each financial year end, two members shall be appointed to verify the bank reconciliations that are produced by the RFO. The members shall sign and date the reconciliations and the bank statements as evidence of this.

2.7. Regular back-up copies shall be made of the records on any council computer and stored either online or in a separate location from the computer. The council shall put measures in place to ensure that the ability to access any council computer is not lost if an employee leaves or is incapacitated for any reason.

3. Accounts and audit

3.1. All accounting procedures and financial records of the council shall be determined by the RFO in accordance with the Accounts and Audit Regulations.

3.2. **The accounting records determined by the RFO must be sufficient to explain the council's transactions and to disclose its financial position with reasonably accuracy at any time. In particular, they must contain:**

- **day-to-day entries of all sums of money received and expended by the council and the matters to which they relate;**
- **a record of the assets and liabilities of the council;**

3.3. The accounting records shall be designed to facilitate the efficient preparation of the accounting statements in the Annual Governance and Accountability Return.

3.4. The RFO shall complete and certify the annual Accounting Statements of the council contained in the Annual Governance and Accountability Return in accordance with proper practices, as soon as practicable after the end of the financial year. Having certified the Accounting Statements, the RFO shall submit them (with any related documents) to the council, within the timescales required by the Accounts and Audit Regulations.

3.5. **The council must ensure that there is an adequate and effective system of internal audit of its accounting records and internal control system in accordance with proper practices**.

3.6. **Any officer or member of the council must make available such documents and records as the internal or external auditor consider necessary for the purpose of the audit** and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary.

3.7. The internal auditor shall be appointed by the council and shall carry out their work to evaluate the effectiveness of the council's risk management, control and governance processes in accordance with proper practices specified in the Practitioners' Guide.

3.8. The council shall ensure that the internal auditor:

- is competent and independent of the financial operations of the council;
- reports to council in writing, or in person, on a regular basis with a minimum of one written report during each financial year;
- can demonstrate competence, objectivity and independence, free from any actual or perceived conflicts of interest, including those arising from family relationships; and
- has no involvement in the management or control of the council

3.9. Internal or external auditors may not under any circumstances:

- perform any operational duties for the council;
- initiate or approve accounting transactions;
- direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.

3.10. For the avoidance of doubt, in relation to internal audit the terms ‘independent’ and ‘independence’ shall have the same meaning as described in The Practitioners Guide.

3.11. The RFO shall make arrangements for the exercise of electors’ rights in relation to the accounts, including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and documents required by the Local Audit and Accountability Act 2014, or any superseding legislation, and the Accounts and Audit Regulations.

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

4. Budget and precept

4.1. **Before setting a precept, the council must calculate its council tax requirement for each financial year by preparing and approving a budget, in accordance with The Local Government Finance Act 1992 or succeeding legislation.**

4.2. Budgets for salaries and wages, including employer contributions shall be reviewed by the RFO at least annually by no later than November for the following financial year and the final draft shall be evidenced by a report to both the Clerk and the Chair of the Finance & General Purposes Committee. The RFO will ensure that all Chairs of committees are advised of any salary implications before the consideration of their budgets.

4.3. No later than December each year, the RFO in consultation with the Town Clerk, shall prepare a draft budget with detailed estimates of all income and expenditure for the following financial year taking account of the lifespan of assets and cost implications of repair or replacement.

4.4. Unspent budgets for completed projects shall not be carried forward to a subsequent year. Unspent funds for partially completed projects or projects yet to be undertaken may be carried forward by placing them in an earmarked reserve.

4.5. Each committee shall review its draft budget and submit any proposed amendments to the Council by no later than the end of January each year.

4.6. The draft budget with any committee proposals, including any recommendations for the use or accumulation of reserves, shall be considered by the Full Council.

4.7. Having considered the proposed budget, the council shall determine its Council tax requirement by setting a budget. The council shall set a precept for this amount by no later than the end of January for the ensuing financial year.

