

**LOWER SEVERN (2005) INTERNAL DRAINAGE
BOARD**

FINANCIAL REGULATIONS
Approved 3rd February 2021 Minute 3180

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	Page Number
1. Introduction.....	2
2. Responsibility of Officers.....	2
3. Annual Estimates.....	3
4. Budgetary Control.....	3
5. Purchases of Goods and Services.....	4
6. Procurement.....	4
7. Banking.....	5
8. Payments.....	5
9. Income.....	6
10. Petty Cash.....	7
11. Write Offs.....	7
12. Staff.....	7
13. Salaries, Wages and Pensions.....	7
14. Employees' Interests.....	8
15. Members' and Employees' Allowances.....	8
16. Fraud or Other Irregularities.....	8
17. Stores.....	8
18. Assets.....	8
19. Treasury Management and Reserves.....	9
20. Audit.....	9
21. Insurances.....	10
22. Security.....	10
23. Protection of Private Property.....	10
24. Review.....	10

1. Introduction

1.1 Financial Regulations set out the framework of the rules for the proper financial administration of the Board and the responsibility of those charged with carrying out duties with financial implications.

1.2 These financial regulations shall govern the conduct of the financial transactions of the Board and may only be amended or varied by resolution of the Board.

1.3 The Accounts Officer (AO) is the Responsible Financial Officer (RFO), as defined in the Accounts and Audit Regulations and is responsible for ensuring that the Board complies with these Regulations, the Local Audit (Smaller Authorities) Regulations 2015 (as an opted-in authority) and the Smaller Authorities (Transparency Requirements) Regulations 2015.

1.4 The AO, under the policy direction of the Board, shall be responsible for the proper administration of the Board's financial affairs.

1.4 The AO is responsible for the overall financial control of the Board's financial affairs and the provision of financial management information.

1.5 The AO will prepare the Board's annual accounts as soon as possible after the end of the financial year. These accounts will be produced in accordance with proper practices as set out by the Joint Panel on Accountability and Governance – Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to proper Practices to be applied in the preparation of statutory annual accounts and governance statements.

2. Responsibility of Officers

2.1 All staff of the Board have a general responsibility for the security of the property of the Board for the avoidance of loss and for economy, efficiency and effectiveness in the use of resources.

2.2 All accounting procedures and financial records of the Board shall be determined by the AO as required by the Accounts and Audit Regulations 2015 and the Good Governance for Internal Drainage Board Members – published by the Association of Drainage Authorities (ADA).

2.3 The AO shall ensure that appropriate accounting systems are in place to meet the Board's legal requirements, including those of all funding bodies.

2.4 The AO shall be responsible for the maintenance and supervision of all accounting records. He will supply to the Board at appropriate intervals such information as is necessary to enable expenditure and income to be controlled.

2.5 The AO shall be responsible for completing the annual accounts of the Board as soon as practicable after the end of the financial year and shall submit them to the Board at a Board Meeting held before the Statutory Date in accordance with the Accounts and Audit Regulations currently in force.

3. Annual Estimates

3.1 Detailed estimates of income and expenditure on revenue services, and receipts and payments on capital account, shall be prepared each year by the AO.

3.2 The AO shall formulate and submit to the December meeting of the F&GP (Finance and General Purposes Committee) proposals in respect of revenue services and capital works for the forthcoming financial year.

3.3 The F&GP Committee shall further review these estimates at their meeting in January and submit them to the Board at the February meeting and shall recommend the precept and agricultural rate to be levied for the ensuing financial year.

3.4 The AO shall also each year produce a five-year medium-term financial plan.

3.5 The annual capital and revenue budget shall form the basis of financial control for the ensuing year.

4. Budgetary Control

4.1 Expenditure on the revenue account may be incurred up to the amounts included in each approved budget. Where expenditure is required which is in excess of the approved budget then it must have the approval of the AO.

