



# Water Management Consortium

Lindsey Marsh Drainage Board

Isle of Axholme and North Nottinghamshire Water Level Management Board

Trent Valley Internal Drainage Board

## FINANCIAL REGULATIONS

Accountable Officer:	Finance Manager
Approved by:	Board - March 2019
Reviewed by:	Senior Management Team

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## 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 In this document 'Responsible Officer' is the person who has been given written delegated authority.

### 1:2 Responsibility for Financial Control

1:2:1 The Chief Executive shall be responsible to the Board for overall financial control of the Board's financial affairs and the continuous provision of financial management information.

1:2:2 The Finance Manager shall be responsible for maintaining the integrity of the accounting, financial administration and financial control systems of the board.

1:2:3 The Finance Manager shall, where appropriate, prepare additional rules of procedure, supplementary to these Regulations, to ensure the maintenance of financial control and security.

1:2:4 The Board shall appoint an Internal Auditor who will be responsible for maintaining an adequate and effective internal audit of the accounts of the Board.

1:2:5 The Chief Executive shall ensure that the Board's Annual Accounts are prepared as soon as possible after 31st March, and in accordance with the dates as set out in the Accounts and Audit Regulations 2015.

## 2. PROCUREMENT

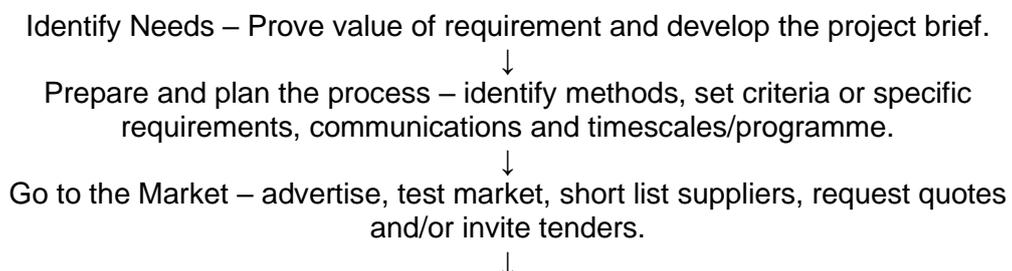
2:1 The Board's policy on procurement requires that decisions to award contracts or make purchases are not made on cost alone but are based on achieving demonstrable "best value for money" over the whole life of the service provided or the items purchased. In making this decision, cost, quality and where appropriate ongoing maintenance requirements will be considered.

2:2 The Board expects that their procurement process is transparent and will pass all tests and exposure to public scrutiny.

2:3 The Board also requires that all procurement is sustainable procurement. This means getting value for money by purchasing goods and works that are manufactured, delivered, used and disposed of in a manner which minimises their social and environmental impacts and which maximises their social and environmental benefits.

### 2:4 The Procurement Process

2:4:1 The procurement process can be split down into a series of linked and sequential stages as follows:



Tender/Quotation Evaluation – evaluate bids against pre-determined criteria, seek necessary approvals, confirm successful supplier.



Award and Implement Contract.

Manage the contract – ensure best value for money is maintained.

2:4:2 Some important considerations:

Prior to purchase:

- (a) Is there a need and case for the purchase?
- (b) Is there an existing contract in place?
- (c) Is there an existing partnership or supply arrangement in place?
- (d) Are there available in-house facilities that can do the work for you?
- (e) Are there any opportunities for collaboration?
- (f) Are you complying with the contractual rules?

European Union (EU) directives

Public sector procurement is governed by UK regulations that implement EU Directives. These Directives apply to the majority of purchases with a total value over a specific threshold.

At the date of this report the thresholds where the full EU procurement requirements come into effect are £164,176 for goods and services and £4,104,394 for works.

**2:5 Financial Levels, Procurement Process and Approvals**

2:5:1

<i>Value of Contract</i>	<i>Procurement</i>	<i>Approval Requirement</i>
<£5,000	Single supplier, written quotation	Chief Executive or Engineer
£5,000 to £10,000	Minimum of two written quotations based on a written specification	Chief Executive and Engineer
£10,000 to £25,000	As above but three written quotations	Approval as above where within approved budget allocation or by relevant Committee or Board
£25,000 to £75,000	At least three formal quotations based on request for a quotation and full specification and with simplified Terms and Conditions	Board or Committee if authority to award has been delegated.
>£75,000	Three to six formal tenders	Board

2:5:2 Exceptions to these rules may apply where:

- (a) In-house capability and capacity exists or,

- (b) where only a single supplier can be identified and,
- (c) in either case where Board approval has been granted to vary the procurement rules.

