



# *HOLYBROOK PARISH COUNCIL*

## Financial Regulations

### **Definitions Accounts and Audit Regulations**

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.

### **Public Contracts Regulations**

In these Financial Regulations, references to the Public Contracts Regulations 2015 or "the PC regulations" shall mean the regulations which came into force in February 2015, or any superseding legislation, and then in force unless otherwise specified.

### **Proper Practice**

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 the National Association of Local Councils (NALC) and the Society for Local Council Clerks (SLCC).

### **Appropriate or Relevant Committees**

In these Financial Regulations, references to the appropriate or relevant Committees, shall refer to those which have delegated powers.

### **The Council**

The Council shall mean Holybrook Parish Council.

### **Members**

Members shall mean the elected Members of the Parish Council.

## **1. General**

1.1 These financial regulations govern the conduct of the financial transactions of 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 the current Code of Conduct.

1.2 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.

1.3. The Council's accounting control systems will include measures:

- for the timely production of accounts;
- that provide for the safe and efficient safeguarding of public money;
- to prevent and detect inaccuracy and fraud; and
- that identify the duties of Officers.

1.4. These Financial Regulations demonstrate how the Council will meet these responsibilities and requirements.

1.5. At least once a year the Council will review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.6. Deliberate or wilful breach of these Regulations by an employee will give rise to disciplinary proceedings.

1.7. Members of Council will follow the instructions within these Regulations and not entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute.

1.8 The Responsible Financial Officer (RFO), under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs\*.

1.9 The RFO shall be responsible for the production of financial management information.

## **2. Annual Estimates**

2.1 The RFO shall formulate and submit proposals of all relevant budget headings to the Finance Committee. The Finance Committee will review all proposals and will submit an annual budget and precept recommendation to the Council in respect of revenue and capital costs for the following financial year not later than the end of December each year.

2.2 Detailed estimates of all receipts and payments for the year shall be prepared each year by the RFO.

2.3 The Council shall review the estimates not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall supply each member with a copy of the approved estimates.

2.4 The annual budgets shall form the basis of financial control for the ensuing year

### **3. Budgetary Controls**

3.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.

3.2 No expenditure may be incurred which will exceed the amount provided in the revenue budget or for which no budget was included in the annual Budget without resolution of the Council or duly delegated committee except in the case of 3.4 below. 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').

3.3 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each budget heading, comparing actual expenditure against that planned.

3.4 The RFO may incur expenditure on behalf of the Council, which is necessary to carry out any repair, replacement or other work which is urgent and must be actioned immediately, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1000. The RFO shall report the action to the Chairman immediately and to the Council as soon as practical thereafter.

3.5 Unspent provisions in the revenue budget for completed projects shall not be carried forward, designated, to a subsequent year.

3.6 The salary budgets are to be reviewed at least annually in October for the following financial year taking account of potential statutory pay rises and performance pay rises (performance reviews are completed in May of the current financial year).

3.7 The RFO will inform Committees of any changes impacting on their budget requirement for the coming year in good time.

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

3.10 The RFO shall regularly provide the Council with a statement of income and expenditure 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 prepared for consideration by the Finance Committee and an explanation of material variances given. For this purpose "material" shall be in excess of 15% of the budget.

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

### **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 Audit Commission Act 1998 and the Accounts and Audit Regulations issued from time to time under the Act.

4.2 On a regular basis, at least once in each quarter, and at each financial year end the Chairman shall verify bank reconciliations (for all accounts) produced by the RFO. The Chairman shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall, on conclusion be reported, including any exceptions, to and noted by the Council's Finance Committee. These records will be made available at each Finance Committee meeting for review by Members.

4.3 The RFO, with the support of the Council's appointed accountant, shall be responsible for completing the annual financial statements of the Council as soon as practicable after the end of the financial year and shall submit them and report on them to the Council.

4.4 The RFO, with the support of the Council's appointed accountant, shall be responsible for completing the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and for submitting the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations as amended or set by the Auditor.

4.5 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.

4.6 The Internal Auditor shall carry out the work required by the RFO, or by the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one report in respect of each financial year.

4.7 Internal or External Auditors will not under any circumstances:

- perform any operational duties for the Council;
- initiate or approve accounting transactions; or
- direct the activities of any Council employee, except to the extent that such employees have been appropriately assigned to assist the Internal Auditor.

4.8 For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as is described in proper practices.

4.9 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.

4.10 The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is on a purely administrative matter.

## **5. Banking Arrangements and Cheque Payments**

5.1 The Council's banking arrangements shall be made by the RFO and approved by the Council. They shall be regularly reviewed for safety and efficiency.

5.2 A schedule of the payments required, forming part of the Agenda for the meeting, shall be prepared by the RFO and be presented to Council. The schedule will detail each cheque number or payment method i.e. card, BACS and the date on which it was written. If the schedule is in order, it shall be authorised by a resolution of the Council and shall be initialled by the Chairman of the meeting or Chairman of the Finance Committee.

5.3 Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4 shall be signed by the Chair and RFO. When this is not possible or appropriate (i.e. payments to the aforementioned) cheques are to be signed by two approved members of the Council.

## **6. Payment of Accounts**

6.1 All payments shall be effected by cheque, debit card or other order drawn on the Council's bankers except in the case as detailed in 6.2.

6.2 Deposit payments made to the Council, for the hire of its facility at the Beansheaf Centre, by Faster Payments may be returned to the payee in the same manner. A register of deposits must be kept and checked against the bank account by the Chairman of the Council.

6.3 All invoices for payment shall be examined, verified and certified by the RFO. The RFO shall be satisfied that the work, goods or services, to which the invoice relates, has been received, carried out, examined and approved.

