Yarnscombe Parish Council

Financial Regulations

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Document History

Version	Date	Author	Reason for Change
0.1	23/04/2014	Richard Pengilley	First draft.
1.0	11/06/2014	Richard Pengilley	First formal issue.
1.1	30/01/2015	Richard Pengilley	Update to subsection 6.5 regarding use of bank debit card.
1.2	30/08/2015	Richard Pengilley	Addition to section 10 regarding order legality verification and reporting.
1.3	24/06/2016	Richard Pengilley	Update to subsection 6.2 regarding permissible cheque signatories.
1.4	07/08/2016	Richard Pengilley	Update to subsection 1.12 and section 9 to refer to Separation of Duties document.
1.5	28/05/2018	Richard Pengilley	Reissue following annual review (no change).
1.5	18/05/2019	Richard Pengilley	Reissue following annual review (no change).

Notes

1. Use of the word “chairman” (and similar) in this document should not be taken to assume that women are precluded from taking such a role.

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This document is based on, and closely follows, the Model Financial Regulations issued by the National Association of Local Councils.

1 General

1.1 These financial regulations govern the conduct of financial management by Yarnscombe Parish Council ("the council") and may only be amended or varied by resolution of the council. Financial regulations are one of the council's 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.

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. The council's accounting control systems must 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
- identifying the duties of officers.

These financial regulations demonstrate how the council meets these responsibilities and requirements.

1.3 At least once a year, during the Annual Parish Council Meeting, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.4 A breach of these Regulations by an employee is gross misconduct.

1.5 Councillors 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.

1.6 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council. The Clerk has been appointed as RFO for this council and these regulations will apply accordingly.

1.7 The RFO:

- acts under the policy direction of the council;
- administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
- determines on behalf of the council its accounting records and accounting control systems;
- ensures the accounting control systems are observed;
- maintains the accounting records of the council up to date in accordance with proper practices;
- assists the council to secure economy, efficiency and effectiveness in the use of its resources; and
- produces financial management information as required by the council.

1.8 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).

1.9 The accounting records determined by the RFO shall be sufficient to show and explain the council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments and additional information, as the case may be, or management information prepared for the council from time to time comply with the Accounts and Audit Regulations.

1.10 In these financial regulations, references to the Accounts and Audit Regulations shall mean the Accounts and Audit (England) Regulations 2011/817.

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

- entries from day to day of all sums of money received and expended by the council and the matters to which the income and expenditure or receipts and payments account relate;
- a record of the assets and liabilities of the council; and
- wherever relevant, a record of the council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

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

- procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions. These matters are dealt with further in the document "Separation of Duties";
- procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

1.13 The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final budget or the precept (Council Tax Requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the power of well-being; and
- addressing recommendations in any report from the internal or external auditors,

shall be a matter for the full council only.

2 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 As soon as possible after the last day of March, June, September and December in each year a councillor other than the Chairman shall be appointed to verify bank reconciliations for all accounts produced by the RFO. The councillor shall sign and date 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.

2.3 The RFO shall complete the annual statement of accounts 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 at the Annual Parish Council Meeting.

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 councillor 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.

2.6 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;
- 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 involvement in the financial decision making, management or control of the council.

2.7 Internal or external auditors may 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.

2.8 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.

2.9 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 the Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

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

3 Annual Estimates (Budget) and Forward Planning

3.1 The RFO must each year, by no later than the October meeting of the council, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the council.

3.2 The council shall fix the precept (council tax requirement), and relevant basic amount of council tax to be levied for the ensuing financial year not later than by the end of December each year. The RFO shall issue the precept to the billing authority and shall supply each councillor 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 All expenditure is to be authorised only at regular meetings of the council (but see also regulation 4.2 below). Each authorisation is to be evidenced by an entry in the minutes of the meeting.

4.2 In cases of extreme risk to the delivery of council services, e.g. expenditure required by the billing authority, or to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, the clerk may authorise revenue expenditure on behalf of the council between meetings which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £250. Authorisation for this expenditure must be obtained by a majority vote from councillors using secure electronic mail where available or by written note. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

4.3 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by an explicit 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.

