



# FERNHURST PARISH COUNCIL

## FINANCIAL REGULATIONS

### 1. GENERAL

- 1.1. These Financial Regulations shall govern the conduct of the financial affairs of the Council and may only be amended or varied by Resolution of the Council.
- 1.2. The Clerk, as the Responsible Financial Officer (RFO), under the Policy direction of Council, shall regulate and control the finances and accounts of the Council and shall supervise and co-ordinate financial and accounting methods.
- 1.3. The RFO shall be responsible, on behalf of the Council, for the production of financial management information in line with the Accounts and Audit Regulations.
- 1.4. The Finance Committee shall meet at least 3 times a year, prior to the meeting of Council to review Budget monitoring and to formulate Recommendations on the precept for the forthcoming year; and at any other time as may be required.
- 1.5. At least, once a year, prior to approving the Annual Return, the Council shall conduct a review of the effectiveness of its system of internal control, which shall be in accordance with proper practices.
- 1.6. 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 or any other statute then in force.
- 1.7. In these Financial Regulations the term 'proper practice' shall refer to the guidance issued in the document – 'Governance and Accountability in Local Councils in England and Wales – a Practitioners' Guide', which is published jointly by the National Association of Local Councils and the Society of Local Council Clerks; and updated from time to time

### 2. FINANCIAL PLANNING AND ANNUAL ESTIMATES

- 2.1. The Finance Committee shall formulate and submit Recommendations to Council in respect of Revenue Services; and Capital Projects for inclusion in the Rolling Capital Programme, for the January Council meeting.
- 2.2. Detailed estimates of income and expenditure on Revenue Expenditure and Capital Projects shall be prepared by the RFO and submitted to the Finance Committee for the December or January meeting (Financial Regulation 1.4 above)
- 2.3. The Finance Committee shall review the estimates and submit them to Council for the January Council meeting, together with such summaries, statements and reports as are considered desirable in order to enable Council to determine the Precept to be levied for the forthcoming year. The RFO shall supply each Member with a copy of the approved estimates and associated documentation.

- 2.4. Concurrently with the report of Council and the proposed Precept to be levied for the following year, the RFO shall report proposed Capital Projects, in order that approval and funding for the following years may be determined.
- 2.5. The agreed annual Revenue and Capital Budgets shall form the basis of financial control for the forthcoming year.

### **3. BUDGETARY CONTROL**

- 3.1. Expenditure on the Revenue Account may be incurred up to the amounts included in each of the approved headings of the approved Budget, subject to the requirements of Standing Orders.
- 3.2. No expenditure may be incurred which cannot be met from the amount provided in the Budget, unless Council has approved a virement.
- 3.3. The Clerk & RFO shall provide Members with a statement of income and expenditure to date under each head of the approved annual Revenue and Capital Projects, on a quarterly basis from 1<sup>st</sup> April.
- 3.4. Where a Committee wishes to make additional Revenue or Capital expenditure not provided for in the Council's Budget, a supplementary Budget may be requested. Expenditure under a Supplementary Budget shall be approved by Council.
- 3.5. The Clerk & RFO may incur expenditure on behalf of the Council which is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £250. The Clerk & RFO shall report the action to Council as soon as practicable thereafter.
- 3.6. Where expenditure is incurred in accordance with the foregoing Regulation and the sum required cannot be met from savings made elsewhere within the approved Budget, it shall be the subject of a Supplementary Estimate approved by the Finance Committee and Council.
- 3.7. Unspent provisions in the Revenue Budget should be placed in the Reserve Funds or General Funds as thought fit by Council.
- 3.8. No expenditure shall be incurred in relation to any Capital Project and no contract entered into or tender accepted involving expenditure on capital account, unless the Council is satisfied that it is contained in the Capital Programme and that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.9. All Capital works shall be administered in accordance with the Council's Standing Orders and the Financial Regulations relating to contracts.

#### **4. ACCOUNTING AND AUDIT**

- 4.1. All accounting procedures and financial records of the Council shall be maintained by the Clerk & RFO as required by the Accounts and Audit Regulations
- 4.2. The Clerk & RFO shall be responsible for completing the annual accounts of the Council as soon as practicable after the end of the financial year and shall submit them to the Finance & Administration Committee for recommendation to Council.
- 4.3. The duty of providing information, calculating, checking and recording sums due to or from the Council should be separated as completely as possible from the duty of collecting or dispersing them.
- 4.4. The Clerk & RFO shall be responsible for maintaining an adequate and effective system of internal control of the Council's accounting, financial and other operations in accordance with the Accounts and Audit Regulations.
- 4.5. Any Member shall, if the Clerk & RFO requires, make available such documents of the Council which relate to their accounting and other records as appear to the Clerk & RFO to be necessary for the purpose of maintaining the systems of internal control and shall supply the Clerk & RFO with such information and explanation as the Clerk & RFO considers necessary for that purpose.
- 4.6. The Internal Auditor shall be appointed by and shall carry out the work required by 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 conflict of interest and have no involvement in the financial decision making, management or control of the Council.

