



Batheaston Parish Council

# Financial Regulations

## Draft for Approval

**BASED ON THE NATIONAL ASSOCIATION OF LOCAL COUNCILS MODEL 2019  
PROPOSAL FOR APPROVAL**

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## **1. General**

- 1.1 These financial regulations govern the conduct of the financial management by the Council and may only be amended or varied by resolution of the council. The council is responsible in law for ensuring that its financial management is adequate and effective and has a sound system of financial control which facilitates the effective exercise of the authority's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the council meets these responsibilities.
- 1.2 The responsible financial officer (RFO) is a statutory office and shall be appointed by the council. The parish clerk has been appointed as RFO for this council and these regulations will apply accordingly. The RFO, acting under the policy direction of the council, shall be responsible for the proper administration of the council's financial affairs in accordance with proper practices. He/she shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure the accounting control systems are observed and that the accounting records of the council are maintained and kept up-to-date in accordance with proper practices.
- 1.3 The RFO shall be responsible for the production of financial management information as required by council.
- 1.4 At least once a year, prior to approving the annual return, the council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.5 In these financial regulations, references to the Accounts and Audit Regulations shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and then in force.
- 1.6 In these financial regulations, the term 'proper practice' or 'proper practices' refer to the most recent version of "Governance and Accountability for Local Councils – a Practitioners' Guide".

## **2. Annual Estimates**

- 2.1 Detailed estimates of all income and expenditure including the use of reserves and all sources of funding for the following financial year shall be prepared by the RFO and Finance Committee in the form of a budget to be proposed to council at the December meeting .
- 2.2 The council shall review the budget not later than the end of December each year and shall set the precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.3 The annual budgets shall form the basis of financial control for the ensuing year.

### **3. Budgetary Control**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 Unless under the circumstances outlined in paragraph 3.4, no expenditure may be incurred which will exceed the amount provided in the revenue budget. During the budget year and with the approval of the Finance Committee having considered fully the implications, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.
- 3.3 The RFO shall provide the Finance Committee with a monthly summary of receipts and payments to date along with a forecast for the financial year. The RFO will present to council a quarterly statement comparing expenditure and income against the budget.
- 3.4 The clerk 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 £500. The clerk shall report the action to the council as soon as practicable thereafter. Should expenditure above this limit be anticipated before authority can be obtained at the next scheduled Finance Committee or full council meeting, the chairman of the council should convene an extraordinary meeting of the Full Council to seek authority for the expenditure. Where possible, the council will maintain a reserve to cover such eventualities.
- 3.5 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year; they should be moved to the council's general reserve, or to a specific reserve in the case of on-going projects.
- 3.6 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.
- 3.7 All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.

### **4. Accounting and Audit**

- 4.1 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
- 4.2 The RFO shall be responsible for completing the annual financial statements of the council, including the annual return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the Finance Committee no later than the 30<sup>th</sup> May.
- 4.3 The RFO shall be responsible for ensuring that there is an independent, adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council shall, if the RFO

or Internal Auditor requires, make available such documents of the Council which appear to the RFO or Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.

- 4.4 An Internal Auditor, who shall be competent and independent of the operations of the Council, shall be appointed by the Council. The Internal Auditor will report to the Council in writing as required.
- 4.5 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.
- 4.6 The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity for inspection of the accounts, books, and vouchers required by the Accounts and Audit Regulations.
- 4.7 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 of a purely administrative nature.
- 4.8 The council shall carry out a review of the effectiveness of internal audit on an annual basis in accordance with the Accounts and Audit Regulations 2011 and any subsequent amendments thereto.

