

CHARNEY BASSETT PARISH COUNCIL

Financial Regulations

1. GENERAL

- 1.1. The council is responsible in law for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk.
- 1.2. These financial regulations (the regulations) address this requirement. They were approved by the Council on 14th November 2018 and replace those previously approved on 6th May 2004. They govern the conduct of the council's financial management. They may only be amended or varied by further resolution of the council.
- 1.3. The regulations should be read in conjunction with the council's standing orders and any individual financial regulations relating to contracts. They are designed to make sure the council:
 - provides for the timely production of accounts;
 - provide for the safe and efficient safeguarding of public money;
 - looks to prevent and detect inaccuracy and fraud; and
 - properly identifies the duties of officers.as required by law.
- 1.4. Every council must appoint a Responsible Financial Officer (RFO): this is a statutory office. The Clerk has been appointed RFO by the council and these regulations apply accordingly. The Clerk therefore:
 - 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;
 - 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.

- 1.5. The accounting records kept by the Clerk shall be sufficient to show and explain the council's transactions and 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. In particular the Clerk will maintain:
- 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.
- 1.6. For the avoidance of doubt, the council is not empowered by these regulations or otherwise to delegate to the Clerk decisions concerning:
- 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,
- and these shall be a matter for meetings of the council.
- 1.7. In addition, and for the avoidance of doubt, 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 National Association of Local Councils.
- 1.8. These regulations are based on model regulations issued by the National Association of Local Councils in January 2016¹. References to the Accounts and Audit Regulations or 'the RAA 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

¹ Where the NALC model regulations cover a matter not included in the council's financial regulations, the NALC model regulations may be referred to as a guide to the procedure to be adopted.

specified. Any reference to the term 'proper practice' or 'proper practices' refers 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

- 2.1. All accounting procedures and financial records of the council shall be determined by the Clerk in accordance with the Accounts and Audit Regulations, appropriate guidance and proper practices.
- 2.2. For each meeting of the council and at each financial year end, a Councillor shall verify bank reconciliations (for all accounts) produced by the Clerk. He/she shall sign the reconciliations, as included in the Clerk's Financial Report to each meeting, as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.
- 2.3. The Clerk 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 officer² 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 supply the Clerk or internal 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. He/she shall:
 - be competent and independent of the financial operations of the council;
 - report to the council in writing, or in person, with a minimum of one annual written report at year end and ideally at each council meeting;
 - to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
 - have no direct involvement in the financial decision making, management or control of the council.
- 2.6. The Clerk shall make arrangements for the exercise of electors' rights in relation to the annual accounts including the opportunity to inspect the accounts, books, and vouchers and display or

² For the purposes of these regulations an officer includes appointed individuals to Groups associated with the Council e.g. the lead for the Charney Army.

publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

- 2.7. The Clerk shall, without undue delay, bring to the attention of councillors any correspondence or report from internal or external auditors.

3. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING

- 3.1. Detailed estimates of receipts and payments, including sources of funding for the forthcoming financial year, shall be prepared by the Clerk in the form of a budget – to be considered by the council no later than the end of January each year. At the same time the council shall set the precept to be levied for the ensuing financial year and the Clerk shall notify the collection authority (currently the Vale of White Horse District Council) of the precept required.
- 3.2. To assist in the formulation of the budget, planned spending by any groups associated with the council shall be provided to the Clerk by the beginning of November for consideration by the council in the approval of the budget in January. This should also draw attention to any possible spending by that group in the longer term (i.e. at least the next 3 years).
- 3.3. The council shall consider the annual budget proposals in relation to a three-year forecast of revenue and capital receipts and payments, to include recommendations for the use of any reserves and sources of funding and update the forecast accordingly.
- 3.4. For the start of each financial year the council will plan for there being a general reserve equivalent to the previous year's recurring gross expenditure and the reserve should not fall below 25% of the total during the course of that year.
- 3.5. The annual budget approved in January 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. Such authority may be determined by:
- the council for all items over £500];
 - the Clerk, in conjunction with Chairman of the council, for items below £500 and more than £100;
 - the Clerk for items below £100

Such authority is to be evidenced by a minute or by a duly signed authorisation slip³.