2:5:3 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.

## **2:6 Related Documents**

- The Public Contracts Regulations 2015

## **3. RESPONSIBILITY OF OFFICERS**

- 3:1 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.
- 3:2 Staff have a responsibility to notify the Chief Executive should they be concerned about any conflict of interest with a supplier/contractor (e.g. personal connection/relationship) to ensure openness and transparency in dealing with public funds.

## **4. ACCOUNTS**

- 4:1 The Chief Executive and the Finance Manager shall, each financial year, prepare estimates of income and expenditure for the ensuing financial year. Such estimates will be presented to the Board in January or February on the level of the penny rate and council special levies.
- 4:2 The Chief Executive and the Finance Manager shall also each year produce a five year projection to estimate levels of balances, so that the penny rate can be set at appropriate levels.
- 4:3 The Board meeting in January/February will set and seal the Rate for the ensuing financial year.
- 4:4 The Finance Manager shall produce monthly accounts to the Chief Executive which include income and expenditure, creditors and debtors, bank and investment balances and budget analysis.
- 4:5 The Board shall be kept informed by the Finance Manager of the overall financial position of the Board's finances through management accounts, forecasts and other reports as necessary.
- 4:6 The Finance Manager shall produce the year end accounts to the Board within the time period as required by the Accounts and Audit regulations.

## **5. BANKING**

- 5:1 The Chief Executive shall advise the Board's bankers in writing of the conditions under which each bank account shall be operated and which must be in the Board's name.
- 5:2 The main bank accounts will be operated on the following basis:
- (a) All cheques below £50,000 will be signed by either the Chief Executive or Engineer.

- (b) All cheques above £50,000 but below £100,000 will be signed by both the Chief Executive and Engineer.
- (c) Any cheque above £100,000 to be signed by the Chief Executive or Engineer and the Chairman or Vice Chairman.
- (d) All BACS authorisations will be signed (or authorised on-line) by two of the bank signatories.
- (e) A financial limit of £250,000 for all transactions (on-line, cheques, BACS) shall be agreed with the bank for which they will check with the Chief Executive or Finance Manager before releasing payment.
- (f) All bank transfers to non-Board bank accounts shall be authorised by two signatories in line with the limits above.
- (g) All bank transfers between Board accounts will be authorised by either the Chief Executive, Engineer or Finance Manager.

5:3 Bank accounts should be reconciled monthly by the Finance Manager and reported to the Chief Executive for approval.

5:4 Changes of supplier bank details will only be made if these are verified by the Finance Manager or Chief Executive.

5:5 A register of passwords and contact details will be prepared by the Finance Manager and kept securely to enable other approved signatories to use and obtain support on banking software.

## **6. INVESTMENTS**

6:1 The Finance Manager shall maintain an investment register.

6:2 The Finance Manager shall include in the monthly management accounts details of all investments.

6:3 The Board has a limit of £500,000 of funds that may be deposited with any one institution.

6:4 The Board only places deposits with financial institutions which are on the Financial Services Authorities approved list of financial institutions.

## **7. INCOME**

7:1 Rate demands are to be issued as soon as possible after 1st April each year.

7:2 All other fees / amounts owed to the Board are to be recorded on a debtor account / invoice and issued as soon as the debt is incurred.

7:3 A record (manual or electronic) shall be kept of every sum received by the Board and must show:

- (a) Date of receipt
- (b) Amount received
- (c) Type of remittance

(d) Reason for payment

(e) Date paid into bank account

7:4 An official receipt showing date of receipt, amount received type of remittance and reason for payment will be issued for all cash payments and for cheque payments on request.

7:5 Board monies shall not be used for the encashment of private cheques.

7:6 All cheques and cash received shall be banked at least weekly. Disbursements shall not be made from cash received. Banking shall be daily when large sums are received.

7:7 Keys to safes and cash boxes shall be carried by the designated officers.