4.4 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.

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.

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 prepared at the end of each financial quarter and shall show explanations of material variances. For this purpose "material" shall be in excess of 15% of the budget.

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.

5.2 The RFO shall prepare a schedule of payments requiring authorisation, forming part of the agenda for the meeting and present the schedule to council. The council shall review the schedule for compliance and, having satisfied itself, shall authorise payment by a resolution of the council.

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. 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.

5.4 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 Instructions for the Making of Payments

6.1 The council will make safe and efficient arrangements for the making of its payments. Following authorisation under Financial Regulation 5 above, the council or, if so delegated, the Clerk or RFO shall give instruction that a payment shall 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 the council.

6.2 Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to the council shall be signed by two councillors in accordance with a resolution instructing that payment. If a councillor who is also a bank signatory has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which the payment is being made, that councillor shall be required to consider Standing Orders, and thereby determine whether it is appropriate and/or permissible to be a signatory to the transaction in question. 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. Cheques or orders for payment shall not normally be presented for signature other than at a council meeting. Any signatures obtained away from such meetings shall be reported to the council at the next convenient meeting.

6.3 The council shall not enter into any arrangements for payment by bank standing order, variable direct debit, or BACS or CHAPS methods.

6.4 The council shall not perform any financial transactions via Internet banking.

6.5 The council shall not make use of any credit or store/loyalty card. Any debit card issued for use on the council's bank account will be specifically restricted to the Clerk. All transactions using the card must be authorised by the council in writing before any purchase is made. Authorisation will normally be by minuted approval at a council meeting.

6.6 The council shall not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk or RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

7 Payment of Salaries

7.1 The council's only employee is the clerk, whose salary and deductions for income tax and National Insurance are paid directly from the precept from the billing authority.

8 Loans and Investments

8.1 The council shall not enter into any borrowing or loan agreements.

8.2 The council shall not make any investments.

9 Income

The council rarely receives income for work done, services rendered or goods supplied, or from a charitable trust. When it does so, it follows the sequence of operations outlined in the Income section of the "Separation of Duties" document mentioned in section 1.

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. Order books shall be controlled by the RFO.

10.2 All councillors 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(i) below.

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

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

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 it is intended to enter into a contract exceeding £60,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list.

c. When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the council.

d. Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.

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

f. If fewer than three tenders are received for contracts above £60,000 or if all the tenders are identical the council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

g. Any invitation to tender issued under this regulation shall be subject to Standing Order 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 £60,000 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 three 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 three 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, 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.

k. The European Union Procurement Directive shall apply and the terms of the Public Contracts Regulations 2006 and the Utilities Contracts Regulations 2006 including thresholds shall be followed.

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 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 Clerk to the contractor in writing, the council being informed where the final cost is likely to exceed the financial provision.

13 Assets, Properties and Estates

13.1 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.

13.2 No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the council, together with any other consents required by law. In each case a written report shall be provided to council with a full business case.

13.3 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 written report 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).

13.4 No real property (interests in land) shall be purchased or acquired without the authority of the full council. In each case a written report 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).

13.5 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 and reviewed at the Annual Parish Council Meeting.

14 Insurance

14.1 Following the annual risk assessment (per Financial Regulation 16), the RFO shall effect all insurances and negotiate all claims on the council's insurers.

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

14.3 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.

14.4 All councillors 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 by the council.

15 Charities

(The council is no longer trustee of any charitable body.)

16 Risk Management

16.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk shall arrange for the preparation, for approval by the council, of 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 the Annual Parish Council Meeting.

16.2 When considering any new activity, the Clerk shall arrange for the preparation of a draft risk assessment including risk management proposals for consideration and adoption by the council.

17 Suspension and Revision of Financial Regulations

17.1 The Financial Regulations of the council shall be reviewed at the Annual Parish Council Meeting. 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.

17.2 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.