

HADLOW DOWN PARISH COUNCIL

FINANCIAL REGULATIONS

These Financial Regulations were adopted by the Parish Council at its meeting held on 6th March 2018.

1. General

- 1.1 These financial regulations shall govern the conduct of the financial management by the Council and shall only be amended or varied by resolution of the Council.
- 1.2 They form part of the arrangements by which the council discharges its responsibility under the Accounts and Audit Regulations 2015 to ensure:
That the financial management of the council is adequate and effective and that it has a sound system of internal control;
That its accounts comply with proper practices as set out in Sections 1 and 2 of "Governance and Accountability for Smaller Authorities in England"
- 1.3 A breach of these Regulations by an employee is gross misconduct.
- 1.4 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.
- 1.5 The Responsible Financial Officer (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.
- 1.6 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 its functions, including arrangements for the management of risk.
- 1.7 The Council shall review at least once a year the effectiveness of its systems of internal control which shall be in accordance with proper practices.
- 1.8 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 Regulations¹.

1.9. 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.

1.10. 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 and reasonably 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 the officer dealing with financial transactions;
- measures to ensure that risk is properly managed.

1.11 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;
- declaring eligibility for the General Power of Competence; and
- addressing recommendations in any report from the internal or external auditors, shall be a matter for the full council only.

1.12. In addition the council must:

- determine and keep under regular review the bank mandate for all council bank accounts;
- approve any grant.

1.13 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.

1.14 In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability for Smaller Authorities in England - the Practitioners' Guide* issued by the Joint Practitioners Advisory Board available from NALC and the Society for Local Council Clerks (SLCC).

¹ Accounts and Audit (England) Regulations 2011/817

2. Annual Estimates

- 2.1 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. These should be accompanied by a report from the RFO on estimated issues arising from the proposals.
- 2.2 At the beginning of the budget process the council will consider any capital projects that are in progress or which are planned. No major projects should be undertaken without a detailed feasibility report which will include funding sources, cash flow forecasts and revenue implications for future years. Commitments to capital schemes should not be entered into unless and until the financial consequences have been incorporated into the council's approved budget.
- 2.3 The council will consider the detailed budget and shall approve the budget and the precept for the ensuing financial year not later than by the end of January each year, taking into account grants and reserves available to it. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.
- 2.4 The approved annual budget shall form the basis of the financial control for the ensuing year.

3. Budgetary Control and Authority to Spend

- 3.1 Expenditure on revenue items may be incurred up to the amounts included in the Council's approved budget. Payments on any capital project should be made in accordance with forecast cash flows included in the approved project plan.
- 3.2 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 or where the item has to be brought due to an emergency situation. During the budget year the RFO having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to reserves as appropriate ('virement') with the approval of the Council
- 3.3 The salary budgets are to be reviewed at least annually for the following financial year. The RFO will inform the council of any changes impacting on the budget requirement for the coming year in good time.
- 3.4 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 purchase, repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £700. Any amount exceeding £200 must have prior permission from 2 members of the council. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

- 3.5 Changes in earmarked reserves shall be approved by council as part of the budgetary control process.
- 3.6 The RFO shall provide the Council with a statement of receipts and expenditure at the monthly meeting following receipt of a bank statement. The bank reconciliation which will include the bank statement, shall be signed by the chair of the meeting and one other bank account signatory.
- 3.7 The RFO shall each quarter provide the Council with a statement of receipts and payments to date under each heading of the budget, comparing actual expenditure against that planned and shall give details of significant variances. They will also provide councillors with a copy of the Asset Register.
- 3.8 No expenditure shall be incurred 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, or the requisite borrowing approval has been obtained.
- 3.9 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year but will be transferred into reserves.
- 3.10 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 as required by the Accounts and Audit Regulations, appropriate guidance and proper practices.
- 4.2 On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.
- 4.3 The RFO shall be responsible for completing 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.
- 4.4 The council on an annual basis 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 and shall, as directed by the council, supply the internal or external auditor with such information and explanation as the council considers necessary for that purpose.