4.2 The AO may incur expenditure on behalf of the Board which is necessary, to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure. The AO shall report the action to the Board as soon as is practicable thereafter.

4.3 Where expenditure is incurred in accordance with regulation 4.2 above and the sum required cannot be met from savings made elsewhere within the Board's approved budget, it shall be met from the General Provision (Income and Expenditure Account).

4.4 The Board shall be kept informed by the AO of the overall financial position of the Board's finances through management accounts, forecasts and other reports as necessary.

4.5 Uncommitted provisions in the revenue budget shall not be carried forward to a subsequent year. However, a general provision including a contingency should be maintained which is equivalent to approximately 30% of the Board's annual expenditure.

4.6 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving expenditure on capital account unless the Board are satisfied that it is contained in the capital programme and that the necessary funds are available, or the requisite borrowing approval can be obtained.

4.7 The following principle shall be observed in connection with accounting duties: the duty of providing information, calculating, checking and recording sums due to, or from, the Board should be separated as completely as possible from the duty of collecting or disbursing them.

5. Purchases of Goods and Services

5.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate e.g. petty cash purchases. Copies of orders issued shall be maintained.

5.2 All Officers and Board members are responsible for obtaining value for money at all times. The person issuing an official order is to ensure as far as is reasonable and practicable that the best available terms are obtained.

6. Procurement

6.1 The Board's policy on procurement requires that decisions to award contracts or make purchases are not made on cost alone but are based on achieving 'best value for money' which includes considering cost, quality, on-going maintenance requirements, life of the product and the social and environmental impacts.

6.2 Financial Regulations shall not apply to contracts which relate to items (i) to (vii) below:

- (i) For the supply of gas, electricity water, sewerage, and telephone services.
- (ii) For specialist services such as are provided by solicitors, accountants, surveyors, planning and IT consultants.
- (iii) For work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant.
- (iv) For work to be executed or goods or materials to be supplied which constitute an extension of existing contract by the Board.
- (v) For goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.
- (vi) For work to be executed, or for the purchase of goods, services or materials of a specialist nature or are obtainable from only one supplier.
- (vii) Employment contracts.

6.3 All contracts for over £250 in value shall be in writing.

6.4 Where it is proposed to enter into a contract:

- (a) For expenditure up to £10,000 in value the Principal Officer (PO)/AO/Land Drainage Engineer (LDE)/Civil Engineer (CE) shall have delegated power to contract but must demonstrate that value for money is obtained by comparing prices from alternative suppliers/contractors which are recorded, or by obtaining written quotes.
- (b) For expenditure between £10,000 and £50,000 in value, the PO/AO/LDE/CE shall invite quotations from at least three firms.
- (c) For expenditure over £50,000 in value the PO/AO/LDE/CE shall invite tenders from at least three firms.

6.5 For the avoidance of doubt, in calculating the relevant expenditure limits it is the likely expenditure over a period of a recurring nature, shall be aggregated.

6.6 Any invitation to tender shall state the general nature of the intended contract and the PO/AO/LDE/CE shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the lead officer and the last date by which such tenders should reach the office in the ordinary course of post or by email.

6.7 A detailed register of all tenders received, indicating the total sums (where available), should be formerly recorded and be duly signed, by those officiating at the review of the tenders. All sealed tenders shall be opened at the same time on the prescribed date by two officers in the presence of at least one member of the Board.

6.8 If fewer than two tenders are received for contracts value above £50,000 or if all the tenders are identical the Board may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

6.9 The Board shall not be obliged to accept the lowest or any tender or quotation.

6.10 Apart from those cases falling within Financial Regulation 3.2, where the value of the contract exceeds £10,000 and it is proposed to enter into a contract without obtaining three or more quotations or tenders, the reasons for such proposed acceptance shall be reported in writing to the Board/appropriate Committee or and shall be recorded in the minutes.

