

# HOLBETON PARISH COUNCIL

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## FINANCIAL REGULATIONS

### INDEX

1.	GENERAL .....
2.	ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL) .....
3.	ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING .....
4.	BUDGETARY CONTROL AND AUTHORITY TO SPEND .....
5.	BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS .....
6.	INSTRUCTIONS FOR THE MAKING OF PAYMENTS .....
7.	PAYMENT OF SALARIES .....
8.	LOANS AND INVESTMENTS .....
9.	INCOME .....
10.	ORDERS FOR WORK, GOODS AND SERVICES .....
11.	CONTRACTS .....
12.	PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS .....
13.	STORES AND EQUIPMENT .....
14.	ASSETS, PROPERTIES AND ESTATES .....
15.	INSURANCE .....
16.	CHARITIES .....
17.	RISK MANAGEMENT .....
18.	SUSPENSION AND REVISION OF FINANCIAL REGULATIONS .....

## 1. GENERAL

1.1 These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial regulations must be observed in conjunction with the Council's standing orders<sup>1</sup>

1.2 The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.

1.3 The Council's accounting control systems must include measures:

- for the timely production of accounts;
- that provide for the safe and efficient safeguarding of public money;
- to prevent and detect inaccuracy and fraud; and
- identifying the duties of officers.

1.4 These financial regulations demonstrate how the Council meets these responsibilities and requirements.

1.5 At least once a year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.6 Any Council Member or employee who knowingly breaches these regulations may be guilty of gross misconduct.

1.7 Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute.

1.8 The Responsible Finance Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for Holbeton Parish Council and these regulations will apply accordingly.

## 1.9 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 accounting control systems;
- ensures the accounting control systems are observed;
- maintains the accounting records of the Council up to date in accordance with proper practices;
- assists the Council to secure economy, efficiency and effectiveness in the use of its resources; and
- produces financial management information as required by the Council.

1.10 The accounting records determined by the RFO shall be sufficient to show and explain the Council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments and additional information, as the case may be, or management information prepared for the Council from time to time comply with the Accounts and Audit Regulations.

1.11 The accounting records determined by the RFO shall in particular contain:

- entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure or receipts and payments account relate;
- a record of the assets and liabilities of the Council; and
- wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.12 The accounting control systems determined by the RFO shall include:

- procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
- procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the Council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

1.13 The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final budget or the precept (Council Tax Requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- addressing recommendations in any report from the internal or external auditors,
- shall be a matter for the full Council only.

1.14 In addition the Council must:

- determine and keep under regular review the bank mandate for all Council bank accounts;
- approve any grant or a single commitment

1.15 In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation, and then in force unless otherwise specified.

1.16 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability for Local Councils- a Practitioners' Guide (England)* issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

## **2 ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL).**

2.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate Guidance and proper practices.

2.2 Every six months and at each financial year end, a member other than a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Council.

2.3 The RFO shall complete the Annual Statement of Accounts and Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them\_ and report thereon to the Council within the timescales set by the Accounts and Audit Regulations.

2.4 The Council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. The Council shall make available such documents and records as appear to the Council to be 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 for that purpose.

2.5 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the Council in accordance with proper practices.

2.6 The internal auditor shall:

- be competent and independent of the financial operations of the Council;
- shall provide the Council with an annual written report in each financial year
- demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
- have no involvement in the financial decision making, management or control of the Council.

2.7 Internal or external auditors may not under any circumstances:

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

2.8 For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as is described in proper practices.

2.9 The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, files, invoices and receipts and display or publish any notices and statements of account required by the Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

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

### **3. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING.**

3.1 The RFO must each year, by no later than November prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Council.

3.3 The Council shall consider annual budget proposals and capital receipts and payments including recommendations for the use of reserves and sources of funding.

3.4 The Council shall fix the precept to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to the billing authority.

3.5 The approved annual budget shall form the basis of financial control for the ensuing year.

### **4 BUDGETARY CONTROL AND AUTHORITY TO SPEND.**

4.1 Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget or as agreed at a meeting of the Council.

4.2 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the Council. During the budget year and with the approval of Council having considered fully the implications for public services unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

4.3 The salary budgets are to be reviewed at least annually for the following financial year.

4.4 The Clerk with the approval of the Chairman or Vice Chairman may authorise expenditure on behalf of the Council which, in the Clerks judgement, is necessary to carry out any repair, replacement or other work which is of such extreme emergency that it must be done at once whether or not there is budgetary provision for that expenditure subject to a limit of £1000. The Clerk shall report such action to the Council as soon as practicable.

4.5 No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available and the requisite borrowing approval has been obtained.

4.6 All capital works shall be administered in accordance with the Council's standing orders.

4.7 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each budget heading, comparing actual expenditure against that shown in the budget. These statements to be prepared monthly and shall show variances.

## 5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

5.1 The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council; banking arrangements may not be delegated to a committee or working group.

5.2 The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and present the schedule to Council. The Council shall review the schedule for compliance and having satisfied itself shall authorise payment by a resolution of the Council. A detailed list of all payments shall be disclosed within the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

5.3 All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Council.

5.4 The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted and which are in order, at the next available Council Meeting.

5.5 The RFO shall have delegated authority to authorise the payment of items only in the following circumstances:

- \* If a payment is due before the next scheduled meeting of Council and the payment relates to an item which has previously been approved by Council following receipt of a quotation and there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of Council

- \* An expenditure item resulting from continuing contracts and obligations provided that a list of such payments shall be submitted to the next appropriate meeting of Council

5.6 Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.

