

# PAPPLEWICK PARISH COUNCIL

## Financial Regulations



Adopted by the Council May 2020

# **PAPPLEWICK PARISH COUNCIL**

## **FINANCIAL REGULATIONS**

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## **1. GENERAL**

- 1.1 These financial regulations shall govern the conduct of the 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 and any individual financial regulations relating to contracts.
- 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, the safe and efficient safeguarding of public money, the prevention and detection of inaccuracy and fraud, and the identification of the duties of officers.
- 1.4 Members of the 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. A breach of these regulations by an employee is gross misconduct.
- 1.5 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council. The Clerk has been appointed RFO for this council and these regulations will apply accordingly. The RFO, acting under the policy direction of the council, administers the council's financial affairs, determines its accounting records and control systems, ensures the accounting control systems are observed, maintains the accounting records of the council, 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.
- 1.6 The accounting records shall be sufficient to show and explain the council's transactions. They shall contain day to day entries of details of all income and expenditure, a record of all assets and liabilities of the council, details of any income and expenditure in relation to claims made for any contribution, grant or subsidy.
- 1.7 The accounting control system shall include procedures to ensure that financial transactions are recorded as soon and accurately as possible, fraud and inaccuracies are prevented and detected, the duties of officers dealing with financial transactions are identified, uncollectable amounts are not submitted to the council for write off except with the approval of the RFO, and that risk is properly managed.
- 1.8 The council is not empowered by these Regulations or otherwise to delegate certain specified decisions, in particular, setting the final budget or precept, approving accounting statements, borrowing, writing off bad debts, declaring eligibility for the General Power of Competence, and addressing internal or external audit recommendations.

- 1.9 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 in excess of [£5,000]; and
  - in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant committee in accordance with its terms of reference.
- 1.10 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.

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) ACCOUNTING AND AUDIT

## **2. ACCOUNTING AND AUDIT**

- 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 Prior to each meeting of the Parish Council, a document containing details of all bank account entries since the previous document, together with the current bank balance shall be shared by email with all members of the Parish Council, who will have an opportunity to query any item, either prior to or during the subsequent meeting. This document will be presented and approved by the Parish Council at each meeting.
- 2.3 The RFO shall complete the annual statement of accounts, annual report, and any related documents of the council contained in the 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. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit.
- 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 report to the council on a regular basis, with a minimum of one

written report during each financial year, shall be free from any actual or perceived conflicts of interest, and shall 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 of the council, initiate or approve accounting transactions, or direct the activities of any council employee.
- 2.8 The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers, and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.
- 2.9 The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

### **3. ANNUAL BUDGET AND PLANNING**

- 3.1 The RFO must each year, by no later than October, 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 Finance Committee and the council.
- 3.2 The council shall consider annual budget proposals in relation to the council's three year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.
- 3.3 The council shall fix the precept (council tax requirement), and relevant basic amount of council tax 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 and shall supply each member with a copy of the approved annual budget.
- 3.4 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 amounts included in the approved budget for that class of expenditure. This authority is to be determined by:
  - the council for all items over £5,000];
  - a duly delegated committee of the council for items over £500; or
  - the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £500.

- 4.2 No expenditure may be authorised that will exceed the amount provided in the approved budget for that class of expenditure other than by resolution of the council, or duly approved committee. During the budget year, with the approval of the council, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.
- 4.3 Unspent provisions in the revenue or capital budgets for completed projects may not be carried forward to a subsequent year.
- 4.4 The salary budgets are to be reviewed at least annually in October for the following financial year and such review shall be evidenced by a hard copy schedule signed by the Clerk and the Chairman of Council or relevant committee. The RFO will inform committees of any changes impacting on their budget requirement for the coming year in good time.
- 4.5 In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement, or other work, regardless of whether or not there is any budgetary provision, subject to a limit of £500. The clerk shall report such action to the council as soon as practicable thereafter.
- 4.6 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.
- 4.7 All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.
- 4.8 The RFO shall regularly (every six months as a minimum), provide the council with a statement of receipts and payments to date under each budget heading, comparing actual expenditure against planned as shown in the budget, showing explanations for material variances.
- 4.9 Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

## **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. They shall be regularly reviewed for safety and efficiency.
- 5.2 A schedule of payments requiring authorisation and/or ratification, shall, forming part of the Agenda, be presented to the council. If the schedule is in order, it shall be authorised by a resolution of the council and details shall be shown in the minutes of the meeting. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed

within or as an attachment to 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, as and when they fall due.
- 5.5 The RFO shall have delegated authority to authorise the payment of amounts due which arise on a regular basis as a result of an ongoing contract, statutory duty or obligation. Such payments may be authorised by the council for the financial year, providing the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments is submitted to the next appropriate meeting of the council.
- 5.6 The RFO shall have delegated authority to authorise the payment of items where a payment is necessary to avoid a charge to interest for late payment, and the due date for payment is before the next council meeting, provided a list of such payments is submitted to the next appropriate meeting of the council.

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

- 6.1. The council will make safe and efficient arrangements for the making of its payments.
- 6.2 All payments shall be made by cheque, on-line bank transfer, or other instructions to the council's bankers.
- 6.3 All invoices shall be examined, verified and certified by the RFO. The RFO shall be satisfied that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 6.4 The RFO shall examine all invoices for arithmetical accuracy and shall analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices by the due date.
- 6.5 Cheques or other such instructions for payment shall be signed by two members of the council. If a member who is also a bank 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 councillor shall be required to consider Standing Orders, and thereby determine whether it is appropriate and/or permissible to be a signatory to the transaction in question.