- 4.7. The Clerk & RFO shall make arrangements for the opportunity for inspection of the accounts; and for the display or publication of any Notices and Statements of Account as required by the Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.8. The Clerk & RFO shall, as soon as practicable, bring to the attention of all Members of Council any correspondence or Report from the internal or external auditor, unless the correspondence is of a purely administrative nature.

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

- 5.1. The Council's banking arrangements shall be conducted in a manner approved and endorsed by Council and implemented by the Clerk & RFO.
- 5.2. A schedule for the payment of money shall be prepared by the Clerk & RFO and together with the relevant invoices etc. be presented to the Finance & Administration Committee. If the schedule is in order, it shall be authorised by the Council.

- 5.3.** Cheques or other financial instruments drawn on the Council's Current Account in accordance with the schedule referred to in the aforementioned Regulation, shall be signed by two Members named as signatories on the current Bank Mandate and initialled by the RFO.

Additionally, there will be an internal attempt to rotate signatories so that the same two signatories are not used for two consecutive months.

The Bank Mandate should be reviewed each year after the Annual Meeting of Council to reflect any changes to signatories.

- 5.4.** The Council's banking arrangements shall be reviewed from time to time, as may be appropriate; and, in any event, every three years.
- 5.5.** The Council's investments shall be reviewed annually.

## **6. PAYMENT OF ACCOUNTS**

- 6.1.** Apart from Petty Cash, all payments shall be effected by cheque, other order or financial instrument drawn on the Council's bankers.
- 6.2.** All invoices for payment shall be examined, verified and certified by the RFO. Before completing and certifying the invoice and the expenditure voucher, the RFO shall satisfy themselves that the work, goods or services to which the invoice relates have been received, carried out, examined and approved
- 6.3.** Certified invoices shall be examined by the RFO as to arithmetical accuracy and authorisation and coded to the appropriate expenditure head. The RFO will take all possible steps to settle all invoices submitted and which are in order within 30 days of their receipt.
- 6.4.** All duly certified invoices will then be entered on the Schedule referred to in Financial Regulation 5.2 above.
- 6.5.** A Petty Cash Account float may be maintained to a limit of £40, unless otherwise authorised, for the purpose of defraying operational and other expenses. Vouchers for payments made from the Petty Cash Account shall be kept to substantiate payments.
- 6.6.** Income received must not be paid into the Petty Cash float but must be separately banked, as provided elsewhere in these Regulations.
- 6.7.** Payments made to reimburse the Petty Cash float shall be shown separately on the schedule of payment for money.

## **7. PAYMENT OF SALARIES AND WAGES**

- 7.1.** The payment of all salaries and wages shall be made from the Current Account.
- 7.2.** The Clerk shall operate an RTI system directly with HMRC.

## **8. LOANS AND INVESTMENTS**

- 8.1.** All loans and investments, other than bank deposits shall be negotiated by the RFO in the name of the Council; be endorsed by the Council and shall be for a set period of time in accordance with Council policy. Changes to loans and investments shall be reported to Council at the earliest opportunity.
- 8.2.** All investments of money under the control of the Council shall be in the name of the Council.
- 8.3.** All borrowings shall be in the name of the Council, after obtaining any necessary borrowing approval.
- 8.4.** 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 notified to the RFO; and the RFO shall be ultimately responsible for the collection of all accounts due to the Council.
- 9.3.** The Finance & Administration Committee shall review any charges to be made or fees due annually; or otherwise, as may be appropriate, following a Report by the RFO.
- 9.4.** Any bad debts shall be reported to Council.
- 9.5.** All sums received on behalf of the Council shall be paid directly to the RFO for banking, as soon as reasonably practicable.
- 9.6.** Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.7.** All VAT due to the Council shall be reclaimed annually.

## **10. ORDERS FOR WORKS AND SERVICES**

- 10.1.** An official order or letter, signed by the RFO, 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. petty cash purchases. Copies of all such orders or letters shall be maintained.
- 10.2.** Where work, goods or services will be of a value of more than £250 and up to a limit of £1,000 the matter must be discussed, agreed and minuted by the Council. Three estimates should then be obtained normally and a Recommendation made as to which quotation is to be accepted and a minuted decision of the Council recorded. In the event of urgent repairs,

the Council may pass a resolution to dispense with obtaining 3 quotes, so long as the work does not exceed £1,000.

- 10.3.** Every Member of the Council and the RFO is responsible for obtaining value for money at all times and to ensure, as far as reasonable and practicable, that the best possible terms are obtained in respect of each transaction.
- 10.4.** All orders issued by the Council will include a requirement for contractors and suppliers to meet all appropriate legislation, including Health and Safety at Work and British Standards and have public liability insurance with an adequate limit of indemnity.