## **6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS.**

6.1 The Council will make safe and efficient arrangements for the making of its payments.

6.2 Following authorisation under Financial Regulation 5 above, the Council or RFO shall give instruction that a payment shall be made.

6.3 All payments shall be effected by cheque or other instructions to the Council's bankers, in accordance with a resolution of the Council or other authority.

6.4 Cheques for payment drawn on the bank account in accordance with the schedule as presented to the Council shall be signed by two Councillors or one Councillor and the RFO. If a member or other authorised signatory has declared a disclosable pecuniary interest, or has any other interest in the matter in respect of which the payment is being made, that person should not, under normal circumstances, be a signatory to the transaction in question.

6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.

6.6 Cheques for payment shall normally be presented for signature at a Council meeting. Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.

6.7 If thought appropriate by the Council, payment for utility supplies and any National Non-Domestic Rates may be made by variable Direct Debit provided that the instructions are signed by two members and any payments are reported to Council as made.

6.8 Regular back-up copies of the records on any computer shall be made and shall be stored securely.

6.9 The Council, and any members using computers for the Council's financial business, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.

6.10 The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.



## **7. PAYMENT OF SALARIES.**

7.1 As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by council.

7.2 Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to the next available Council meeting, as set out in these regulations above.

7.3 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.

7.4 Any termination payments shall be supported by a clear business case and reported to the Council. Termination payments shall only be authorised by Council.

## **8. LOANS AND INVESTMENTS.**

8.1 All borrowings shall be in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The application for Borrowing Approval, and subsequent arrangements for the Loan shall only be approved by full Council.

8.2 Any financial arrangement which does not require formal Borrowing Approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the full Council. In each case a report in writing shall be provided to Council in respect of value for money for the proposed transaction.

8.3 All loans and investments shall be negotiated in the name of the Council and shall be for a set period.

8.4 Any Investment Strategy and Policy drawn up by the Council, shall be in accordance with relevant regulations, proper practices and guidance. Any Strategy and Policy shall be reviewed by the Council at least annually.

8.5 All investments of money under the control of the Council shall be in the name of the Council.

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

8.7 Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

## **9. INCOME.**

9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.

9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council and the RFO shall be responsible for the collection of all accounts due to the Council.

9.3 The Council will review all fees and charges at least annually.

9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off with the approval of the Council.

9.5 All sums received on behalf of the Council shall be banked intact. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.

9.6 The origin of each receipt shall be entered on the paying-in slip.

9.7 Personal cheques shall not be cashed out of money held on behalf of the Council.

9.8 The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

9.9 Where any significant sums of cash are received by the Council, the RFO shall take steps to ensure that more than one person is present when the cash is counted, that there is a reconciliation to some form of control such as receipts and that appropriate care is taken to ensure the security and safety of individuals banking such cash.

## **10. ORDERS FOR WORK, GOODS AND SERVICES.**

10.1 An email or letter shall be issued for all work, goods and services unless a formal contract is to be prepared. Copies of orders shall be retained.

10.2 Councillors and the RFO are responsible for obtaining value for money at all times. The Councillors and the RFO shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in Regulation 11 (I) below.

10.3 Councillors or the RFO may not issue an official order or make any contract on behalf of the Council.

10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

## 11. CONTRACTS.

11.1 Procedures as to contracts are laid down as follows:

- a. Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that this regulation need not apply to contracts which relate to items (i) to (vi) below:
  - i. for the supply of utilities
  - ii. for specialist services such as are provided by solicitors, accountants, surveyors and planning 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 an existing contract by the Council;
  - v. for additional audit work of the external Auditor up to an estimated value of £500 (in excess of this sum the RFO shall act after consultation with the Chairman and Vice Chairman of Council); and
  - vi. for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
- b. Where it is intended to enter into a contract exceeding £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Council shall invite tenders from at least three firms.
- c. When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.
- d. Such invitation to tender shall state the general nature of the intended contract and the Council 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 Clerk by post. 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.
- e. 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.
- f. If less than three tenders are received for contracts or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

g. When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk/RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £750 the Council will decide whether it is practicable to obtain 3 estimates taken account the need for good financial management.

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

i. Should it occur that the Council does not accept any tender, quote or estimate, the work is not allocated and the Council requires further pricing, provided that the specification does not change, 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.

j. The Public Contract Regulations 2015 shall be followed and any other procurement legislation.

## **12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS.**

12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and confirmed to the contractor in writing by the Clerk. The Council must be informed where the final cost is likely to exceed the financial provision.

## **13. STORES AND EQUIPMENT.**

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

13.2 Stocks shall be kept at the minimum levels consistent with operational requirements.

13.3 The RFO shall be responsible for periodic checks of stocks and stores.

#### **14. ASSETS, PROPERTIES AND ESTATES.**

14.1 No tangible moveable property 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.

14.2 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually.

#### **15. INSURANCE.**

15.1 The RFO shall effect all insurances and negotiate all claims on the Council's insurers.

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

15.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

15.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.

15.5 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 annually by the Council.

#### **16. CHARITIES.**

16.1 Where the Council is sole managing trustee of a charitable body the 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 RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

#### **17. RISK MANAGEMENT.**

17.1 The Council is responsible for putting in place arrangements for the management of risk. The RFO in conjunction with the Council shall prepare, for approval a risk management policy statements in respect of all activities of the Council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Council on a regular basis.

17.2 When considering any new activity, the RFO and the Council shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

## **18. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS.**

18.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The RFO shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.

18.2 The Council may, by resolution of the Council 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 drawn up and presented in advance to all members of Council.

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