- 4.5 A suitably competent and independent person shall be appointed by the council as its internal auditor, to undertake regular reviews of the council's internal control systems and report thereon to the Council. The appointed person should complete the relevant sections of the Annual Return.
- 4.6 The Clerk shall ensure that all statutory requirements to publish accounting statements and facilitate public access and inspection are complied with and that the requirements of the External Auditor are met.
- 4.7 All reports by the Internal or External Auditor shall be considered by Council. Any recommendations should be implemented or reasons why they are not, recorded in the minutes.
- 4.8 Members and officers shall co-operate with auditors and provide such information and records as they or the RFO requires.

5. Safeguarding Money

- 5.1 The RFO is responsible for the proper administration of the Council's financial affairs. The RFO should be familiar with the statutory duties for financial administration as they apply to the Council. The duties of the RFO include advising the Council on its corporate financial position, key financial controls and treasury management.
- 5.2 The RFO is responsible for setting up the Council's banking arrangements but these and any changes to them must be approved by the Council. These arrangements should be reviewed every two years for safety and efficiency.
- 5.3 Each bank mandate, list of authorised signatories and amendments to any of these, must be approved by the Council.
- 5.4 Monies received should be banked on a regular basis by the RFO. Cash should be banked, intact, at the earliest opportunity.
- 5.5 All invoices for payment shall be examined, verified and certified by the RFO as evidenced by the presentation to Council for payment. Before such certification the RFO shall satisfy herself that the works, goods or services to which the invoice relates shall have been received, carried out, examined and represents expenditure previously approved by the council. The RFO shall examine invoices in relation to arithmetic accuracy and shall apply them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted, and which are in order, at the next available council meeting.
- 5.6 The RFO shall prepare a schedule of payments requiring authorisation including any payments due or made by direct debit or standing order, forming part of the agenda for the Meeting and together with the relevant invoices, be presented to the council. The council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council. The invoices shall be initialled by the Chairman of the Meeting and one other signatory.

- 5.7 Cheques drawn on the Council's bank account in accordance with the schedule referred to in paragraph 5.5 or in accordance with paragraph 5.10, shall be signed by two authorised Members of the Council and cheque stubs initialled by these signatories.
- 5.8 Once approved, signed cheques should be issued promptly by the RFO.
- 5.9 Each direct debit or standing order authority must be signed at its inception by two members of the Council, who are also signatories of the bank account. The approval of the use of direct debits and standing orders shall be renewed by resolution of the council on an annual basis
- 5.10 The RFO shall have delegated authority to authorise the payment of items only in the following circumstances:
- a) 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, provided that a list of such payments shall be submitted to the next appropriate meeting of council;
 - b) fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council.
- 5.11 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.
- 5.12 The Council will not maintain any form of cash float. 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 monthly.
- 5.13 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.
- 5.14 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 and the RFO shall each also initial the cheque counterfoil.
- 5.15 Cheques or orders for payment shall not normally be presented for signature other than at a council meeting (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the council at the next convenient meeting and the payment will be ratified.

- 5.16 If thought appropriate by the council, payment for certain items may be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories are retained and any payments are reported to council as made. The approval of the use of BACS or CHAPS shall be renewed by resolution of the council at least every two years.
- 5.17 Where the invoice or receipt for a purchase is not made out to the Parish Council it should record on there 'For and on behalf of Hadlow Down Parish Council'.

6. Payment of Salaries

- 6.1 As an employer, the council shall make arrangements through a payroll agent to meet fully the statutory requirements placed on all employers by PAYE, National Insurance legislation and Pension regulations. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE, National Insurance and Pensions currently operating, and salary rates shall be as agreed by council.
- 6.2 The payroll agent shall arrange for the pay slips and papers for Inland Revenue to be sent to the RFO to enable her to draw a cheque for signature at the next monthly meeting.
- 6.3 The payroll agent shall arrange for deductions to be made for the Clerks Pension and will arrange for the necessary paperwork to be sent to the RFO to enable her to draw a cheque for signature at the next monthly meeting.
- 6.4 The Clerk's wages will be mainly paid by standing order as agreed by council, the remainder of her wages, once expenses have been added on, will be paid by cheque. This cheque will be for payment over the amount already paid each month by standing order, and will need to be agreed by the council at their meeting.
- 6.5 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the council.
- 6.6 An effective system of personal performance management should be maintained for the clerk.
- 6.7 Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by council.
- 6.8 The Clerk's hours shall be examined by the Chairman or his representative at the monthly meeting and initialled after approval of the full Council.