7:8 The Finance Manager shall be responsible for ensuring that all monies received are properly brought to account in the Board's accounting records.

7:9 The Finance Manager shall produce to the Chief Executive a monthly schedule of all monies owed to the Board and to note and take appropriate recovery action.

7:10 The Board to be informed of any debt over six months old and of the recovery action being taken.

## **8. PURCHASES OF GOODS AND SERVICES**

8:1 The Chief Executive shall have the authority to effect the purchase of goods and services and the ordering of general repairs to the Board's assets up to the value of £50,000, provided the revenue consequences are contained within the current annual estimates and have had the subsequent approval by the Board.

8:2 The Chief Executive shall seek the Chairman of the Board's authority to effect the purchase of goods and services over the value of £50,000.

8:3 The requirement under Financial Regulation 8:2 may be dispensed with if the goods or services are required urgently such that it would not be feasible or practical to obtain the Chairman's approval. In such cases, the Chairman's confirmation and agreement shall be obtained retrospectively.

8:4 All goods in excess of £100 are to be ordered in writing using an official order, authorised by the Chief Executive, Engineer or other relevant Manager as appropriate.

8:5 All invoices for payment shall be examined, coded and approved by the Finance Manager and certified by the Chief Executive or other relevant Manager.

8:6 No employee shall procure goods and services or commit expenditure to a budget that they have no responsibility for.

## **9. STAFF**

9:1 The HR Department shall keep a record of all employees to show details of the appointment and grade. The Finance Manager shall keep a record of all payments in respect of each employee of the Board.

9:2 The Board's approval shall be required for the employment of additional permanent staff.

9:3 The Chief Executive shall have authority to employ additional temporary staff, provided the revenue consequences are contained within the current annual estimates.

## **10. STORES**

- 10:1 All goods received shall be checked as regards quantity and / or weight and inspected as to quality and specification. A delivery note shall be obtained from the supplier, wherever possible, and signed by the person receiving the goods.
- 10:2 All goods issued from stores shall be properly accounted for and recorded.
- 10:3 All breakages and losses of goods held in store shall be recorded and reported to the Operations Director to take appropriate action.
- 10:4 There shall be a physical check of all items in store at least twice a year by the Finance Manager who will record and sign a stock taking record and a monthly reconciliation by the Operations Manager.
- 10:5 The Chief Executive shall have authority to write-off items as detailed in 14 below.

## **11. ASSETS**

- 11:1 The asset register shall reflect additions and disposals of assets and record the cost or valuation of the assets. The Finance Manager shall keep a fixed asset register detailing Board owned land and buildings within the Board's area and all major items of plant and equipment with a value over £500.
- 11:2 At least once a year, the Finance Manager shall prove the accuracy of the asset register with a physical inspection of a sample of the Board's assets.
- 11:3 The asset register shall be available for inspection by the Board at any time.
- 11:4 Board assets will be disposed of through a competitive process, either by sealed tender, part exchange, auction or sealed bids.

## **12. AUDIT**

- 12:1 As a requirement of the Accounts and Audit Regulations 2015 the Chief Executive shall arrange for an internal audit of accounting, financial management and other operations of the Board to take place. This audit will be undertaken by an external person qualified to perform this function. The Internal Auditor shall produce an annual report to the Board.

### **12:2 Authority of Internal Audit**

Auditors are authorised to:

- (a) Access/enter at all reasonable times any Board premises or land.
- (b) Have access to all assets, records, documents, minutes, correspondence and control systems relating to any aspect of the Board.
- (c) Require and receive any information and explanation considered necessary concerning any matter under examination.
- (d) Require any employee of the Board to produce or account for cash, stores or any other Board asset under his or her control.
- (e) Request access to records belonging to third parties, such as contractors or partners.

- (f) Have full and free access to all Officers, Members and Committees.
- (g) Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accompany audit objectives.
- (h) Carry out unscheduled checks on any financial systems.

Auditors are not authorised to:

- (a) Perform any operational duties for the Board, unless in exceptional circumstances where specific approval is given by the Chief Executive/Finance Manager.
- (b) Initiate or approve accounting transactions.
- (c) Direct the activities of any Board employee, except to the extent such employees have been appropriately assigned to assist the Internal Auditor.

12:3 All employees' of the Board are required to assist the Auditor, or his/her authorised representative, in the performance of his/her duties.

