

# **Hartburn Parish Council**

## **DRAFT FINANCIAL REGULATIONS**

Approved:

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## 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 governing documents 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 full 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 Parish Clerk is the council's 'proper officer' in accordance with Section 112 of the Local Government Act 1972. The Responsible Financial Officer (RFO) holds a statutory office, appointed by the council, in accordance with Section 151 of the Local Government Act 1972. The Clerk has been appointed as RFO and these regulations apply accordingly. The Clerk/ 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**
- 1.7. In addition, the council shall:
- determine and regularly review the bank mandate for all council bank accounts.

## **2. Risk management, asset control 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 all activities of the council. This policy and consequential risk management arrangements shall be reviewed by the full council at least annually.
- 2.3. When considering any new activity, the Clerk/ RFO shall prepare a draft risk assessment including risk management proposals for consideration by the full council.
- 2.4. The Clerk is responsible for ensuring that all council assets are properly maintained and securely held.
- 2.5. The Clerk is responsible for ensuring that appropriate insurance cover is put in place to mitigate the risks identified.
- 2.6. **At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.**
- 2.7. **The accounting control systems determined by the Clerk/ 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.**
- 2.8. At each financial year end, a Councillor shall be appointed to verify bank reconciliations for all accounts produced by the Clerk/ RFO. The Councillor shall sign and date the reconciliations and the original bank statements (or similar

document) as evidence of this. This activity, including any exceptions, shall be noted by the council.

- 2.9. 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 Clerk/ RFO in accordance with the Accounts and Audit Regulations.
- 3.2. **The accounting records determined by the Clerk/ RFO must be sufficient to explain the council's transactions and to disclose its financial position with reasonable 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 Clerk/ 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 Clerk/ RFO shall submit them (with any related documents) to the full 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 Clerk/ 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 Clerk/ 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 Clerk/ 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 (England)/budget (Wales)] 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 council at least annually, no later than December for the following financial year. The Clerk/ RFO will inform the council of any salary implications before consideration of the draft budget.
- 4.3. No later than December each year, the RFO 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 may only be carried forward by placing them in an earmarked reserve.
- 4.5. Having considered the proposed budget, the council shall determine its requirement by setting a budget. The council shall set a precept for this amount no later than the end of January for the ensuing financial year.
- 4.6. **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.**

- 4.7. The Clerk/ RFO shall **issue the precept to the billing authority no later than the end of February** and supply each member with a copy of the agreed annual budget.
- 4.8. The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned.
- 4.9. The Clerk/RFO may exercise virement within the overall approved budget total with no limitations.
- 4.10. Virements between service budgets and reserves can be exercised with the approval of the Clerk/ RFO.

## **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 several suppliers.
- 5.2. The Clerk/ RFO should verify the lawful nature of any proposed purchase before it is made and in the case of new or infrequent purchases.
- 5.3. Every contract shall comply with these the council's Standing Orders and these Financial Regulations and no exceptions shall be made, except in an emergency.
- 5.4. **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 Public Contracts Regulations 2015 or any superseding legislation ("the Legislation"), must be followed in respect of the tendering, award and notification of that contract.**
- 5.5. Where the estimated value is below the Government threshold, the council shall (with the exception of items listed in paragraph 6.12) obtain prices as follows:
- 5.6. For contracts estimated to exceed £60,000 including VAT, the Clerk shall advertise an open invitation for tenders in compliance with any relevant provisions of the Legislation. Tenders shall be invited in accordance with Appendix 1.
- 5.7. **For contracts estimated to be over £30,000 including VAT, the council must comply with any requirements of the Legislation<sup>1</sup> regarding the advertising of contract opportunities and the publication of notices about the award of contracts.**
- 5.8. For contracts greater than £5,000 excluding VAT the Clerk/ RFO shall seek at least 3 fixed-price quotes;

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<sup>1</sup> The Regulations require councils to use the Contracts Finder website if they advertise contract opportunities and also to publicise the award of contracts over £30,000 including VAT, regardless of whether they were advertised.