³ This may include an exchange of emails between the Clerk and the Chairman

- 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 the council may approve unspent and available amounts being moved to other budget headings or to an earmarked reserve if considered appropriate ('virement').
- 4.3. Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 4.4. The Clerk's salary shall be reviewed annually as part of the budget process and shall be included in the administration budget for approval by the council.
- 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 his/her judgement it is necessary to carry out. Such expenditure may include for repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £500. The Clerk shall report such action to the chairman as soon as possible and 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. For each council meeting the Clerk shall provide a statement of receipts and payments to date under each of the budget headings, and shall draw attention to any material variances⁴.
- 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 Clerk and approved by the council. They shall be regularly reviewed for safety and efficiency.
- 5.2. Invoices for payment shall be examined, verified and certified by the Clerk to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure that has been previously approved.
- 5.3. The Clerk shall take all steps to pay all invoices submitted, and which are in order, as soon as possible, having delegated authority to initiate such payments as are authorised in accordance with paragraph 4.1.
- 5.4. Councillors are subject to the council's adopted Code of Conduct and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made. They shall not be

⁴ In excess of £100 or 15%

involved in any decision 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. Following appropriate authorisation (see Sections 4 and 5 above) the Clerk, or where necessary the council, shall give instruction that a payment may be made. All payments shall be effected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council.
- 6.2. Cheques or orders for payment drawn on the bank account shall be signed by two members of council. Each shall be provided with the invoices, vouchers, expense claims with supporting receipts or other payment documentation to support the payment and will initial the cheque counterfoil.
- 6.3. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.
- 6.4. Payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two councillors and any payments are reported to council. Any approval for the use of a variable direct debit shall be renewed by the council at least every two years.
- 6.5. Payments, including for the Clerk's salary, may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced by two councillors and are retained and any payments are reported to the council as made. The approval of the use of a banker's standing order shall be renewed by the council at least every two years.
- 6.6. If payment for an item can only be made by BACS or CHAPS methods, instructions for each payment must be signed, or otherwise evidenced, by two authorised bank signatories, are retained and any payments reported to the 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.
- 6.7. If arrangements are made for payments to be effected by way of internet banking, the council shall follow the guidance set out by the National Association of Local Councils (attached). Any other arrangements shall be incorporated into a review of these Financial Regulations.
- 6.8. The council will not maintain any form of cash float. All cash received must be banked intact. A receipt for any payments made in cash by the Clerk (for example for postage or minor stationery items) shall be retained and re-imbursed at least annually.

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. Salaries shall be as agreed by the 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 reported to the council.
- 7.3. Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by council.
- 7.4. Before employing interim staff the council must consider a full business case.
- 7.5. An effective system of personal performance management shall be maintained.

8. LOANS AND INVESTMENTS

- 8.1. Borrowings shall be effected in the name of the council, after obtaining any necessary borrowing approval (e.g. from the Secretary of State). Any application for borrowing approval must be approved by the council as to terms, purpose and value for money and reviewed annually.
- 8.2. Any financial arrangement which does not require formal borrowing approval from the Secretary of State/Welsh Assembly Government (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 in accordance with a prior agreed council policy.
- 8.4. Any investment certificates and other documents relating thereto shall be retained in the custody of the Clerk.
- 8.5. Payments in respect of any short-term or long-term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Section 5 (Authorisation of Payments) and Section 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 Clerk.
- 9.2. Particulars of any charges to be made for work done, services rendered or goods supplied shall be agreed annually by the council, and the Clerk shall be responsible for the collection of all accounts due to the council.