4.8. **Any member with council tax unpaid for more than two months is prohibited from voting on the budget or precept by Section 106 of the Local Government Finance Act 1992 and must disclose at the start of the meeting that Section 106 applies to them.**

4.9. The RFO or Town Clerk shall **issue the precept to the billing authority by no later than the end of February** and supply each member with a copy of the agreed annual budget.

4.10. The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned.

4.11. Any transfer to or from one earmarked reserve to another shall be agreed by the Finance & General Purposes Committee.

5. Procurement

5.1. **Members and officers are responsible for obtaining value for money at all times.** Any officer procuring goods, services or works should ensure, as far as practicable, that the best available terms are obtained, usually by obtaining prices from more than one supplier.

5.2. Every contract shall comply with the council's Standing Orders and these Financial Regulations and no exceptions shall be made, except in an emergency.

5.3. **For a contract for the supply of goods, services or works where the estimated value will exceed the thresholds set by Parliament, the full requirements of The Procurement Act 2023 and The Procurement Regulations 2024 or any superseding legislation ("the Legislation"), must be followed in respect of the tendering, award and notification of that contract.**

5.4. For contracts estimated to be greater than £50,000 excluding VAT, the Clerk shall invite a minimum of four tenders from a minimum of four different suppliers agreed by the council. Acceptance of a contract must be agreed by the Town Clerk, the Chair of the relevant committee, and the chair of the Finance & General Purposes Committee. Tenders shall be invited in accordance with *Appendix 1*.

5.5. **For contracts estimated to be over £30,000 including VAT, the council must comply with any requirements of the Legislation regarding the publication of invitations and notices.**

5.6. For contracts estimated to be between £20,001 and £50,000 excluding VAT, the Head of Service or Town Clerk shall invite a minimum of three quotes from a minimum of three different suppliers. Acceptance of a quote must be agreed by the relevant committee.

5.7. For contracts estimated to be between £5,000 and £20,000 excluding VAT, the Officer with the accountability for the cost centre to which the expenditure will be charged, shall invite a minimum of two quotes from a minimum of two different suppliers. Acceptance of a quote must be agreed by the appropriate Head of Service, Town Clerk & the Chair of the relevant committee.

5.8. For purchases of less than £5,000 the officer placing the order shall seek to achieve value for money.

5.9. **Contracts must not be split to avoid compliance with these rules.**

5.10. The requirement to obtain competitive prices in these regulations need not apply to contracts that relate to items (i) to (iv) below:

i. specialist services, such as legal professionals acting in disputes;

ii. repairs to, or parts for, existing machinery or equipment;

iii. works, goods or services that constitute an extension of an existing contract;

iv. goods or services that are only available from one supplier or are sold at a fixed price.

5.11. The council shall not be obliged to accept the lowest or any tender, quote or estimate.

5.12. Expenditure attributable to an established cost centre may be incurred up to the amounts agreed in the approved budget.

5.13. Expenditure may not be incurred which cannot be met from the amount provided within the net revenue cost centre budget unless there is an earmarked reserve established to allow for such an overspend.

5.14. In cases of serious risk to the delivery of council services or to public safety on council premises, the clerk may authorise expenditure of up to £15,000 excluding VAT on repair, replacement or other work that in their judgement is necessary, whether or not there is any budget for such expenditure. The Clerk shall report such action to the Chair as soon as possible and to the Finance & General Purposes committee as soon as practicable thereafter.

5.15. No expenditure shall be authorised, no contract entered into or tender accepted in relation to any major project, unless the council is satisfied that the necessary funds are available and that where a loan is required, Government borrowing approval has been obtained first.

6. Banking and payments

6.1. The council's banking arrangements, including the bank mandate, shall be made by the RFO and authorised by the Town Clerk. The council has resolved to bank with National Westminster (Nat West). The arrangements shall be reviewed periodically for security and efficiency.