6.4 The RFO shall examine invoices in relation to arithmetic accuracy and shall allocate them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted and which are in order.

6.5 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 the 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 meeting of the Council.
- b) An expenditure item authorised under 6.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next meeting of the Council.

6.6. For each financial year the RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like, for which the Finance Committee may authorise payment for the year provided that the requirements of regulation 3.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of the Council.

6.7 The RFO shall maintain a petty cash float of £200 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment. NOTE: the petty cash float is currently held but is not used.

6.8 Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.

6.9 Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council.

6.10 In respect of grants the Council shall approve expenditure within any limits set by Council and in accordance with any policy statement approved by Council.

6.11 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.

6.12 During an election year, the Council will appoint cheque signatories for the term of office of the Council.

## **7. Payment of Salaries**

7.1 The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating and salaries shall be as agreed by Council and in conjunction with section 3.6.

7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and any pension contributions, are to be arranged by the Council's authorised payroll administrators in accordance with the payroll records on the appropriate dates.

7.3 Any increases in annual salaries, overtime or other payments will be agreed and authorised by the Council and notified to the Council's payroll administrators for appropriate action.

## **8. Loans and Investments<sup>1</sup>**

8.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.

8.2 Any financial arrangement which does not require formal borrowing approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the Finance Committee. In each case a report in writing shall be provided to the Committee in respect of value for money for the proposed transaction.

8.3 Any financial arrangement which does not require formal borrowing approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the Finance and General Purposes Committee. In each case a report in writing shall be provided to the Committee in respect of value for money for the proposed transaction

8.4 The Council's Investment Policy, shall be in accordance with the Trustee Act 2000, and shall be reviewed on a regular basis (at least annually).

8.5 All investments of money under the control of the Council shall be in the name of the Council.

8.6 All borrowings shall be in the name of the Council, after obtaining any necessary borrowing approval. Council shall approve any application for borrowing approval as to terms and purpose.

8.7 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 agreed annually by the Council, and notified to the RFO. The RFO shall be responsible for the collection of all accounts due to the Council.

9.3 The Council or appropriate committee, will review all fees and charges annually, following a report from the RFO.

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 is to 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.

10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

## 11. Contracts

Procedures as to contracts are laid down as follows:

- a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) to (vi) below:
  - i) *for the supply of gas, electricity, water, sewerage and telephone services;*
  - ii) *for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;*
  - iii) *for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;*
  - iv) *for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;*
  - v) *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 minor goods which are used in the Council Offices or other Council owned property 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 a public works contract as defined by The Public Contracts Regulations 2015 (“the PC Regulations”) which is valued at £25,000 excluding VAT or more, the Council shall comply with the relevant requirements of the Regulations.
- c) The full requirements of the PC 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 PC Regulations set by the Public Contracts Directive 2014/24/EU and any amending regulation.
- 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) Such invitation to tender shall state the general nature of the intended contract and the RFO shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
- f) The invitation shall in addition state that tenders must be addressed to the RFO in the ordinary course of the 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.
- g) The RFO in the presence of at least one member of Council shall open all sealed tenders at the same time on the prescribed date.

- h) If less than three tenders are received for contracts above £25,000, excluding VAT, 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 the Council's Standing Order (Interests) and shall refer to the terms of the Bribery Act 2010.
- j) When it is intended to enter into a contract less than £25,000 excluding VAT 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 £10,000 and above £1,000 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.
- k) The Council shall not be obliged to accept the lowest of any tender, quote or estimate.
- l) The Council will have the power to appoint professional project managers to handle works on its behalf. Where such managers are appointed, they will fulfil the requirements of dealing with tender processes for contracts as set out above.
- m) If 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.

## **12. Payments under Contracts or Building or other Construction Works (PUBLIC WORKS CONTRACTS)**

12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and RFO to the Contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

## **13. Stores and Equipment**

13.1 The RFO shall be responsible for the care and custody of stores and equipment.

13.2 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.

13.3 Stocks shall be kept at the minimum levels consistent with operational requirements.

13.4 A delegated officer shall be responsible for periodic checks of stocks and stores at least annually.

## **14. Assets, Properties and Estates<sup>3</sup>**

14.1 The RFO shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Regulation 4(3)(b) of the Accounts and Audit Regulations 1996 as amended.

14.2 No property shall be 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.

14.3 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually.

## **15. Insurance**

15.1 Following an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers.

15.2 The RFO shall give prompt attention all new risks, properties or vehicles, which require to be insured, and of any alterations affecting existing insurances.

15.3 The RFO shall keep a record of all insurances affected by the Council and the property and risks covered thereby and annually review it.

15.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to the Council at the next available meeting.

15.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance, which shall cover the maximum risk exposure as determined by the Council.

## **16. Charities<sup>4</sup>**

16.1 Where the Council is sole trustee of a charitable body the RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

## **17. Risk Management**

17.1 The Council will be 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.

17.2. When considering any new activity, the Clerk, with the RFO, shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

## **18. Revision of Financial Regulations**

18.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time.

18.2. 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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## **Notes to the Financial Regulations**

Stated dates or months may be changed to suit local circumstances

The value inserted in any of the paragraphs may be varied by the Council and should be reviewed regularly and confirmed annually by the Council.

<sup>1</sup> At the date of this review, no loans or investments were held by the Council.

<sup>3</sup> No property was owned by the Council at the date of this review.

<sup>4</sup> The Council was not the sole trustee of any charitable body at the date of this review.

\*At the date of this revision to the Financial Regulations, the Clerk and RFO are one and the same.