## **5. Banking Arrangements and Cheques**

- 5.1 The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Finance Committee and be regularly reviewed for efficiency.
- 5.2 A schedule of payments made, forming part of the agenda for the Finance Committee meeting shall be prepared by the RFO. The relevant invoices will be made available for inspection from the RFO. If the schedule is in order it shall be approved by a resolution of the Finance Committee.
- 5.3 Payments under **£10,000** (other than petty cash or debit card as per paragraph 5.6) should normally be paid through online banking using BACS; two authorisers are required to make payments. The authorisers are the parish clerk and members of the Finance Committee. The only exception is where a creditor is unable to provide their banking details.
- 5.4 Payments over **£10,000** should be paid by cheque. Any exception to this (for instance where the creditor refuses cheque payment) should be authorised in writing by two members who are bank signatories; email authorisations are acceptable.
- 5.5 Cheques drawn on the bank account shall be signed by two authorised signatories, i.e. members of the council and authorised officers.
- 5.6 The bank debit card can be used for payments up to **£1,000**, providing two of the authorisers from 5.3 approve payment.

## **6. Payments of Accounts**

- 6.1 All payments shall be effected by BACS, cheque, debit card, direct debit or other order drawn on the council's bankers.
- 6.2 Payments should normally be made against authorised invoices after the receipt of goods and services; the following exceptions apply:
  - 6.2.1 Payments using the debit card (see paragraph 5.6) may be made in advance of the receipt of goods and/or services.
  - 6.2.2 Some new suppliers of goods and/or services may not grant the council credit. If the council still needs to go ahead with the order, payment may be made in advance of receipt of the goods or services using a pro forma invoice. A full invoice must be produced by the supplier and retained by the council after receipt of the goods/services.
  - 6.2.3 Some smaller suppliers may require an advance or deposit to be paid (to allow the purchase of materials, for example). The RFO must obtain references to minimise the risk of loss to the council, and authorise an advance or deposit. In such event, an invoice from the supplier will be dual authorised in the same manner, and a deposit paid prior to receipt of goods or services.
- 6.3 All payments, where the invoice is not disputed, should be made within 28 days, and earlier if practical and cost effective.
- 6.4 All invoices for payment shall be examined, verified and finally certified for payment by the parish clerk or a member of the Finance Committee. The officer who placed the order shall certify that the work, goods or services to which the invoice relates have been received, carried out, examined and approved.
- 6.5 The RFO shall examine invoices in relation to arithmetical accuracy and shall post them to the appropriate expenditure heading. They shall take all steps to settle invoices submitted within 28 days.
- 6.6 The RFO may provide petty cash to employees for the purpose of defraying operational and other minor expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement: operational floats, for example, in respect of the amenity area may be maintained as necessary. Petty cash should only be used for minor expenditure items and where no other payment method is appropriate.
- 6.7 Payment for other supplies (including energy, telephone and water) or other obligatory payments such as business rates may be made by variable direct debit provided the instructions are signed by two authorised bank signatories and any payments are reported to Finance Committee.

## **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 current rules of PAYE and National Insurance. Salaries shall be as agreed by council. Progression through the salary scales is delegated to the Finance Committee.
- 7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, will be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts.

## **8. Treasury Management**

- 8.1 All loans and investments shall be negotiated in the name of the Council and in accordance with the **Council's Investment and Financial Management Strategy**.
- 8.2 Batheaston Parish Council has a policy to hold in reserves £XXXX. In addition to this reserve the council also holds surplus funds as a result of the timing of income and expenditure. It is important that such funds are invested prudently with regard to the council's fiduciary responsibility to local council tax payers the priority for security and the liquidity of investments.
- 8.3 The Council's Investment Policy shall be in accordance with relevant regulations, proper practice and guidance, and shall be reviewed on a regular basis.
- 8.4 All investments and money under the control of the Council shall be in the name of the Council. All investments will be at the discretion of the RFO and will be reported to the Finance Committee at each meeting.
- 8.5 Risk Management

### **8.5.1 Liquidity risk management**

The council will ensure it has adequate cash resources, overdraft or standby facilities to enable it all times to have the level of funds available which are necessary for the achievement of its service objectives.

### **8.5.2 Legal and regulatory risk management**

The council will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. The council recognises future legislative or regulatory changes may impact on its treasury activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely.

### **8.5.3 Fraud, error and corruption, and contingency management**

The council will ensure that it has identified those circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury

management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements.

#### 8.6 External borrowing

All borrowings shall be effected in the name of the Council. Any application for borrowing approval shall be approved by Council as to terms and purpose. If the council wishes to borrow funds it should consider whether approval is required from the Department for Communities and Local Government. All investments and borrowings will be reported to the Finance Committee at each meeting.