- 6.6 To indicate agreement of details shown on a cheque, the signatories shall each also initial the cheque counterfoil.
- 6.7 If considered appropriate by the council, payments for utility and rates suppliers may be made by direct debit, and payments for other items may be made by on-line bank transfers. Any direct debit mandates should be reviewed every two years. Any payments made by on-line bank transfers should be ratified at the next council meeting.
- 6.8 No employee or councillor shall disclose any PIN or password relevant to the working of the council or its bank accounts to any person not authorised in writing by the council or a duly delegated committee.
- 6.9 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the service administrator. The bank mandate, approved by the council, shall identify a number of councillors who will be authorised to approve transactions on these accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.
- 6.10 Access to any internet banking accounts will be directly to the access page (which may be saved under “favourites”), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.
- 6.11. Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by the Clerk. A programme of regular checks of standing data with suppliers will be followed.
- 6.12 The council will not maintain any form of petty cash float. All cash received must be banked intact. Any payments made by the Clerk / RFO 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. Salary rates shall be as agreed by council, or duly delegated committee.
- 7.2 Payments of salaries and deductions for tax, National Insurance, or similar statutory or discretionary deductions, must be made in accordance with the payroll records and on the appropriate dates, provided that each payment is reported to the next available council meeting.
- 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 or HR subcommittee.

- 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 affected in the name of the council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the council as to terms and purpose. The application for borrowing approval and subsequent arrangements for the loan shall only be approved by full council. A report in writing shall be provided to the council in respect of value for money for the proposed transaction.
- 8.2 The council will arrange with the council's banks and investment providers for the sending of a copy of each statement of account to the Chairman of the council at the same time as one is issued to the RFO.
- 8.3 All loans and investments shall be negotiated by the RFO in the name of the council, and shall be for a set period of time in accordance with the council policy.
- 8.4 The council shall consider the need for an Investment Strategy and Policy which, if drawn up, 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.

## **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, notified to the RFO 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, following a report of the Clerk.
- 9.4 Any sums found to be irrecoverable, and any bad debts shall be reported to the council, and shall be written off in the year.
- 9.5 The origin of each receipt shall be entered on the paying in slip
- 9.6 Personal cheques shall not be cashed out of money held on behalf of the council.

- 9.7 The RFO shall promptly complete any VAT return that is required. Any repayment claim due shall be made at least annually coinciding with the financial year end.
- 9.8 Where any significant sums of cash are regularly received by the council, the RFO shall take such steps as are agreed by the council to ensure that more than one person is present to count the cash in the first instance, and that appropriate care is taken in the security and safety of the individuals banking such cash.
- 9.9 All sums received on behalf of the council shall be passed to and banked by the RFO. In all cases all receipts shall be deposited with the council's bankers as soon as practical after receipt. All monies received shall be kept secure prior to banking. No deductions shall be made from income prior to banking.

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

- 10.1 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.
- 10.2 All members and Officers are responsible for obtaining value for money at all times, ensuring, 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 from appropriate suppliers, subject to de minimis limits detailed in regulation 11.1 below.
- 10.3 A member 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, other than in an emergency.
  - b) Where it is intended to enter into a contract exceeding £25,000 in value for the supply of goods, materials, or specialist services, the council shall comply with the relevant requirements of the Public Contracts Regulations 2015.
  - c) Such invitation to tender shall state the general nature of the intended contract, and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that all tenders must be addressed to the Clerk. 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.

- d) All tenders must 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 council member.
- f) If less than three tenders are received for contracts exceeding £25,000, or if all the tenders are identical, then 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, materials or specialist services, the Clerk shall obtain three quotations. Where the value is below £3,000 and above £500, the Clerk shall strive to obtain three estimates. Otherwise regulation 10.3 shall apply.
- h) The council shall not be obliged to accept the lowest of any tender, quote or estimate.
- i) Should it occur that the council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing, 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.

## **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 by 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 the contractor must be informed in writing. The council must be informed where the final cost is likely to exceed the financial provision.

## **13. STORES AND EQUIPMENT**

- 13.1 The officer in charge of each section shall be responsible for the care and custody of any stores and equipment in that section.
- 13.2 Goods must be checked as to order and quality at the time delivery is made.

- 13.3 Stocks of minor consumable items shall be kept to a minimum consistent with operational requirements.

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

- 14.1 The clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure that a record is maintained of all properties held by the council, recording the 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.
- 14.2 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, save where the estimated value of any one item of tangible movable property does not exceed £250.
- 14.3 No real property (interests in land) shall be purchased or acquired, or sold, leased or otherwise disposed of, without the authority of the council. A report in writing shall be provided to the council in respect of valuation and surveyed condition of the property, together with a proper business case.
- 14.4 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, in conjunction of a health and safety inspection of assets, where deemed appropriate.

#### **15. INSURANCE**

- 15.1 Following the annual risk assessment (per Financial Regulation 17), the RFO shall effect all insurances and negotiate all claims on the council's insurers.
- 15.2 The RFO shall be advised promptly of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 15.3 The RFO shall keep a record of all insurance affected 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 the 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, or duly delegated committee.

## **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 deemed 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 clerk shall ensure that risk management policy statements in respect of all activities of the council are prepared for approval by the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.
- 17.2 When considering any new activity, the clerk shall ensure a draft risk assessment including risk management proposals is prepared 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 clerk 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 the 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 the council.