

# **RODE PARISH COUNCIL**

## **FINANCIAL REGULATIONS**

***These financial regulations were adopted by a meeting of Rode Parish Council on 13<sup>th</sup> June 2006 and supersede all previous editions***

### **1. GENERAL**

1.0 These financial regulations govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council.

1.1 These Regulations are intended to ensure that the Council meets its statutory requirements regarding financial management, especially as regards the financial aspects of Corporate Governance and the requirements of the Accounts and Audit Regulations (England) 2011, which includes arrangements to ensure that the Council has a sound system of internal control, which includes:

- Arrangements for the management of risk, in accordance with the Council's Risk Management Policy; and
- Arrangements to conduct a review at least once a year of the effectiveness of its system of internal control in accordance with the Accounts and Audit Regulations (England) 2011.

1.2 The Responsible Financial Office (RFO), under the policy direction of the Council shall be responsible for the proper administration of the Council's financial affairs.

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

The Clerk shall be the RFO

1.3 The Council is responsible for periodically making and amending financial regulations as it considers necessary and desirable for supervising the finances, accounts, income, expenditure and assets of the Council.

### **2. INTERNAL AUDIT**

2.1 The Clerk shall arrange to carry out a continuous and current examination and internal audit of all accounting, financial and other operations of the Council.

2.2 The Council will maintain an adequate and effective system of internal audit of its systems of internal control and of its accounting procedures and records in accordance with the proper audit practices.

2.3 An Internal Auditor shall be appointed on an annual basis.

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2.4 The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual report in respect of each financial year.

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 Annual Return as required annually by the Audit Commission.

2.6 Councillors must, if required:

- Make available such documents of the Council which relate to its accounting and other records as appear to the auditor to be necessary for the purposes of the audit or investigation; and
- Supply any auditor (both internal and external) with such information and explanation as the auditor considers necessary for their purpose;

2.7 Where, as a result of any investigation or review, an internal audit report is issued, the RFO must reply to the report within a reasonable time, but in any case within three months of the date of issue, indicating the action proposed or taken and the timescale involved.

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

### **3. BUDGETARY CONTROL**

#### **3.1 Annual Estimates**

3.1 Each Member may formulate and submit proposals to the Council in respect of revenue and capital costs for the following year no later than the end of November each year.

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

3.3 The Council shall review the estimates not later than the end of December each year and shall fix the Precept to be levied for the ensuing financial year.

3.4 The RFO will be responsible for ensuring that the District Council is informed of the Council's Precept requirement in accordance with their timetable

3.5 The Council's approval of the estimates shall be deemed approval for the incurring of expenditure on each of the items detailed therein.

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

3.7 No expenditure may be incurred which will exceed the amount provided in the revenue budget.

3.8 The RFO 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 £200. The Clerk shall report action to the Council as soon as practicable thereafter.

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3.9 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:

- i. the council for all items over [£5,000];
- ii. a duly delegated committee of the council for items over [£500]; or
- iii. the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below [£500].
- iv. 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 appropriate Chairman.
- v. Contracts may not be disaggregated to avoid controls imposed by these regulations.

3.10 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 against that planned.

3.11 On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council [Finance Committee].

#### **4. BUDGETS**

4.1 Council approval is required for all proposals that would increase expenditure or reduce income to the Council.

4.2 Approval of the budget is the function of the Council. The approved annual budget shall form the basis of financial control for the ensuing year.

4.3 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.

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

4.5 The RFO must have adequately considered the overall corporate governance and legal issues and those risks have been fully appraised when arranging contracts with external bodies.

4.6 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.

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

4.8 The RFO shall provide regular financial statements to Council, which will refer to accounts received and paid to the end of the previous month.

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## **5. ACCOUNTING**

5.1. The RFO must ensure that all payments are legal and within the powers of the Council. He must also approve all accounting procedures and records. [Amended Nov. 06]

5.2. All accounts and accounting records of the Council will be compiled by or under the direction of the RFO with the annual accounts being produced and submitted for approval and authorisation by the Council within the time limit required by the Council's external auditors (as appointed from time to time by the Audit Commission).