6.11 All decisions to suspend these rules should be fully documented and recorded in the Board's minutes as a formal auditable record of the decision process undertaken.

6.12 All capital works shall be administered in accordance with the Board's financial regulations relating to contracts.

7. Banking

7.1 The Board's banking arrangements shall be made by the PO/AO and approved by the Board. Bank accounts can only be opened at any of the four main clearing banks (NatWest, Lloyds, Barclays and HSBC). A current account will be opened together with one or more deposit accounts. No changes shall be made to the Board's banker or the bank mandate without prior consent of the Board.

8. Payments

8.1 Apart from petty cash payments all payments shall be effected by cheque drawn on the Board's bankers or by Bank Transfer. The exception is where arrangements have been made to make payments by direct debits to continual supplier for example, electricity, telephone, fuel, etc.

8.2 All invoices for payment shall be matched to the official purchase order, examined, verified and certified by the officer issuing the order. Before certifying an invoice that person shall satisfy himself that the work, goods or services to which the invoice relates have been received (or carried out), examined and approved.

8.3 All duly certified invoices shall be passed to the appropriate officer who shall examine them in relation to arithmetical accuracy and authorisation, and code to the appropriate expenditure head. All possible steps to settle all invoices submitted, and which are in order, within 30 days of their receipt.

8.4 A schedule of all payment to suppliers in excess of £100 and together with the relevant invoices and supporting documents for amounts in excess of £5,000 be made available for inspection by Board members. A schedule of all payments and transfers will be made available at the following Board meeting.

8.5 Cheques drawn on the current bank account in accordance with the schedule referred to in the previous paragraph shall be signed by two duly authorised persons. One, the A signatory to be the Chairman or Vice Chairman and the second, the B signatory to be the PO, AO, LDE or the CE.

8.6 Suppliers may be paid by the use of ebanking up to a value of £50,000 in one transaction. The authority to make payment will require the prior signed approval of the PO, LDE or CE and the approval of the Chairman or Vice-Chairman.

8.7 If a supplier contacts the Board purporting to have changes their bank details etc., this will be independently verified before amending the records and making any further payments to the supplier.

8.8 The inclusion of items in approved revenue estimates will constitute authority to incur such expenditure save to the extent to which the F&GP Committee or the Board shall have placed a reservation on any such items or items.

8.9 Revenue expenditure shall not normally be incurred unless provided for in annual estimates or by supplementary estimate examined by the F&GP Committee and approved by the Board. Whenever it is proposed to seek the approval of the Board to incur revenue expenditure not already sanctioned by the Board, the AO in consultation with the Chairman shall report to the F&GP Committee and the AO shall report to the full Board on the financial aspects of the proposal.

8.10 Capital expenditure shall not normally be incurred unless provision has been made within the capital budget, capital finance has been approved by the F& GP Committee and, where necessary, loan sanctions and other relevant approvals involving capital, the Board shall consider any report which the F&GP Committee may make regarding the financial effects of such proposal. Where approval of the Board is sought to incur capital expenditure not already included in the capital budget the AO, in consultation with the Chairman shall report to the F&GP Committee on the financial aspects of the scheme.

8.11 Payments on account of the contract sum shall be made within the time specified in the contract upon authorised certificates of the officer engaged to supervise the contract.

8.12 Where contracts provide for payments by instalments a record shall be maintained of all such payments. In any case when it is estimated that the total cost of work carried out under a contract, excluding fluctuation clauses, will exceed the contract sum by 5% or more a report shall be submitted to the Board.

8.13 Any variation to a contract or addition to or omission from a contract must be approved by the PO and the Board informed.

9. Income

9.1 Council Levies are to be issued as soon as possible after the rate has been set at the February meeting of the Board each year.

9.2 Agricultural Rates are to be issued as soon as possible after 1st April each year.

9.3 All other fees/amounts owed to the Board are to be issued as soon as the debt is incurred.

9.4 Particulars of all charges to be made for work done, services rendered or goods supplied shall be notified to the AO.