## **11. CONTRACTS**

- 11.1.** Where it is intended to enter into a contract exceeding £1,000 for the supply of materials or for the execution of works or specialist services the procedure outlined in Section 10.2 should be followed and 3 quotes must be obtained. No contract due for renewal should be renewed without following the procedure. Before deciding on which recommendation to accept, the Council must be made aware of the total value of the contract.
- 11.2.** Where applications are made to waive Standing Orders relating to contracts to enable a tender to be negotiated without competition, the reason shall be embodied in a Recommendation to Council. The Council decision and the reasons for variance from procedure should then be minuted.
- 11.3.** The Parish Council's Standing Orders and Financial Regulations shall not apply to the following contracts –
- i. For the supply of gas, electricity, water, sewerage and telephone services
  - ii. For specialist services, such as provided by solicitors, accountants, surveyors and planning consultants
  - iii. For work to be executed or materials to be supplied which consist of repairs to or parts for existing machinery 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 goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price
- 11.4.** Where it is intended to enter into a contract exceeding £10,000, the Council's Procurement policy shall be as follows:-
- (a) to place a public notice of intention to place a contract in a local newspaper
  - (b) to draw up a specification of the goods, materials, services and the execution of works required
  - (c) to include in the tender notice reference to the Council's Standing Orders
  - (d) to arrange for tenders to be sent, in a sealed marked envelope, to the Clerk & RFO by a stated date and time
  - (e) the Clerk & RFO to open submitted tenders after the stated closing date and time, in the presence of at least one Member of Council
  - (f) The Finance & Administration Committee to assess the tenders and report accordingly to Council

- 11.5.** Where it is intended to enter into a contract exceeding £70,000 it is acknowledged that the European Union Public Sector Procurement Rules are likely to apply; and Council will seek appropriate advice.

## **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 receipt of authorised certificates from contractors engaged to supervise the contract.
- 12.2.** Where contracts provide for payment by instalments, the RFO shall maintain a record of all such payments. In any case, when it is estimated that the total cost of the work carried out under a contract, excluding fluctuation clauses, will exceed the contract sum by 5% or more, a Report shall be submitted to Council.
- 12.3.** Any variation to a contract or addition to or omission from a contract must be approved by the Clerk & RFO in writing. Council must be advised in advance where the final cost is likely to exceed the financial provision.

## **13. ASSETS, EQUIPMENT AND STORES**

- 13.1.** The Clerk shall be responsible for the care and custody of all stores and equipment.
- 13.2.** Stocks shall generally be maintained at the minimum level consistent with operational requirements.
- 13.3.** The RFO shall be responsible for the annual check of all assets and equipment.
- 13.4.** The Clerk shall maintain an up-to-date Asset Register (excluding consumables).
- 13.5.** No assets or equipment shall be leased, sold or otherwise disposed of without the authority of the appropriate Committee, save where the estimated value of any one item does not exceed £500 or a transaction value of £1,000.

## **14. PROPERTIES AND ESTATES**

- 14.1.** The Clerk shall make appropriate arrangements for the safe custody of all title deeds of properties owned by the Council.
- 14.2.** 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 the Accounts and Audit Regulations.
- 14.3.** No property shall be sold, leased or otherwise disposed of without the authority of Council.

## **15. INSURANCE**

- 15.1.** The RFO shall effect all insurances and negotiate all claims on the Council's insurers.
- 15.2.** The RFO shall notify the Council's insurers promptly of all new risks or properties which require to be insured; and of any alterations affecting existing insurances. These shall be added to the proper insurance policy and, where applicable, to the Asset Register.
- 15.3.** The RFO shall keep a record of all insurances effected by the Council and the property and risks covered therein; and annually review the policy.
- 15.4.** The RFO shall be notified of any loss, liability or damage or any other event likely to lead to a claim.
- 15.5.** All employees of the Council shall be included in a suitable fidelity guarantee insurance.

## **16 FAILURE TO FOLLOW REGULATIONS**

- 16.1** If the Council and RFO fail to follow the agreed Financial Regulations and the Council incurs a liability the Council and RFO will be held equally liable for any amounts due.

## **17. SECTION 37 OF THE LOCAL GOVERNMENT ACT 1972**

- 17.1** Council will declare annually, all expenditure not covered by statutory powers, as required by the Local Government Act 1972.

## **18. RISK MANAGEMENT**

- 18.1.** The Clerk shall prepare, for approval by Council, Risk Management Policy statements of all activities of the Council, which will be reviewed annually.
- 18.2.** When considering any new activity, the Clerk will ensure that draft Risk Assessments are prepared, including Risk Assessment proposals for consideration and adoption by Council.

## **19. REVISION OF FINANCIAL REGULATIONS**

- 19.1.** The Financial Regulations of the Council shall be subject to Annual Review, or sooner if required.

Date of Adoption: 12 November 2014