6.2. Where possible, all payments made shall be made via electronic banking. Every electronic payment of less than £10,000 will require authorisation by either the RFO, the Town Clerk, or the Deputy Town Clerk. Electronic payments of £10,000 or greater will require dual authorisation

6.3. All invoices for payment should be examined for arithmetical accuracy, analysed to the appropriate expenditure heading and verified to confirm that the work, goods or services were received, checked and represent expenditure previously authorised by the council before being certified by the RFO.

6.4. In the unlikely event of a cheque payment being required, all cheque payments will require signing by two designated Council members, unless the cheque value is less than £5,600 in which case the Town Clerk is able to be the sole signatory.

6.5. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of employment) may be summarised to avoid disclosing any personal information.

6.6. All payments shall be made by online banking/cheque, in accordance with a resolution of the council unless the council resolves to use a different payment method.

6.7. Internal transfers between the Nat West Current account & the Nat West Business Reserve account for the purposes of either ensuring that funds are available to meet payment requirements, or to increase investment returns, may be authorised by the RFO. Any internal transfer of greater than £10,000 will require dual authorisation from the RFO and either the Town Clerk or the Deputy Town Clerk.

6.8. Internal transfers either to or from any Council account other than those mentioned in paragraph 6.7 will require prior approval from Council.

6.9. The RFO shall present a detailed list of all payments that have been made in a calendar month to the Finance & General Purposes committee on a quarterly basis and a minute will be taken to evidence this.

6.10. Where internet banking arrangements are made with any bank the RFO shall be appointed as the Service Administrator.

6.11. The RFO, Town Clerk & Deputy Town Clerk shall have access to view the council's bank accounts online.

6.12. With the approval of the RFO in each case, regular payments (such as gas, electricity, telephone, broadband, water, National Non-Domestic Rates, refuse collection, pension contributions and HMRC payments) may be made by variable direct debit.

6.13. Members and officers shall ensure that any computer used for the council's financial business has adequate security, with anti-virus, anti-spyware and firewall software installed and regularly updated.

7. Payment cards

7.1. Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the RFO, the Town Clerk and the Estates Manager and any balance shall be paid in full each month.

7.2. Personal credit or debit cards of members or staff shall not be used except for expenses of up to £100 including VAT, incurred in accordance with council policy.

8. Petty Cash

8.1. The RFO shall maintain a petty cash float of £300 and may provide petty cash to officers for the purpose of defraying operational and other expenses.

8.2. Vouchers for payments made from petty cash along with receipts to substantiate every payment shall be kept until at least such time as the year end accounts have been signed off by Full Council

8.3. No petty cash claim can be made for any amount exceeding £25.

9. Payment of salaries and allowances

9.1. **As an employer, the council must make arrangements to comply with the statutory requirements of PAYE legislation.**

9.2. **Councillors allowances (where paid) are also liable to deduction of tax under PAYE rules and must be taxed correctly before payment.**

9.3. Payment of salaries shall be made, after deduction of tax, national insurance, pension contributions and any similar statutory or discretionary deductions, on the dates stipulated in employment contracts.

9.4. Deductions from salary shall be paid to the relevant bodies within the required timescales, provided that each payment is reported, as set out in these regulations above.

9.5. Each payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a payroll control account with the total of such payments each calendar month reported in the cashbook.

9.6. The monthly Payroll reports will be generated by the RFO and reviewed & signed by the Town Clerk to ensure that the correct payments have been made.

9.7. Any termination payments shall be supported by a report to the council, setting out a clear business case. Termination payments shall only be authorised by the full council.

10. Loans and investments

10.1. Any application for Government approval to borrow money and subsequent arrangements for a loan must be authorised by the full council and recorded in the minutes. All borrowing shall be in the name of the council, after obtaining any necessary approval.

10.2. Any financial arrangement which does not require formal borrowing approval from the Secretary of State (such as Hire Purchase, Leasing of tangible assets or loans to be repaid within the financial year) must be authorised by the Finance & General Purposes committee.

10.3. The council shall consider the requirement for an Investment Strategy and Policy in accordance with Statutory Guidance on Local Government Investments, which must be written in accordance with relevant regulations, proper practices and guidance.