### 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, as part of the budget-setting process.
- 9.3 Any sums found to be irrecoverable and any bad debts shall be reported to the council. The RFO shall have delegated authority to write off sums of less than **£250**, which should be reported to the council at the next appropriate meeting.
- 9.4 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.
- 9.5 Personal cheques shall not be cashed out of money held on behalf of the council.
- 9.6 The RFO shall ensure that any VAT return that is required is promptly completed. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually.
- 9.7 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 Works, Goods and Services

- 10.1 A purchase order, email or letter shall be issued for all goods over £1,000, and for all services over £2,000. Copies of orders shall be retained.
- 10.2 A member may not issue a purchase order or make any contract on behalf of the Council.
- 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, subject to Standing Orders 54, 55 and 56, and any de minimis provisions in Regulation 11 below.

10.4 For regular purchase items, such as staff clothing, plants, and building supplies, the council may enter into a preferred supplier relationship, following suitable market testing. This should streamline the procurement process and provide the council with the opportunity to secure discounts. Any such agreement will be for a period of up to three years and will be notified to the council. Sensitive commercial information should not be shared with potential suppliers.

## **11. Contracts**

11.1. 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 11.1.1 to 11.1.5:

11.1.1 For the supply of gas, electricity, water, sewerage and telephone services, no purchase order is required, but the requirement to obtain value for money remains as per paragraph 10.3;

11.1.2 For specialist services or equipment such as are provided by solicitors, accountants, surveyors and planning consultants, no purchase order is required, but the requirement to obtain value for money remains as per paragraph 10.2;

11.1.3 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 where no other supplier can reasonably provide the service;

11.1.4 For work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the council;

11.1.5 For additional audit work of the external auditor up to an estimated value of £250 (in excess of this sum the clerk/RFO shall act after consultation with the chairman and vice-chairman of Council);

11.1.6 For goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

11.2 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<sup>1</sup>.

11.3 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)<sup>2</sup>.

11.4 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

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<sup>1</sup> The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts <sup>2</sup> For contracts commencing on or after 1 January 2020 the thresholds are:

- contracts for works: £4,733,252
- contracts for supplies and services: £189,330



recommendation to the council. 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.

- 11.5 All sealed tenders shall be opened, after the stated closing date and time, by the proper officer and at least one member of the council.
- 11.6 The council's tender documents will state that the price submitted by the successful contractor or consultant will be made public. However, prices submitted for component parts of tenders will not be made public.
- 11.7 Tender prices submitted by unsuccessful organisations will not be released into the public domain.
- 11.8 If less 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 are then to be assessed and tenders reported to the appropriate meeting of the council or committee.
- 11.11 Where the value of a contract is likely to exceed £25,000, the council must satisfy the requirements of the Public Contracts Regulations 2015, which include use of the Contracts Finder website.
- 11.12 Where the value of a contract is likely to exceed £164,176, the council must incorporate the Public Contracts Directive 2014/24/EU.
- 11.13 The council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 11.14 The thresholds for the award of contracts are:
  - 11.14.1 Less than £10,000 – parish clerk
  - 11.14.2 More than £10,000 – reported to the Finance Committee for consideration and recommendation to the Full Council for resolution

## **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 finance manager 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 when it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum by 5% or more a report shall be submitted to the Finance Committee.

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 must 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 organising 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 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 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 moveable property does not exceed £100.

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, and reported with the council's annual return.

### **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 to be promptly notified by officers and councillors of 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 effected 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 any significant items to 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**

- 16.1 Where the Council is sole trustee of a charitable body the clerk/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 clerk/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. Annually, the RFO shall carry out Risk Assessment and Management, using a robust, proportionate and appropriate method, across all activities of the Council together with a Risk Management Policy. 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/RFO shall prepare a draft risk management 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 authority annually. 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.

## **19. Review**

- 19.1 This document will be reviewed in **May 2021** or sooner if there are changes in legislation or best practice.

**Implementation date:** XX

Next Review Date: May 2021