- 5.9. Where the value is under £5000 excluding VAT, the Clerk/ RFO shall try to obtain 3 estimates, which might include evidence of online prices, or recent prices from regular suppliers.
- 5.10. For smaller purchases, Clerk/ RFO shall seek to achieve value for money.
- 5.11. **Contracts must not be split into smaller lots to avoid compliance with these rules.**
- 5.12. 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.
- 5.13. When applications are made to waive this financial regulation to enable a price to be negotiated without competition, the reason should be set out in a recommendation to the Council. Avoidance of competition is not a valid reason.
- 5.14. The council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 5.15. No individual member, or informal group of members may issue an official order or make any contract on behalf of the council.
- 5.16. No expenditure shall be authorised, no contract entered in to, 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.
- 5.17. Purchase orders are not required to be raised for regular payments. Instead, regular payment invoices will be confirmed as regular payments by the Clerk and checked for reasonableness, arithmetical accuracy, coding and VAT, before being authorised.
- 5.18. Any ordering system can be misused and access to them shall be controlled by the Clerk/RFO.

## **6. Banking and payments**

- 6.1. The council's banking arrangements, including the bank mandate, shall be made by the Clerk/ RFO and authorised by the council. The council has resolved to bank with Unity Trust Bank. The arrangements shall be reviewed annually for security and efficiency.
- 6.2. The council must have safe and efficient arrangements for making payments, to safeguard against the possibility of fraud or error. Wherever possible, more than one person should be involved in any payment.
- 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 before being certified by Clerk/ RFO

- 6.4. 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.
- 6.5. All payments shall be made by online banking in accordance with a resolution of the council, a duly delegated committee or a delegated decision by an officer.
- 6.6. A list of payments shall be reported to the next appropriate meeting of the Council for information only.
- 6.7. The Clerk/ RFO shall present a schedule of payments forming part of the agenda for the meeting, to the Council. This Council shall review the schedule for compliance.
- 6.8. The Council does not have or require an authorised overdraft limit and the Clerk/RFO will ensure that the council's accounts do not become overdrawn.
- 6.9. A direct debit may also be set up to make a regular payment where this is cost effective or where this is required by the supplier as a condition of the sale.
- 6.10. Direct debit instructions must only be set up by the Clerk/ RFO.

## **7. Electronic payments**

- 7.1. Where internet banking arrangements are made with any bank, the Clerk/ RFO shall be appointed as the Service Administrator and a signatory.
- 7.2. Two members of the Council will be appointed as signatories.
- 7.3. Each signatory has their own personal identification logins. No one shall disclose any PIN or password, relevant to the council or its banking.
- 7.4. In the prolonged absence of the Service Administrator, the Chairman shall set up any payments due before the return of the Service Administrator.
- 7.5. A full list of all payments made in a month shall be provided to the Council meeting and displayed on the Council's website.
- 7.6. Payment may be made by BACS or CHAPS provided that evidence is retained and any payments are reported to the next meeting of the Council.
- 7.7. If thought appropriate by the council, regular payments of fixed sums may be made by banker's standing order, provided that evidence of this is retained and any payments are reported to the Council when made.
- 7.8. A monthly bank reconciliation will be undertaken by the Clerk/RFO agreeing all entries on the bank statement to payments, receipts and bank transfers for the month as recorded in the Council's financial management system.
- 7.9. The Clerk 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.
- 7.10. Remembered password facilities other than secure password stores requiring separate identity verification should not be used on any computer used for council banking.

## **8. Cheque payments**

- 8.1. Cheques or orders for payment in accordance in accordance with a resolution or delegated decision shall be signed by two members and countersigned by the Clerk/RFO.
- 8.2. A signatory having a family or business relationship with the beneficiary of a payment shall not, under normal circumstances, be a signatory to that payment.
- 8.3. To indicate agreement of the details on the cheque with the counterfoil and the invoice or similar documentation, the signatories shall also initial the cheque counterfoil and invoice.

