

## **HARVINGTON PARISH COUNCIL**

### **Financial Regulations - reviewed May 2018 and adopted.**

#### **1.GENERAL.**

These financial regulations govern the conduct of financial management by the council and may only be amended or varied by resolution of the council. Financial regulations are one of the council's three governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the council's standing orders and any individual financial regulations relating to contracts. The council is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk. Financial Regulations demonstrate how the council meets these responsibilities and requirements.

The Clerk has been appointed as RFO for this council and these regulations will apply accordingly. The RFO acts under the policy direction of the council and administers the council's financial affairs in accordance with all Acts, Regulations and proper practices. The RFO determines on behalf of the council its accounting records and accounting control systems ensuring that the accounting systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with proper practices.

1.1 The council's accounting control systems must include measures which provide for: the timely production of accounts; the safe and efficient safeguarding of public money; the prevention and detection of inaccuracy and fraud and which identify the duties of officers.

1.2 At least once a year, prior to approving the Annual Governance Statement, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.3 Deliberate or willful breach of these Regulations by an employee may give rise to disciplinary proceedings.

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 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-statement of balances, 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.

1.6 The accounting records determined by the RFO shall in particular contain:

- a) Entries from day to day of all sums of money received and expended by the council and the matters to which the receipts and payments account relate.
- b) A record of the assets and liabilities of the council.
- c) A record of the council's receipts and payments in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.7 The accounting control systems determined by the RFO shall include:

- a) Procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible.
- b) Procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records.
- c) Measures to ensure that risk is properly managed.

1.8 The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding the following shall be a matter for the full council only:

- a) setting the final budget or the precept (Council Tax Requirement)
- b) approving accounting statements
- c) approving an annual governance statement
- d) borrowing
- e) writing off bad debts
- f) declaring eligibility for the General Power of Competence
- g) addressing recommendations in any report from the internal or external auditors.

In addition the council must:

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

1.9 In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation, and then in force unless otherwise specified. In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability for Local Councils- a Practitioners' Guide (England)* issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

### **ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)**

2.1 All accounting procedures and financial records of the council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate Guidance and proper practices.

2.2 At each meeting and at each financial year end, all members of the council shall receive a summary of accounts with bank reconciliations produced by the RFO. A member who is not a signatory shall sign the reconciliations and the original bank statements as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Finance Group.

2.3 The RFO shall complete the annual statement of accounts, annual report, and any related documents of the council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them and report thereon to the council within the timescales set by the Accounts and Audit Regulations.

2.4 The council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external 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. The Internal Auditor shall be competent and independent of the financial operations of the council; report to council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year. In order to demonstrate competence, objectivity and independence the Internal auditor shall be free from conflicts of interest, including those arising from family relationships and have no involvement in the financial decision making, management or control of the council.

2.6 The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

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

### **3.ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING**

3.1 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year shall be prepared each year by the RFO in the form of a budget to be considered by the Finance and General Purposes Group and Council no later than December for presentation to council at the January meeting.

3.2 The council shall fix the precept (council tax requirement), for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

3.3 The approved annual budget shall form the basis of financial control for the ensuing year.

### **4.BUDGETARY CONTROL AND AUTHORITY TO SPEND**

4.1 Expenditure on revenue items may be authorised by the council up to the amounts included for that class of expenditure in the approved budget.

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 and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as 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 may incur expenditure on behalf of the council and shall report the action to the council as soon as practicable for work which is of 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 **£500**.

4.5 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.

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

4.7 The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be presented at each meeting with explanations of material variances. For this purpose "material" shall be in excess of £100.

4.8 Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

## **5.BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

5.1 The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency.

5.2 A schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, shall be presented to council. If the schedule is in order it shall be authorised for payment by a resolution of the council and shall be initialled by the chairman.

A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised.

5.3 All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.

5.4 The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available council Meeting.

5.5 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.

5.6 The council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time.

5.7 Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a Member.

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

6.1 The council will make safe and efficient arrangements for the making of its payments.

6.2 Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee or, if so delegated, the Clerk or RFO shall give instruction that a payment shall be made.

6.3 All payments shall be effected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of Council

6.4 Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council shall be signed by two members of council in accordance with a resolution instructing that payment. 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.

6.5 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 shall each also initial the cheque counterfoil.

6.6 Cheques or orders for payment shall not normally be presented for signature other than at a council (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.

6.7 If thought appropriate by the council, payment for certain items (principally Salaries) may be made by Banker's Standing Order provided that the instructions are signed, or otherwise evidenced by two members are retained and any payments are reported to council as made. The approval of the use of a Banker's Standing Order shall be renewed by resolution of the council at least every two years.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 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.

6.13 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.

6.14 Where internet banking arrangements are made with any bank, the Clerk] 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.

6.15 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.

6.16 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.

6.17 Any Debit Card issued for use will be specifically restricted to the Clerk [and the RFO] and will also be restricted to a single transaction maximum value of [£500] unless authorised by council in writing before any order is placed.

6.18 A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the council. Transactions and purchases made will be reported to the council and authority for topping-up shall be at the discretion of the council.

6.19 Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk [and RFO] and shall be subject to automatic payment in full at each month-end. Personal credit or debit cards of members or staff shall not be used under any circumstances.

6.20 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 shall be refunded on a monthly basis.

## **7. PAYMENT OF SALARIES**

7.1 As an employer, the council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by 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 made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to the next available council meeting.

7.3 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the council.

7.4 Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- a) by any councillor who can demonstrate a need to know;
- b) by the internal auditor;
- c) by the external auditor; or
- d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

## **8.LOANS AND INVESTMENTS**

8.1 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. The application for Borrowing Approval, and subsequent arrangements for the Loan shall only be approved by full council.

8.2. 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.

8.3. The council shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Strategy and Policy shall be reviewed by the council at least annually.

8.4 All investments of money under the control of the council shall be in the name of the council.

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

8.6 Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 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 RFO.

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

9.3. The council will review all fees and charges at least annually, following a report of the Clerk.

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

9.5. 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.

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

9.7. Personal cheques shall not be cashed out of money held on behalf of the council.

9.8. 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.

9.9. 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. 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 (1) below.

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

10.5. 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 this regulation need 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 £500 (in excess of this sum the Clerk and RFO 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.

b. 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 the Regulations.

c. The full requirements of The Regulations, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public



works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time).

d. 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.

e. Each 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.

f. All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of council.

g. Any invitation to tender issued under this regulation shall be subject to Standing Orders 18 d and shall refer to the terms of the Bribery Act 2010.

h. When it is to enter into a contract of less than £5,000 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 or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.

i. The council shall not be obliged to accept the lowest or any tender, quote or estimate.

j. Should it occur that the council, does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.

## **12.ASSETS, PROPERTIES AND ESTATES**

12.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure 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.

12.2 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, where the estimated value of any one item movable property does not exceed £250.

12.3 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).

12.4 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).

12.5 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.

### **13. INSURANCE**

13.1. Following the annual risk assessment (per Financial Regulation 17), the RFO shall effect all insurances and negotiate all claims on the council's insurers in consultation with the Clerk.

13.2. The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.

13.3. 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.

13.4. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually]by the council, or duly delegated committee.

### **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**

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.

16.2. 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.