7. Loans and Investments

- 7.1 All investments of money under the control of the Council shall be in the name of the Council and will be reviewed regularly. Surplus income should be invested in a bank deposit account as arranged by the RFO and approved by Council.

7.2 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval, the nature and terms of which shall be approved by Council..

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

8. Income

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

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

8.3 The Council will review all fees and charges annually, following a report from the Clerk.

8.4 Any sums found to be irrecoverable and any bad debts, shall be reported to the council and shall be written off in the year.

8.5 All sums received on behalf of the council shall be banked with such frequency as the RFO considers necessary.

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

8.7 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. Orders for Work, Goods and Services

9.1 Before placing an order or making a purchase steps should be taken to ensure that the Council is paying a competitive price and achieving good value for money, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in regulation 9.4 below.

9.2 Before committing the Council to expenditure the RFO shall check that funds are available within the budget and that the Council has the necessary power to incur the expenditure.

9.3 A councillor may not issue an official order or make any contract on behalf of the council.

9.4 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 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. These should be reviewed on a regular basis;
 - (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 £20,000 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 shall invite tenders from at least three suppliers of such goods or services.
- (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) The 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 in the ordinary course of 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) A public notice of an intention to place a contract will be placed in a local newspaper.
- (f) All sealed tenders shall be opened on the prescribed date and time by the Clerk in the presence of at least one member of the council.

- (g) Tenders will then be assessed and reported to the appropriate meeting of the Council. A decision will then be made at the Council meeting by a majority of the Councillors present.
- (h) If less than three tenders are received for contracts above £20,000 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.
- (i) Any invitation to tender issued under this regulation shall be subject to Standing Order 13 and shall refer to the terms of the Bribery Act 2010.
- (j) When it is to enter into a contract less than £20,000 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 RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £2000 and above £100 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 9 (1) above shall apply.
- (k) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- (l) 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.
- (m) Where the expected value of a contract opportunity exceeds £25,000 the information must be advertised on the Government's Contracts Finder website, in addition to any other method of advertising. Details of the award of a contract over £25,000 should also be published on Contracts Finder (Public Contracts Regulations 2015).

10. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

- 10.1 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).
- 10.2 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.
- 10.3 Any variation to a contract or addition to or omission from a contract must be approved by the council and Clerk to the contractor in writing before any work has begun, the council being informed where the final cost is likely to exceed the

financial provision.

11. Assets

- 11.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council and shall record the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which it is held in accordance with Accounts and Audit Regulations. This list should be checked periodically by the Clerk.
- 11.2 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 £150.
- 11.3 No real property (interests in land) shall be sold, leased or otherwise disposed of, without the authority of the council, together with any other consents required by law, in each case a report in writing shall be provided to 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).
- 11.4 No real property (interests in land) shall be purchased or acquired without the authority of the full council. In each case a report in writing shall be provided to 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).
- 11.5 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, possibly in conjunction with a health and safety inspection of assets.
- 11.6 Capital assets should be recorded in the Council's Asset Register at original cost. Where appropriate assets should be properly maintained and sufficient funds should be included in the budget to enable this to happen. Assets, particularly land and buildings should be reviewed to assess if the council is making the most effective economic use of them. Surplus assets should be disposed of, with the approval of council, for the best possible price.

12. Risk Management

- 12.1 The RFO shall be responsible for reviewing and renewing all insurance cover on an annual basis and negotiate all claims on the council's insurers. They shall ensure that best value is obtained.

- 12.2 All appropriate employees and members 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.
- 12.3 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.
- 12.4 The council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the council, 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 at least annually.
- 12.5 When considering any new activity the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and, if thought appropriate, adoption by the council. The Clerk will arrange for any additions to be added to the Council's insurance.
- 12.6 The council shall carry out a Financial Risk Assessment on an annual basis in accordance with the Accounts and Audit Regulations 2003 and 2006, and any subsequent amendments thereto. The minutes shall record such review of the financial risks.

13. Suspension and Revision of Financial Regulations

- 13.1 It shall be the duty of the council to review the Financial Regulations of the council every year as part of its internal control arrangements. 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 in order that they remain effective and up to date.
- 13.2 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.