### **13. FRAUD OR OTHER IRREGULARITIES**

13:1 The Responsible Officer or any other officer concerned shall immediately notify the Chief Executive and / or the Internal Auditor of any matter which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Board or any suspected irregularity in the exercise of the functions of the Board.

13:2 Any financial irregularity involving an employee of the Board will be considered as gross misconduct, and will be dealt with in accordance with the Disciplinary Procedure of the employees Terms and Conditions of Contract.

### **14. WRITE OFFS**

14:1 The Chief Executive shall have the authority to write off the following:

- (a) Any debt up to the value of £500.
- (b) Damaged or stolen goods for which it is not considered that the Board may make a valid insurance claim, where those goods do not form part of a stock account.
- (c) Surplus goods and materials.
- (d) Goods, vehicles or materials that are considered to have no material value due to deterioration or obsolescence.

14:2 Responsible Officers shall inform the Chief Executive of any item under 14:1 above that they consider should be written off together with:

- (a) Details of the item or debt to be written off,
- (b) the circumstances necessitating the write off, and
- (c) the reasons why he/she considers that the debt is irrecoverable or that no proceeds on sale would accrue to the Board.

14:3 Where any items to be written off do constitute part of a stock account, the procedures for recording the write off within the Board's accounts and the method of disposing of the goods shall be approved by the Chief Executive.

14:4 All write offs are to be reported to the Board.

14:5 Any proposed write off above £500 is to be authorised by the Board having received:

- (a) Details of the item or debt to be written off,
- (b) the circumstances necessitating the write off, and
- (c) the reasons why the debt is irrecoverable or that no proceeds on sale would accrue to the Board.

14:6 The Finance Manager shall make the appropriate adjustments to accounting records.

## **15. SALARIES, WAGES AND PENSIONS**

15:1 All appointments (with the exception of the Chief Executive post) shall be approved by the Chief Executive and will be made in accordance with the approved grading structure and scales of pay.

15:2 The payment of all salaries, wages, pension schemes, compensation and other emoluments to all present or former employees shall be made by the Chief Executive or under arrangements controlled by him.

15:3 Each Responsible Officer shall notify the Chief Executive immediately, and in the form prescribed by him, of all matters affecting such payments, and in particular:

- (a) Resignations, dismissals, suspensions, secondments and transfers.
- (b) Absences from duty for sickness, unpaid leave or other reason, but not normal leave.
- (c) Changes in remuneration, other than pay awards and agreements of general application.
- (d) Information necessary to maintain records of service for superannuation, income tax, national insurance and the like.

15:4 Time records or other pay documents shall be in a form prescribed or approved by the Chief Executive and shall be certified in writing by or on behalf of the Responsible Officer.

## **16. BOARD EMPLOYEES**

15:1 Employees must declare in writing to the Chief Executive any financial or other interest, which could conflict with the Board's interests.

15:2 In terms of hospitality and gifts, only gifts of a value below £50 may be accepted by individual staff or a section as a whole and these must be recorded in the Gifts and Hospitality Register which is held by the HR and Admin Department. Under no circumstances may cash be accepted as a gift.

15:3 Where an outside organisation is seeking to sponsor a Board activity (whether by invitation, tender, negotiation or voluntary), the basic rules concerning acceptance of gifts and hospitality shall apply.

## **17. MEMBERS' AND EMPLOYEES' ALLOWANCES**

17:1 All staff claims for payment of car allowances, subsistence allowances, travelling and any other incidental expense shall be submitted as required duly certified, in a form approved by the Chief Executive.

17:2 Travelling and subsistence claims must be in line with Board policy and certified by the claimant. Approval of the line manager shall imply that he is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Board.

17:3 Claim forms submitted more than six months after the expenditure has been incurred shall be paid only on the approval of the Chief Executive.

17:4 Payments to Members, (including co-opted Members of the Board or its Committees), who are entitled to claim travelling or other allowances will be made upon receipt of the completed prescribed form.

## **18. INSURANCES**

17:1 The Finance Manager shall, in consultation with the Responsible Officer, initiate all insurance cover and negotiate all claims in consultation with other officers where necessary.