9.5 The Board will review all fees and charges annually.

9.6 All cheques and cash received shall be banked at least weekly. Disbursements shall not be made from cash received.

9.7 All cash will be held in a locked cash box within a locked filing cabinet.

9.8 Personal cheques shall not be cashed out of money held on behalf of the Board.

10. Petty Cash

10.1 Petty cash may be provided to employees for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded with a claim for reimbursement:

- (a) The AO shall maintain petty cash to a limit of £300 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
- (b) The maximum claim per voucher is £50.
- (c) Petty cash counts will be carried out and reconciled the cash balance to the ledger monthly.
- (d) Income received must not be paid into petty cash but must be separately banked, as provided elsewhere in these regulations. Similarly, disbursements shall not be made from cash received.
- (e) Payments to replenish the petty cash shall be shown separately on the schedule of the payment of money presented to the Board.

11. Write Offs

11.1 The PO/AO shall have the authority to write off debts, goods, materials that are less than £100 in value. A record of the write off will be kept together with a note of the circumstances necessitating the write off.

11.2 Any write off of Debts, goods, materials that are over £100 in value requires the authority of the Board.

12. Staff

12.1 All employees of the Board shall conduct themselves in a polite, courteous and professional manner.

12.2 The PO shall keep a record of all employees to show details of the appointment, grade and payments in respect of each employee of the Board.

12.3 The Board's approval shall be required for the employment of additional permanent staff.

12.4 The PO shall have the authority to employ additional temporary staff, provided the revenue consequences are contained within the current annual estimates.

13. Salaries, Wages and Pensions

13.1 The payment of all salaries and wages shall be made from the designated bank account in accordance with the salaries and wages records maintained by Moorepay

13.2 All timesheets, other pay records and expense claims shall be in an approved form and shall be signed by the employee and shall be certified by the PO, AO, LDE or CE.

13.3 Employees annual salaries and any enhancements should be reviewed from time to time by the Staff and Pension Committee and presented to the Board for consideration.

14. Employees' Interests

14.1 Employees must declare to the PO any financial or other interest which could conflict with the Board's interests.

14.2 In terms of hospitality and gifts, only useable gifts of a small value, less than £25, may be accepted.

14.3 Hospitality which is estimated to exceed £25 must be recorded in a register of gifts and hospitality. Any acceptance of hospitality or gifts must not be seen to compromise a future decision made by an Employee.

15. Members' and Employees' Allowances

15.1 All staff claim for payment for subsistence, travelling and any other incidental expenses shall be submitted and duly certified by a responsible officer (PO, AO, LDE, CE). An officer shall not certify a claim made by him/herself.

15.2 Payments to Members, who are entitled to claim travelling or other expenses will be made upon completion of the prescribed form.

16. Fraud or Other Irregularities

16.1 Any employee who suspects fraudulent behaviour, bribery or other irregularities shall immediately notify the PO. If it concerns the PO then the Chairman must be informed.

17. Stores

17.1 All goods received shall be checked as regards quantity and/or weight and inspected as to quality and specification.

17.2 There will be a monthly physical check of all items in store. There will be a record of the value of the stock.

18. Assets

18.1 All assets over £500 in value owned by the Board shall be accounted for in an asset register maintained by the AO. The asset register shall reflect additions and disposals of assets and record the cost or valuation of the assets.

18.2 Where it is proposed to sell, part exchange or trade in Board assets where the book value or actual value (whichever greater) is estimated to exceed £50,000, the transaction shall require the prior approval of the Board, shall be publicly advertised and be by competitive tender unless otherwise determined by the Board.

18.3 Where the estimated value of the asset is between £10,000 and £50,000, the disposal shall be effected, in the most cost effective manner, including the use of eBay/PayPal, and shall be subject to the approval of the appropriate Committee.

