

# COTHERSTONE PARISH COUNCIL

## FINANCIAL REGULATIONS

### 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. 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 shall be responsible for ensuring that the financial management is adequate and effective and that the Council has a sound system of internal controls which facilitates an effective exercise of its functions and which manages risk.
- 1.3. The Council shall review at least once a year the effectiveness of its system of internal controls and shall produce a statement on internal control with its statement of accounts.
- 1.4. Members of Council are expected to follow the instructions within these Regulations and not to entice an employee to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute.
- 1.5. The Responsible Financial Officer (RFO) holds a statutory office appointed by the Council. The Clerk has been appointed as RFO for this Council and, under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs.

### 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 2015, the Transparency Code for Smaller Authorities and appropriate guidance and proper practices.
- 2.2. The RFO 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 thereon to the Council.
- 2.3. The RFO shall be responsible for completing the Accounts of the Council contained in the Annual Governance and Accountability Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and for submitting the Annual Governance and

Accountability Return for approval and authorisation by the Council within the timescale set by the Accounts and Audit Regulations 2015, or set by the Auditor.

- 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, if the RFO or internal auditor requires, make available such documents and records 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.
- 2.5. 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 Governance and Accountability Return as compiled annually by the Audit Commission.
- 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;
  - 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. 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.
- 2.8. The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from internal or external auditors, unless the correspondence is of a purely administrative matter.

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

- 3.1. The RFO must each year, by no later than December, 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 consider annual budget proposals in relation to the council's three year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.
- 3.3. 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 January 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.
- 3.4. The approved annual budget shall form the basis of financial control for the ensuing year.

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

- 4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:
  - the Council for all items over £100;
  - the Clerk for any items below £100.

Such authority is to be evidenced by a Minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

- 4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the Council, or duly delegated committee. During the budget year the Clerk may, with the approval of Council, vary between budget headings.
- 4.3. Unspent provision in the revenue budget shall be carried forward to a subsequent year.
- 4.4. 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 or the requisite borrowing approval has been obtained.
- 4.5. 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 least at the end of each financial quarter and shall show explanations of material variances. For this purpose 'material' shall be in excess of £100 or 20% of the budget.
- 4.6. Changes in earmarked reserves shall be approved by Council as part of the budgetary control process.

## 5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

- 5.1. The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for safety and efficiency.
- 5.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to Council. 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. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.
- 5.3. All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.
- 5.4. The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available Council meeting.
- 5.5. The Clerk 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 Council, where the Clerk 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 appropriate meeting of Council;
  - b) An expenditure item authorised under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of Council; or
- 5.6. For each financial year the Clerk 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, clerk's salary, PAYE and NI, superannuation fund and regular maintenance contracts and the like) for which the Council may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of Council.
- 5.7. Councillors 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. Following authorisation under Financial Regulation 5 above, the Council or, if so delegated, the Clerk shall give instruction that a payment shall be made.
- 6.2. All payments shall be effected by cheque.
- 6.3. Cheques for payment drawn on the bank account in accordance with the schedule as presented to Council shall be signed by two councillors or by one councillor and the Clerk. 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.
- 6.4. The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk (for example for postage or minor stationery items) shall be refunded on a monthly basis.

## **7. PAYMENT OF SALARIES**

- 7.1. The payment of the clerk's salary shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and the salary rate shall be as agreed by Council.
- 7.2. Payment of the clerk's salary and payment of deductions from the salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in the employment contract, provided that each payment is reported to the next available Council meeting.
- 7.3. No changes shall be made to the clerk's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.
- 7.4. Each and every payment to the clerk of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (password protected spreadsheet). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
  - a) by any Councillor who can demonstrate a need to know;

- b) by the internal auditor;
- c) by the external auditor; or
- d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

7.5. The total of such payments in each calendar month shall be reported with all other payments as made and as may be required under these Financial Regulations, to ensure that only payments due for the period have actually been paid.

## **8. INCOME**

- 8.1. The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 8.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 8.3. The Council will review all fees and charges at least annually, following a report of the Clerk.
- 8.4. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 8.5. 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.
- 8.6. The origin of each receipt shall be entered on the paying-in slip.
- 8.7. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 8.8. 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. ORDERS FOR WORK, GOODS AND SERVICES**

- 9.1. An official order or letter shall be issued by the Clerk 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.
- 9.2. Order books shall be controlled by the RFO.

- 9.3. 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 (l) below.
- 9.4. A Councillor may not issue an official order or make any contract on behalf of the Council.
- 9.5. 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.

## 10. CONTRACTS

- 10.1. 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 water and sewerage;
    - 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 £100 (in excess of this sum the Clerk 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 £2,000 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<sup>1</sup>.

- 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 two Councillors prior to or immediately following a meeting of the full Council.
- f. If less than three tenders are received for contracts above £2,000 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. When it is to enter into a contract of less than £2,000 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 obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £1,000 and above £100 the Clerk shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.
- h. The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
  - i. 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.
  - j. 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.

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<sup>1</sup> The appropriate approved list referred to in paragraph 11.1 (b) shall be a list drawn up by the Clerk and approved by council but, normally shall be based on the list maintained by the District Council for such works.



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

- 11.1. 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.
- 11.2. 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, save where the estimated value of any one item of tangible movable property does not exceed £50.
- 11.3. No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law, In each case a Report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 11.4. No real property (interests in land) shall be purchased or acquired without the authority of the full Council. In each case a Report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).
- 11.5. Subject only to the limit set in Regulation. 12.2 above, no tangible moveable property shall be purchased or acquired without the authority of the full Council. In each case a Report in writing shall be provided to Council with a full business case.
- 11.6. The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

## **12. INSURANCE**

- 12.1. Following the annual risk assessment (per Financial Regulation 14), the Clerk shall effect all insurances and negotiate all claims on the Council's insurers.
- 12.2. The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 12.3. 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.

- 12.4. All appropriate 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.

### **13. RISK MANAGEMENT**

- 13.1. 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.
- 13.2. When considering any new activity, the Clerk shall prepare a draft Risk Assessment for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.

### **14. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS**

- 14.1. It shall be the duty of the Council to review the Financial Regulations of the Council annually at the first ordinary Parish Council Meeting following the Annual 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.
- 14.2. 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.