17:2 Responsible Officers shall promptly notify the Chief Executive of all new risks, properties or vehicles needing to be insured, and of any disposals or alterations affecting existing insurances.

17:3 Responsible Officers shall notify the Finance Manager of any loss, liability or damage or any event likely to lead to a claim on any Board policy, and shall where appropriate and following the approval of the Chief Executive, notify the police of the relevant circumstances.

17:4 All employees of the Board shall be included in a suitable fidelity guarantee insurance.

17:5 The Finance Manager shall annually, or at such other period as considered necessary, review all insurances held by the Board in consultation with other responsible officers as appropriate.

17:6 Responsible Officers shall consult the Chief Executive in respect of the terms of any indemnity which the Board is requested to give.

17:7 The Responsible Officer shall inspect insurance policies of contractors for building, construction or engineering works to ensure as far as possible that all necessary cover has been taken out and obtain copies for the Board's records.

## **19. SECURITY**

19:1 Each Responsible Officer is responsible for maintaining proper security at all times for all buildings, stores, plant, vehicles, equipment, cash, documents and information under his/her control. Each Responsible Officer shall consult the Chief Executive in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 19:2 All officers of the Board have a duty to comply with the requirements of the General Data Protection Regulations and any amending legislation. Responsible Officers shall ensure that staff are aware of their responsibilities under this legislation.
- 19:3 The limit for cash held on the Board's premises will be £1,000 or as recorded in the appropriate insurance policy, whichever is lower.
- 19:4 A list of key holders shall be held by the HR and Admin Department. Where keys are transferred between staff, the new recipient assumes responsibility and signed documentary evidence must be kept with the keyholder list. The loss of any keys must be reported immediately to the Chief Executive.

## **20. PROTECTION OF PRIVATE PROPERTY**

- 20:1 Each Responsible Officer shall notify the Chief Executive of any case where steps are necessary to prevent or mitigate loss or damage of moveable property.
- 20:2 The Board shall not be liable for accidental loss or damage to the personal possessions which employees' use whilst on Board business that are not included under the Board's Insurance Policies.

## **21. PETTY CASH**

- 21:1 Where a petty cash account is held, a petty cash imprest account of £200 shall be maintained by the Rating Officer for minor disbursements. A record book is to be maintained to show all payments from petty cash and details of each the item and the name of the officer who incurred the expenditure. A VAT receipt must support the expenditure.
- 21:2 The Finance Manager shall review the petty cash account and authorise the expenditure on at least a six monthly basis.
- 21:3 The petty cash account shall be balanced and reconciled to the cash holding on a quarterly basis.

## **22. RESERVES**

- 22:1 Reserves are held to create a working balance to mitigate the impact of uneven cash flows and avoid uneven rate increases or decreases, to create a contingency to cushion the impact of unexpected events and emergencies, and to build funds to meet predicted future expenditure.
- 22:2 The Board holds two different types of Reserves:
- (a) Unallocated Reserves - also known as General Operating Reserves or Revenue Reserves. These provide protection against unplanned expenditure.
  - (b) Allocated Reserves. These are funds set aside to meet known future expenditure.

### **22:3 Unallocated Reserves**

The Board will maintain minimum Revenue Reserves of 30% of average operating costs<sup>1</sup>.

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<sup>1</sup> Average operating costs include expenditure on pumping stations, watercourse maintenance, administration and other assets, and borrowing charges. Non-monetary expenses such as depreciation should not be included in this calculation.

## 22:4 Allocated Reserves

These include:

- (a) Commuted Sum Reserve - Development contributions and commuted sums for future maintenance of the system.
- (b) Plant Reserve - Financed from approved transfers from the Revenue Reserves at the end of each financial year.
- (c) Capital Reserve - Financed from sale of land/buildings and set aside to be used for future major projects such as land, buildings or pumping station refurbishments.
- (d) Capital Projects Reserve - To fund future capital works.
- (e) Revaluation Reserve - A non-monetary accounting adjustment reserve to record movement arising from revaluation of fixed assets on the balance sheet.
- (f) Pension Reserve - To fund pension liabilities for current, former and future employees.

22:5 The Reserve Accounts shall be reviewed annually by the Board and if no longer required, remaining funds may transferred to another reserve account.

## 23. REVIEW

These Financial Regulations shall be reviewed at least every two years by the Board.