5.3. All invoices or documents relating to financial transactions must be retained for the minimum period in order to ensure that the necessary records are available for audit or examination by external agencies, as required.

## **6. BANKING ARRANGEMENTS AND CHEQUES**

6.1 The RFO is responsible for all banking arrangements. They shall be regularly reviewed for efficiency. Only the RFO is authorised to open or operate a bank account on the Council's behalf.

6.2 All cheque stationery shall be ordered only on the authority of the RFO who shall make proper arrangements for their safe custody.

6.3 Alterations to cheques must be certified by the RFO. Alterations to cheques are limited to the removal of a crossing (subject to the amount of the cheque not exceeding £1,500), to the correction of the date, and/or to the correction of the spelling of the name of the payee.

6.4 Where an error has been identified on a cheque valued at more than £1,500, the cheque must be replaced.

## **7. TREASURY MANAGEMENT**

7.1 The RFO shall make appropriate arrangements for the custody of all securities which are the property of, or are in the name of the Council, or its nominees and title deeds of all property in its ownership or mortgaged to the Council.

7.2 All borrowings must be made in the name of the Council and shall be for a set period in accordance with Council policy.

7.3 All borrowings shall be carried out 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.

7.4 The RFO must maintain records of all monies borrowed by the Council.

7.5 All trust funds must, wherever possible, be in the name of the Council. Where funds are held on behalf of third parties, the RFO must ensure their secure administration and ensure that written records of all transactions are maintained.

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## **8. ORDERS FOR WORK, GOODS AND SERVICES**

8.1. Official orders must be in a form approved by the RFO.

8.3. Official orders or letter must be issued for all work, goods or services to be supplied to the Council.

8.4 Orders must be raised prior to the receipt of a good or service.

8.5 Copies of orders must be retained.

8.7 Verbal orders may only be issued as a matter of true urgency and must be confirmed by an official order without delay.

8.11. Orders must be placed in such a way as to ensure that the best interests of the Council are met. Under no circumstances must they be split or disaggregated to avoid the EU competition requirements, Contract Standing Orders or these Financial Regulations.

8.12 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.

8.13 All discounts available from a supplier are to be taken as a deduction against the cost of goods purchased and must appear on the invoice. Where a supplier provides a free item, or where a discount is available only as goods, the free item or goods may be accepted and become Council property.

8.14 Official orders must indicate clearly the quantity, quality and nature of the goods, works and services and the contract or agreed prices or rates.

8.16 Official orders must not be used for any personal or private purchases, nor must personal or private use be made of Council contracts.

8.17 Where a Goods Received Note (GRN) or similar is received with delivered goods, this must be signed as correct by the receiving officer and be retained and attached to the order to which it relates. Where the GRN relates to more than one order, a copy of the GRN should be attached to each order.

## **9. PAYMENT OF ACCOUNTS**

9.1 The normal method of payment of money due from the Council must be by cheque, drawn on the Council's banking. Payments must be undertaken by or under the direction of the RFO.

9.2 Before certifying an invoice, the RFO must be satisfied that:

(a) The work, goods or services to which the account relates have been received, carried out, examined and approved;

(b) The prices, calculations, trade discounts, other allowances, credits and tax are correct;

(c) The relevant expenditure has been properly incurred and is within the relevant estimate provision;

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(d) Appropriate entries have been made in inventories, stores records or stock books as required; and

(e) The invoice has not been previously passed for payment and is a proper liability of the Council.

Authorised signatories must not, under any circumstances, authorise a payment to themselves. Where it is intended that the Council pay the signatory, the invoice(s) concerned must be authorised by another approved signatory.

9.4. Duly certified invoices must be passed to the RFO, within 10 working days of receipt. Invoices may be examined and enquiries made and explanations sought to the extent that he/she may require.

9.6. Invoices must be paid within Government-dictated time limits, unless they are formally disputed.

9.7. Any amendment to an account must be made in a manner approved by the RFO, stating briefly the reasons where they are not self-evident.