## **9. Payment cards**

- 9.1. A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the Council. Transactions and purchases made will be reported to the Council.
- 9.2. Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk/RFO and members who are signatories. Any balance shall be paid in full each month.
- 9.3. Personal credit or debit cards of members or staff or members shall not be used.

## **10. Payment of salaries and allowances**

- 10.1. **As an employer, the council must make arrangements to comply with the statutory requirements of PAYE legislation.**
- 10.2. **Councillors allowances (where paid) are also liable to deduction of tax under PAYE rules and must be taxed correctly before payment.**
- 10.3. Salary rates shall be agreed by the council. No changes shall be made to any employee's gross pay, emoluments, or terms and conditions of employment without the prior consent of the council.
- 10.4. Payment of salaries shall be made, after deduction of tax, national insurance, pension contributions and any similar statutory or discretionary deductions, no later than the dates stipulated in employment contracts.
- 10.5. 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.
- 10.6. 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 or other separate confidential record, with the total of such payments each calendar month reported in the cashbook.
- 10.7. 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 council.
- 10.8. Before employing interim staff, the council must consider a full business case.

## **11. Loans and investments**

- 11.1. 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.

11.2. 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 council, following a written report on the value for money of the proposed transaction.

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

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

11.5. 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.

## **12. Income**

12.1. The collection of all sums due to the council shall be the responsibility of and under the supervision of the Clerk/RFO.

12.2. 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/RFO. The Clerk/RFO shall be responsible for the collection of all amounts due to the council.

12.3. Any sums found to be irrecoverable and any bad debts shall be reported to the council by the Clerk/RFO and may be written off in the year. The council's approval shall be shown in the accounting records.

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

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

12.6. The Clerk/RFO shall ensure that VAT is correctly recorded and that any VAT Return required is submitted from the software by the due date.

12.7. Where significant sums of cash are regularly received by the council, the Clerk/RFO shall 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 record such as ticket issues, and that appropriate care is taken for the security and safety of individuals banking such cash.

## **13. Payments under contracts for building or other construction works**

13.1. Where contracts provide for payment by instalments the Clerk/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.

13.2. Any variation of, addition to or omission from a contract must be authorised by the Clerk/RFO 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.

#### **14. Stores and equipment**

14.1. Delivery notes shall be obtained in respect of all goods received and goods must be checked as to order and quality at the time delivery is made.

#### **15. Assets, properties and estates**

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

15.2. The Clerk shall ensure that an appropriate and accurate Register of Assets is kept up to date. The Clerk/RFO shall also ensure that an appropriate and accurate record of investments is kept up to date, with a record of all properties held by the council, their 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.

15.3. The continued existence of tangible assets shown in the Asset Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

15.4. No interest in land shall be purchased or otherwise acquired, sold, leased or otherwise disposed of without the authority of the council, together with any other consents required by law. In each case a written report shall be provided to the full council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate where required by law).

15.5 No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the full council, together with any other consents required by law, except where the estimated value of any one item does not exceed £1000.

#### **16. Insurance**

16.1. The Clerk 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.

16.2. The Clerk shall give prompt notification to the Council of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

16.3. The Clerk/RFO shall be notified of any loss, liability, damage or event likely to lead to a claim, and shall report these to the Council at the next available meeting. The Clerk shall negotiate all claims on the council's insurers.

16.4. 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.

#### **17. Charities**

17.1. Where the council is sole managing trustee of a charitable body the Clerk/RFO 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/RFO shall arrange for any audit or independent examination as may be required by Charity Law or any Governing Document.

## **18. Suspension and revision of Financial Regulations**

18.1. The Clerk/RFO shall monitor changes in legislation or proper practices and advise the council of any need to amend these Financial Regulations.

18.2. 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 disapply any legislation or permit the council to act unlawfully.

18.3. 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 circumstances.

## **Appendix 1 - Tender process**

- 1) Any invitation to tender shall state the general nature of the intended contract and the Clerk/RFO 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/RFO 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/RFO 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 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.