

# CLAYTON PARISH COUNCIL

## FINANCIAL REGULATIONS

*These Financial Regulations were adopted by the Council at its Meeting held on 8<sup>th</sup> May 2014 and updated on 21<sup>st</sup> January 2016*

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## 1. GENERAL

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 These financial regulations demonstrate how the council meets these responsibilities and requirements.
- 2.5 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.
- 2.6 A breach of these Regulations by an employee is gross misconduct.
- 2.7 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.
- 2.8 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the council.
- 2.9 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.
- 2.10 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 management information prepared for the council from time to time comply with the latest Accounts and Audit Regulations.
- 2.11 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.
- 2.12 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;
  - 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.
- 2.13 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.

- 2.14 In addition the council must:
- determine and keep under regular review the bank mandate for all council bank accounts;
  - approve any grant or a single commitment in excess of £20,000; and
  - in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant Committee in accordance with its terms of reference.
- 2.15 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.
- 2.16 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).

## **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 At least twice a year a member other than the Chairman or cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. 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, 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.

- 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 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.

### **3. ANNUAL ESTIMATES**

- 3.1 Each Committee (if any) shall formulate and submit proposals to the Council in respect of revenue and capital costs for the following financial year not later than the end of November each year.
- 3.2 Appropriately detailed estimates of all income and expenditure for the year, including the use of reserves and all sources of funding for the following financial year shall be prepared each year by the RFO by the middle of December.
- 3.3 The Council shall review the estimates not later than the end of January each year and shall fix the precept and council tax to be levied for the ensuing

financial year. The RFO shall issue the precept to the billing authority (Bradford MDC) and shall supply each member with a copy of the approved estimates.

- 3.4 The annual budget shall form the basis of financial control for the ensuing year.
- 3.5 The Council shall have regard to a three year forecast of Revenue and Capital Receipts and Payments when setting the budget.

#### **4 BUDGETARY CONTROL**

- 4.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.
- 4.2 Delegated Power: Should the clerk need to purchase essential office equipment, stationary, printing, items critical for day to day functionality a limit of £250 is set. These items do not need authorising prior to purchase but should be presented for the council to approve at the next council meeting.
- 4.3 Before spending money for which there is no budget, the Council must identify the funding source e.g. reserves; virement from another budget head; etc.
- 4.4 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each of the budget heads comparing actual expenditure against the budget, together with a projection of the likely outturn for the year.
- 4.5 The Clerk, in conjunction with the RFO where the Clerk is not also the RFO and the Chairman, 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 £1,000. The Clerk shall report the action to the Council as soon as practicable thereafter.
- 4.6 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year.
- 4.7 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.
- 4.8 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

#### **5. BANKING ARRANGEMENTS AND AUTHORISATION OF 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 efficiency.
- 5.2 A schedule of the payments required, forming part of the Agenda for the meeting, shall be prepared by the RFO and presented to the Council. If the schedule is in order it shall be approved by a resolution of the Council and shall be signed by the Chairman of the Meeting.
- 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.
- 5.3 Where it is necessary to make a payment before it has been authorised by the Council, such payment shall be certified as to its correctness and urgency by the RFO. Such payment shall be authorised by the Chairman or Vice-Chairman of the Council.
- 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.
- 6.2 All payments shall be effected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of Council.
- 6.3 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. If a member 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.
- 6.4 If thought appropriate by the council, payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable Direct Debit provided that the instructions are signed by two members and any payments are reported to council as made. The approval of the use of a variable Direct Debit shall be renewed by resolution of the council at least every three years.

- 6.5 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 three years.
- 6.6 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 three years.
- 6.7 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.
- 6.8 Regular back-up copies of the records on any computer shall be made and shall be stored securely.
- 6.9 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.
- 6.10 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The Bank Mandate approved by the council shall identify a number of councillors who will be authorised to approve transactions on those accounts.
- 6.11 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.
- 6.12 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 RFO and a member. A programme of regular checks of standing data with suppliers will be followed.
- 6.13 The RFO shall maintain as petty cash float for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.

## **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. Payment shall be made by Bradford Council Payroll Service and the costs reimbursed as requested.

7.2 All employees shall have the opportunity to join the West Yorkshire Pension Fund.

## **8 LOANS AND INVESTMENTS**

8.1 All loans and investments (for which there must be a relevant Council Policy) shall be negotiated in the name of the Council and shall be for a set period.

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 made 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.

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 The Council will review all fees and charges annually, following a report of the Clerk.

9.3 The Clerk is responsible for sending out all Allotment rent invoices.

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

9.5 All sums received on behalf of the Council shall be banked as directed by the RFO.

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

9.7 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.

9.8 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. Where the work, goods or services are estimated to cost more than £500, two or more quotations or estimates from appropriate suppliers should be obtained where practical.
- 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 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 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;
  - (iii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
  - (iv) for work to be executed or goods or materials to be supplied which constitute and 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);
  - (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 £30,000 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 appropriate firms.

- (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, with the authority of the Chairman, shall obtain the necessary technical assistance to prepare a specification in appropriate cases. Tenders must be addressed to the Clerk. 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 two members of Council.
- (g) If less than three tenders are received for contracts above £30,000 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.
- (h) Any invitation to tender issued under this regulation shall be subject to the council's relevant standing orders.
- (i) When it is to enter into a contract of less than £30,000 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 £500 the Clerk or RFO shall strive to obtain 2 estimates. Otherwise, Regulation 10 (3) above shall apply.
- (j) The Council following due deliberation shall not be obliged to accept the lowest of any tender, quote or estimate.
- (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 STORES AND EQUIPMENT**

- 13.1 The officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.
- 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 The RFO shall be responsible for periodic checks of stocks and stores at least annually.

### **14 ASSETS, PROPERTIES AND ESTATES**

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties owned by the Council. The Clerk 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.
- 14.2 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.

### **15 INSURANCE**

- 15.1 Following the annual risk assessment (per Financial Regulation 17), the Clerk shall effect all insurances and negotiate all claims on the council's insurers.
- 15.2 The Clerk shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.
- 15.3 The Clerk 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.

- 15.4 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 by the council.

## **16 CHARITIES**

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

## **18 SUSPENSION AND 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. 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.
- 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.