9.9 Orders for the payment of money by resolution of the Council, shall be signed by two Members.

9.10 To indicate agreement of the details shown on the cheque or order for payment with those on the counterfoil and the invoice or similar documentation, the signatories shall each also initial the invoice total and cheque counterfoil.

## **10. SALARIES**

10.1. The Clerk is the only employee of the Council. He/she must have a written contract of employment which details his/her terms and conditions including the agreed pay scale point on appointment.

10.2. In the unavoidable absence of the Clerk the Council are empowered to appoint a Deputy Clerk to cover the essential business of the Council.

10.8 Payment of salaries and payment of deductions from salary such as may be made for tax and national insurance contributions may be made in accordance with the payroll records and on the appropriate dates.

10.9 Recommendations for increases in salary payments must be agreed by resolution in Council.

## **11. TRAVEL COSTS and SUBSISTENCE**

11.1. All payments to the Clerk and Members (including co-opted Members of the Council) who are entitled to claim travelling or other allowances must be made by the RFO upon receipt of the completed prescribed form. All claims for a financial year are to be submitted within one month of 31st March.

11.2. All amounts claimed must be in accordance with the laid down rates and be endorsed by the claimant that the amount claimed was incurred on authorised Council business.

## **12. GRANTS TO EXTERNAL ORGANISATIONS**

12.1 All grants due to be made to external organisations or individuals must be approved by Council.

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12.3 Organisations receiving a grant must be required to permit access by the RFO or his representative(s), on reasonable notice, to their financial records and premises in order to enable him/her to verify the use of the grant in accordance with Council approval.

### **13. ASSETS**

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, save where the estimated value of any one item of tangible movable property does not exceed [£250].

13.3 No real property (interests in land) shall be purchased or acquired, sold, leased or otherwise disposed of 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).

13.4 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.

### **14. INCOME**

14.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO. All income received will be recorded in a form approved by him or her and in accordance with the requirements of the Accounts and Audit Regulations (England) 2011.

14.2 Prompt, appropriate action should be taken to ensure all monies due to the Council are recovered in full, in a timely fashion. Where payment of outstanding monies is not forthcoming, action, including legal action, may be taken to recover and secure these sums.

14.3 All money received by the Council must be banked in its entirety (i.e. without any deductions) at the earliest opportunity (i.e. no more than one week from the date of receipt). The origin of each receipt shall be entered on the paying-in slip.

14.4 Personal cheques must not be cashed out of money held on behalf of the Council.

14.5 Sums due to the Council shall not be written off in the books of account without the approval of the RFO.

14.6 The RFO shall ensure that any VAT repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

### **15. INSURANCE**

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15.1 The RFO is responsible for arranging all insurance cover for the Council, and where appropriate negotiating all claims, in consultation with Councillors as necessary.

15.2 The Clerk to the Council must be included in a suitable fidelity guarantee insurance. For cover under this policy to be applicable, two suitable references must be obtained for all new employees.

15.3 The RFO must keep a record of all insurance policies held by the Council and the property and risks covered thereby, and annually, conduct a risk assessment and review all insurance cover in consultation with Councillors.

15.4 In accordance with audit best practice every five years the RFO must undertake a full revaluation of all assets held by the Council.

## **16. INVENTORIES**

16.1 The RFO will maintain an inventory of Council assets for the purpose of ensuring they are adequately and appropriately insured against loss, damage or theft. .

16.2 Surplus inventory items may not be sold or disposed of without the authorisation of the Council.

## **17. LAND & PROPERTY ASSETS**

17.1 The RFO will maintain a record of all the Council's land and property interests, stating the purposes for which the land is held, the location, the extent and plan reference, purchase details, particulars or nature of interest, rents payable and particulars of tenancies granted. This will include land and property under lease or rent.