Any Investment strategy & Policy shall be reviewed by the council at least once every two years.

10.4. All investment of money under the control of the council shall be in the name of the council.

10.5. All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

10.6. Payments in respect of short term or long-term investments, including transfers between bank accounts held in the same bank, shall be made in accordance with these regulations.

11. Income

11.1. The collection of all sums due to the council shall be the responsibility of and under the supervision of, the RFO.

11.2. The council will review all fees and charges for work done, services provided, or goods sold at least annually as part of the budget-setting process, following a report of the Clerk. The RFO shall be responsible for the collection of all amounts due to the council.

11.3. Any sums of greater than £250 found to be irrecoverable shall be reported to the council and shall be written off in the year. Bad debts of £250 or less may be written off by the RFO in consultation with the Town Clerk.

11.4. All sums received on behalf of the council shall be deposited intact with the council's bankers, with such frequency as the RFO considers necessary. The origin of each receipt shall clearly be recorded on the paying-in slip or other record.

11.5. Personal cheques shall not be cashed out of money held on behalf of the council.

11.6. The RFO shall ensure that VAT is correctly recorded in the council's accounting software and that any VAT Return required is submitted to the HMRC by the relevant due date for each quarter.

11.7. Where significant sums of cash are received by the council, the RFO shall ensure that more than one person is present when the cash is counted in the first instance, and that the current insurance limits for cash in transit are adhered to when banking large amounts of cash.

12. Payments under contracts for building or other construction works

12.1. Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments, which shall be made within the time specified in the contract based on signed certificates from the architect or other consultant engaged to supervise the works.

12.2. Any variation of, addition to or omission from a contract must be authorised by the Town Clerk to the contractor in writing, with the council being informed where the final cost is likely to exceed the contract sum by 5% or more, or likely to exceed the budget available.

13. Assets, properties and estates

13.1. The Clerk shall make arrangements for the safe custody of all title deeds and Land Registry Certificates of properties held by the council.

13.2. The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date, with a record of all properties held by the council, their location, extent, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held, in accordance with Accounts and Audit Regulations.

13.3. The continued existence of tangible assets shown in the Register shall be verified at least annually.

14. Insurance

14.1. The RFO shall keep a record of all insurances effected by the council and the property and risks covered, reviewing these annually before the renewal date in conjunction with the council's review of risk management.

14.2. All members of staff with budget responsibility and/or staff responsibility shall give prompt notification to the RFO of all new risks, properties or vehicles which are required to be insured and of any alterations affecting existing insurances.

14.3. The RFO shall be notified of any loss, liability, damage or event likely to lead to a claim, and shall report these to the Finance & General Purposes committee at the next available meeting. The RFO shall negotiate all claims on the council's insurers.

14.4. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the council, or duly delegated committee.

15. Suspension and revision of Financial Regulations

15.1. The council shall review these Financial Regulations annually and following any change of Clerk or RFO. The Clerk & RFO shall monitor changes in legislation or proper practices and advise the council of any need to amend these Financial Regulations.

15.2. The council may, by resolution duly notified prior to the relevant meeting of council, suspend any part of these Financial Regulations, provided that reasons for the suspension are recorded and that an assessment of the risks arising has been presented to all members. Suspension does not negate the need for any legislation to be adhered to or permit the council to act unlawfully.

15.3. The council may temporarily amend these Financial Regulations by a duly notified resolution, to cope with periods of absence, local government reorganisation, national restrictions or other exceptional unforeseen circumstances.

Appendix 1 - Tender process

1) Any invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
2) The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post, unless an electronic tendering process has been agreed by the council.
3) Where a postal process is used, each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract. All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of council.
4) Where an electronic tendering process is used, the council shall use a specific email address that will be monitored to ensure that nobody accesses any tender before the expiry of the deadline for submission.
5) Any invitation to tender issued under this regulation shall be subject to Standing Order 18 and shall refer to the terms of the Bribery Act 2010.
6) Where the council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing, 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.