- 9.3. Any sums found to be irrecoverable and any bad debts shall be reported to the council and shall be written off in the year.
- 9.4. All sums received on behalf of the council shall be banked intact by the Clerk as soon as possible, a record/receipt kept and reported to the council.
- 9.5. The Clerk shall complete any VAT Return that is required and any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually, as soon as possible after the financial year end.
- 9.6. For any significant sums of cash to be received by the council, the Clerk shall take steps to ensure that more than one person is present when cash is counted, that there is a reconciliation to some form of control such as a ticket issue, and that care is taken in the security and safety of individuals handling 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 (e.g. in the case of retail purchases). Orders shall only be issued by the Clerk and a copy retained.
- 10.2. All members and officers are responsible for obtaining value for money at all times. When an official order is issued the Clerk 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 11.1 and also to Regulation 11.2 below).
- 10.3. The Clerk 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, shall ensure that the necessary authority is reported to the meeting at which the order is approved (so that the minutes can record the power being used).

11. CONTRACTS

- 11.1 Every contract shall comply with these financial regulations, except in the case of an emergency or in the following circumstances:
 - 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 £500 (in excess of this sum the Clerk 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.
- 11.2 Where the council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (“the Regulations”) which is valued at £25,000 or more, the council shall comply with the relevant requirements of those Regulations⁵.
- 11.3 When entering 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 11.1 above, the Clerk shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk shall strive to obtain at least 2 estimates. Otherwise, Regulation 10.2 above shall apply.
- 11.4 Where it is considered that it may be appropriate to waive the financial regulations to enable a price to be negotiated without such competition, the reason(s) shall be set out in a written report and approved by the council.
- 11.5 Invitations to tender for a contract shall state its general purpose and be accompanied by a more detailed specification as appropriate. The Clerk shall obtain the necessary technical assistance in preparing the specification. Invitations shall be subject to the council’s Standing Orders and make specific reference to the terms of the Bribery Act 2010. Tenders shall be addressed to the Clerk and firms 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.
- 11.6 All sealed tenders shall be opened by the Clerk at the same time on the prescribed date and in the presence of at least one councillor.
- 11.7 The council shall not be obliged to accept the lowest tender. In the event of no tender, quote or estimate being accepted and the council deciding to seek further pricing, unless there is a change to the specification, no person shall be permitted to submit a late tender, estimate or quote who was part of the original decision-making process.

⁵ The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts

12. ASSETS, PROPERTIES AND ESTATES

- 12.1. The Clerk shall make arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council.
- 12.2. The Clerk shall ensure 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.
- 12.3. 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.
- 12.4. 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).
- 12.5. No real property (interests in land) shall be purchased or acquired without the authority of the 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).
- 12.6. The Clerk shall ensure that an 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 with a health and safety inspection of assets if appropriate.

13. INSURANCE

- 13.1. Following the annual risk assessment (per Section 14) the Clerk shall effect all insurances and negotiate all claims on the council's insurers.
- 13.2. The Clerk shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.
- 13.3. On being notified of any loss liability or damage or of any event likely to lead to a claim, the Clerk shall report this to the council at the next available meeting.
- 13.4. Councillors and employees of the council, including volunteers undertaking work on behalf of the council, shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as may have been determined.

14. RISK MANAGEMENT

- 14.1. 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.
- 14.2. When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

15. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

- 15.1. 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.
- 15.2. 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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Extract from National Association of Local Councils Model Financial Regulations (January 2016)

Arrangements for Internet Banking

(paragraph numbers correspond to NALC Model Regs)

- 6.10 If thought appropriate by the council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.
- 6.11 Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the council's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Chairman of Council in a sealed dated envelope. This envelope may not be opened other than in the presence of two other councillors. After the envelope has been opened, in any circumstances, the PIN and / or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all members immediately and formally to the next available meeting of the council. This will not be required for a member's personal computer used only for remote authorisation of bank payments.
- 6.12 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.
- 6.13 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- 6.14 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.
- 6.15 Where internet banking arrangements are made with any bank, the Clerk [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 those 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.
- 6.16 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.
- 6.17 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 [two of] the Clerk [the RFO][a member]. A programme of regular checks of standing data with suppliers will be followed.