17.2 All acquisitions and disposals of land must be undertaken in compliance with the Council's Standing Orders.

17.3 To ensure that assets are in a good state and are not a danger to the general public the Clerk will carryout a physical check of all assets on the inventory once per year. Any problems arising must be brought to the attention of Councillors as soon as possible. [Amended June 2007]

No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law.

## **18. CONTRACTS**

18.1 Every contract made by the Council shall comply with the EU Treaty and with any relevant Directives of the EEC for the time being in force in the United Kingdom and, except as hereinafter provided, within these Financial Regulations.

18.2 It shall be a condition of any contract between the Council and any person, not being an officer of the Council, who is required to supervise a contract on their behalf that, in relation to such contract, they shall comply with the requirements of the Council's Standing Orders and Financial Regulations as if they were an officer of the Council.

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## **Contract Conditions**

- 18.3 Every contract shall be in writing and be fully approved by Council and must specify the goods materials or services to be supplied and the work to be executed; the price to be paid together with a statement as to the amount of any discount(s) or other deduction(s); the period(s) within which the contract is to be performed and such other conditions and terms as may be agreed between the parties.
- 18.4 (a)Where the Council considers it necessary due to the nature of the contract or any other particular circumstances, shall there be a requirement for the contractor to enter into a bond for its due performance, or into such other arrangements as may be approved by the Clerk, in the sum of 10% of the contract amount. This must be identified in advance and stated in the tender documents.
- (b)In cases where a bond is required, the tender documents shall make reference to this, but it be stated in the documentation that, if the contractor has not produced the required form of bond prior to the date set for commencement of the work, then 10% of the contract sum will be deducted from the first or, if this is not sufficient, from subsequent interim payments.
- (c)Where the RFO considers it necessary due to the nature of the contract or any other particular circumstances, there will be a provision for the Council to make a retention of 10% for an agreed period to ensure the satisfactory completion of the contract.

## **British Standards**

18.5 Where an appropriate British Standard Specification or British Standard Code of Practice issued by the British Standards Institution is current at the date of the tender, every contract shall require that all goods and materials used or supplied, and all the workmanship shall be at least of the standard required by the appropriate British Standards Specification or Code of Practice.

## **Cancellation of Contract**

18.6 There shall be inserted in every written contract a clause empowering the council to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor shall have offered or given or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relating to the obtaining or execution of the contract or any other contract with the Council, or for showing or forbearing to show favour or disfavour to any person in relation to the contract or any other person employed by him or acting on his behalf (whether with or without the knowledge of the contractor), or if in relation to any contract with the Council, have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or shall have given any fee or reward the receipt of which is an offence under section 117(2) of the Local Government Act 1972.

## **19. CONTRACTS FOR BUILDING, OTHER CONSTRUCTION OR ENGINEERING WORK**

19.1 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).

19.2 Where a contract permits instalment payments, the RFO will arrange for a contract register or registers which will show the state of account on each contract between the Council and the contractor, together with any other payments and the related professional fees.

19.3 Subject to the provisions of the contract, every extra or variation must be approved by the Council and authorised in writing by the RFO as appropriate and the Council given an estimate of the additional cost or saving of the variation.

19.4 At the practical completion of the contract and before the issue of the final payment certificate, the appropriate member of staff, private architect, engineer or consultant must give the RFO a detailed financial statement of the contract, and all relevant supporting documents.

19.5 Where completion of a contract is delayed beyond the period of the contract, it is the duty of the RFO to take appropriate remedial action after consultation with Councillors.

## **20. RISK MANAGEMENT**

20.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk (who in Rode is also our Responsible Finance officer [RFO]) 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. The Risk Policy Statement for Rode Parish Council was adopted by Council on 11 April 2006. [Amendment 13 January 2007]

20.2 When considering any new activity the RFO shall prepare a draft Risk Management Register 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.

20.3 A Risk Package including a full Risk Register was adopted by Council at a meeting on 9 January 2007 [Amendment 13 January 2007]

## **21. REVISION OF FINANCIAL REGULATIONS**

21.1 It shall be the duty of the Council to review the Financial Regulations annually.