18.4 Where the estimated value of the asset is less than £10,000, the PO/LDE are authorised to undertake the disposal, in the most cost effective manner, including the use of eBay/PayPal, under delegated powers.

18.5 If it is proposed, in any case, to accept a tender or offer other than the highest, approval from the Board or the appropriate Committee must be obtained and the reasons recorded in the minutes.

19. Treasury Management, Capital Financing and Reserves

19.1 The Treasury Sub Committee will determine the amount of cash that is available for deposit with the four main clearing banks. The AO has the flexibility to allocate funds between accounts in order to attract the best return.

19.2 The Treasury Sub Committee has the authority to invest sums received from Developers into a balanced multi asset portfolio following consultation with Smith & Williamson Investment Managers. Smith & Williamson will manage the fund on a non-discretionary basis.

19.3 Reserves will be maintained at an adequate level to support the ongoing operations of the Board. Each reserve will be reviewed, on an annual basis by the Treasury Sub Committee prior to review by the Board. Reserves will be held jointly in general cash and investment accounts of the Board.

19.4 The Board shall be responsible for raising all loans after receiving appropriate advice from the Treasury Sub Committee and the AO.

20. Audit

20.1 The F&GP Committee may appoint a body or person with the appropriate accountancy qualification to be responsible for maintaining an internal audit of the Board's accounting, financial and other operations.

20.2 It is a requirement of the Accounts and Audit Regulations 2015 that the PO shall arrange for an internal audit to take place on an annual basis.

20.3 The AO shall not be responsible for internal audit.

20.4 The Internal Auditor shall complete Page 3 (Annual Internal Audit Report) of the Annual Governance and Accountability Return Part 3.

20.5 An internal audit report, which shows the findings from the audit, together with recommendations shall be made available to the members of the F&GP Committee and to the Board.

20.6 The External Auditor is appointed by the Smaller Authorities Audit Appointments Ltd (SAAA) as the 'person specified to appoint local auditors' under powers set out in Regulation 3 of the Local Audit (Smaller Authorities) Regulations 2015.

20.7 The Annual External Audit shall complete Page 6 (External Auditor Report and Certificate) of the Annual Governance and Accountability Return Part 3.

20.8 Any officer or member of the Board shall if required to make available to the internal and/or external auditor those documents of the Board which appear to the auditor to be necessary for the purpose of the audit and shall supply the auditor with such information and explanations as the auditor considers necessary.

21. Insurances

21.1 Insurance cover shall be approved annually by the Board.

21.2 The AO shall effect all insurances and negotiate all claims on the Board's insurers.

21.3 The AO shall give prompt notification to the Board of all new risks which require to be insured and of any alterations affecting existing insurances.

21.4 The AO shall keep a record of all insurances effected by the Board and the property and risks covered thereby and review annually.

21.5 The AO shall be notified of any loss liability or damage or of any event likely to lead to a claim.

21.6 All appropriate employees of the Board shall be included in a suitable fidelity guarantee insurance.

21.7 Any Employee using his/her own vehicle for business purposes must ensure that it is insured for such use and has, where applicable, a valid MOT certificate.

22. Security

22.1 Each responsible officer is responsible for maintaining proper security at all times for all buildings, stores, paint, vehicles, equipment, cash, documents and information under his/her control.

23. Protection of Private Property

23.1 The Board shall not be liable for accidental loss or damage to the personal possessions which employees' use whilst on Board business, such as a car, or bring onto the Board's premises that are not included under the Board's Insurance Policies.

23.3 In the event of theft of personal items from staff, a full report shall be made as soon as the theft has been discovered. All such incidents shall be recorded and investigated.

24. Review

24.1 It shall be the duty of the Governance Committee to review the Financial Regulations of the Board from time to time and to make such recommendations to the Board as are considered necessary.

Signed.....(Chairman)

Date 5th Feb 2020

Minute No 3002