



## ALDBOURNE PARISH COUNCIL

### FINANCIAL REGULATIONS

These Financial Regulations were adopted by the Council at its Meeting held on 6<sup>th</sup> October 2010 Item 12 (Finance).

#### **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. 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 financial control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The RFO, acting under the policy direction of the Council, shall administer the Council's financial affairs in accordance with proper practices. The RFO shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the Council are maintained and kept up to date in accordance with proper practices.
  - 1.2.1 The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly.
- 1.3 The RFO shall produce financial management information as required by the Council.
- 1.4 At least once a year, prior to approving the annual return, the Finance committee shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.5 In these financial regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and then in force.
- 1.6 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability in local Councils in England and Wales – a Practitioners' Guide which is published jointly by NALC and SLCC and updated from time to time.

## **2. ANNUAL ESTIMATES (PRECEPT)**

- 2.1 Each committee shall formulate and submit proposals to the Finance committee in respect of revenue and capital expenditure including the use of reserves and sources of funding for the following financial year not later than the end of September each year.
- 2.2 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the Finance committee and ultimately approved by Full Council.
- 2.3 The Council shall review the budget not later than the end of November each year and shall fix the precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.4 The annual budget shall form the basis of financial control for the ensuing year.

## **3 BUDGETARY CONTROL**

- 3.1 The RFO shall each month supply the Council information regarding receipts and payments. Once a quarter, the RFO shall supply a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to date to that planned for the full year.
- 3.2 As a general rule, no expenditure may be incurred which will exceed the amount provided in the revenue budget. However, where it is apparent that payments in respect of routine running expenses will exceed amounts provided under individual budget headings, the RFO will be authorised to make such payments provided the overall budget is not likely to be exceeded and/or there are sufficient uncommitted funds in reserve.
- 3.3 The Clerk may incur expenditure on behalf of the Council which is necessary to carry out any repair replacement or other work which is of such urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £300 and with the prior agreement of the Chairman or Vice Chairman. The Clerk shall report such action to the Council as soon as practicable.
- 3.4 The Clerk may incur expenditure on behalf of the Council for items within the budgetary provision that do not have a prior resolution for expenditure, subject to a limit of £150 and with the prior agreement of the Chairman or Vice Chairman. The Clerk shall report such action to the Council as soon as practicable.
- 3.5 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Finance committee is satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.

3.6 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

**4. ACCOUNTING AND AUDIT**

4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations.

4.2 The RFO shall complete the annual financial statements of the Council, including the Council's annual return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.

4.3 The RFO shall complete the accounts of the Council contained in the Annual Return (as supplied by the auditor appointed from time to time by the Audit Commission) and shall submit the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations.

4.4 The RFO shall ensure that there is an adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council shall, if the RFO or internal auditor requires, make available such documents of the Council which appear to the RFO or internal auditor to be necessary for the purpose of the internal audit and shall supply the RFO or internal auditor with such information and explanation as the RFO or internal auditor considers necessary for that purpose

4.5. The internal auditor shall be appointed by and shall carry out the work required by the Council in accordance with proper practices. The internal auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing, or in person, on a regular basis with a minimum of one annual written report in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Council. The Finance committee shall review the effectiveness of the internal audit arrangements annually.

4.6 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any notices and statements of account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.

4.7 The RFO shall, as soon as practicable, bring to the attention of all Councillors any correspondence or report from the internal or external auditor, unless the correspondence is of a purely administrative matter.

## **5. BANKING ARRANGEMENTS AND CHEQUES**

- 5.1 The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency by the Finance committee.
- 5.2 A schedule of the payments, forming part of the agenda for the meeting, shall be prepared by the RFO and be presented to Council at each Full Council meeting. If the schedule is in order it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the meeting. If more appropriate, the detail may be shown in the minutes of the meeting.
- 5.3 Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4, shall be signed by any two members, being authorised signatories, of the Council. To indicate agreement of the details shown on the cheque or order for payment with the cheque counterfoil and the invoice or similar documentation, the signatories shall also initial the counterfoil and the payment documentation.
- 5.4 All Councillors must sign a declaration confirming whether they wish to be a signatory on the bank account or not.

## **6 PAYMENT OF ACCOUNTS**

- 6.1 All payments shall be effected by cheque or other order drawn on the Council's bankers.
- 6.2 All invoices for payment shall be examined and verified by the Clerk. The Clerk shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.
- 6.3 The RFO shall examine invoices in relation to arithmetical accuracy and shall analyse them to the appropriate expenditure heading.
- 6.4 If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled meeting of Council, where the RFO certifies that there is no dispute or other reason to delay payment, the Clerk may (notwithstanding para 6.3) take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- 6.5 Payment for utility supplies (energy, telephone and water) 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.
- 6.6 The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk (for example for postage or minor stationary items) shall be refunded on a regular basis.

## **7 PAYMENT OF SALARIES**

- 7.1 The RFO, on behalf of 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 salaries shall be as agreed by Council.
- 7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that the monthly totals of such payments are reported to and ratified by Council in due course.

## **8 LOANS AND INVESTMENTS**

- 8.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.
- 8.2 If appropriate, the Council shall consider the need for an investment policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any policy shall be reviewed at least annually.
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 All borrowings shall be effected 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.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO or in safe keeping by the Council's bankers or solicitor.

## **9 INCOME**

- 9.1 All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 9.2 The origin of each receipt shall be entered on the paying-in slip.
- 9.3 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.4 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.
- 9.5 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 when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

## **10 ORDERS FOR WORK, GOODS AND 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. Copies of orders shall be retained.
- 10.2 Any order books shall be controlled by the RFO.
- 10.3 All members and Officers are responsible for obtaining value for money at all times. An officer issuing an official order 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.
- 10.4 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 these regulations shall not apply to contracts which relate to items (i) to (vi) below:
- (i) for the supply of gas, electricity, water, sewerage and telephone services;
  - (ii) for specialist services such as are provided by solicitors, accountants, surveyors 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 £250 (in excess of this sum the RFO shall act after consultation with the chairman and vice chairman of Council);

- (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 £500 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) tenders shall be invited 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 or Finance committee.
- (d) 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 tenders must be addressed to the Clerk or a person otherwise appointed by the Council, in the ordinary course of post.
- (f) If sealed tenders are requested they shall be opened at the same time on the prescribed date by the Clerk or a person otherwise appointed by the Council.
- (g) If less than three tenders are received for contracts above £500 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.
- (h) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

## **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 or Finance committee as appropriate.
- 12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Clerk to the contractor in writing, subject to the prior approval of the Council where the final cost is likely to exceed the financial provision.

**13 ASSETS, PROPERTIES AND ESTATES**

- 13.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned 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.
- 13.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council.
- 13.3 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.

**14 INSURANCE**

- 14.1 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and the Finance committee shall review it annually.
- 14.2 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 or the Finance committee at the next available meeting.
- 14.3 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the Finance & General Purposes committee.

**15 RISK MANAGEMENT**

- 15.1 The Council and/or the Finance committee is responsible for putting in place arrangements for the management of risk, and shall carry out a formal overall review of risk assessment at least annually.
- 15.2 When considering any new activity, the Clerk shall arrange a draft risk assessment including risk management proposals for consideration and adoption by the Council or Finance committee.

**16 REVISION OF FINANCIAL REGULATIONS**

- 16.1 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.