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FINANCIAL REGULATIONS POLICY

INTRODUCTION

This document is the written Financial Regulations Policy of Kempley Parish Council (the Council).

File name	Changes to file	Adopted by Council
Financial Regulations_1.0	Original document	06/11/2018
Financial Regulations_2.0	Significant revisions made	02/09/2019
Financial Regulations_2.1	Updated logo & contact details	15/05/2023

Changes to this Policy

We keep this Financial Regulations policy under annual review. Any updates will be placed on our website www.kempleyparishcouncil.org.

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1 GENERAL

- 1.1 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.
- 1.2 The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.
- 1.3 The Council's accounting control systems must include measures:
 - 1.3.1 For the timely production of accounts;
 - 1.3.2 that provide for the safe and efficient safeguarding of public money;
 - 1.3.3 to prevent and detect inaccuracy and fraud; and
 - 1.3.4 identifying the duties of officers.
- 1.4 These financial regulations demonstrate how the Council meets these responsibilities and requirements.
- 1.5 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.
- 1.6 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.7 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.
- 1.8 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for the Council and these regulations will apply accordingly.
- 1.9 The RFO;
 - 1.9.1 acts under the policy direction of the Council;
 - 1.9.2 administers the Council's financial affairs in accordance with all Acts, Regulations and proper practices;
 - 1.9.3 determines on behalf of the Council its accounting records and accounting control systems;
 - 1.9.4 ensures the accounting control systems are observed;
 - 1.9.5 maintains the accounting records of the Council up to date in accordance with proper practices;
 - 1.9.6 assists the Council to secure economy, efficiency and effectiveness in the use of its resources; and
 - 1.9.7 produces financial management information as required by the Council.
- 1.10 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 record of receipts and payments and additional information, as the case may be, or management information prepared for the Council from time to time comply with the Accounts and Audit Regulations.
- 1.11 The accounting records determined by the RFO shall in particular contain:
 - 1.11.1 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;
 - 1.11.2 a record of the assets and liabilities of the Council; and

- 1.11.3 wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 1.12 The accounting control systems determined by the RFO shall include:
- 1.12.1 procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
 - 1.12.2 procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
 - 1.12.3 identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
 - 1.12.4 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
 - 1.12.5 measures to ensure that risk is properly managed.
- 1.13 The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:
- 1.13.1 setting the final budget or the precept (council tax requirement);
 - 1.13.2 approving accounting statements;
 - 1.13.3 approving an annual governance statement;
 - 1.13.4 borrowing;
 - 1.13.5 writing off bad debts;
 - 1.13.6 declaring eligibility for the General Power of Competence; and
 - 1.13.7 addressing recommendations in any report from the internal or external auditors, shall be a matter for the full council only.
- 1.14 In addition the Council must:
- 1.14.1 determine and keep under regular review the bank mandate for all council bank accounts;
 - 1.14.2 approve any grant or a single commitment in excess of £100.00; and
 - 1.14.3 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.
- 1.15 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.
- 1.16 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 Panel on Accountability & Governance (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 A member, other than the Chairman or a cheque signatory, shall be appointed annually 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, including any exceptions, shall on conclusion be reported 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 Council uses the Gloucestershire Association of Parish and Town Councils Internal Audit Service for internal audits.
- 2.7 Internal or external auditors may not under any circumstances:
- 2.7.1 perform any operational duties for the Council;
 - 2.7.2 initiate or approve accounting transactions; or
 - 2.7.3 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 (BUDGET) AND FORWARD PLANNING

- 3.1 Council shall review its three year forecast of revenue and capital receipts and payments. Having regard to the forecast, it shall thereafter formulate and consider proposals for the following financial year not later than the end of November each year including any proposals for revising the forecast.
- 3.2 The RFO must each year, by no later than the end of November and in any event in time for considering on the Agenda of the December meeting of the Council, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Council.
- 3.3 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.
- 3.4 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 its meeting in January each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.
- 3.5 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:

4.1.1 the Council for all items over £100.00, or

4.1.2 the RFO for any items below £100.00.

Such authority is to be evidenced by a minute.

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 and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').
- 4.3 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 4.4 The salary budget is to be reviewed at least annually in November for the following financial year and such review shall be evidenced by a hard copy schedule signed by the RFO and the Chairman of Council. The RFO will inform council of any changes impacting on budget requirements for the coming year in good time.
- 4.5 In cases of extreme risk to the delivery of council services, the RFO may authorise revenue expenditure on behalf of the Council which in the RFO's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £100.00. The RFO shall report such action to the chairman as soon as possible and to the Council as soon as practicable thereafter.
- 4.6 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 and 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 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 alternate Council Meetings and shall show explanations of material variances. For this purpose "material" shall be in excess of either £100 or 15% of the budget.
- 4.9 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; banking arrangements may not be delegated to a committee. 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 a Council Meeting and, together with the relevant invoices, present the schedule to the Council. The Council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the Council. The approved schedule 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 RFO and Chairman shall jointly have delegated authority to authorise the payment of items only in the following circumstances:
- 5.5.1 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 RFO 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 the Council;
- 5.5.2 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 the Council; or
- 5.5.3 fund transfers within the Councils banking arrangements up to the sum of £500.00, provided that a list of such payments shall be submitted to the next appropriate meeting of the Council.
- 5.6 For each financial year the RFO 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) Salaries, 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 (Budgetary Control and Authority to Spend) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of the Council.
- 5.7 A record of regular payments made under 5.6 above shall be drawn up and be signed by two members on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised and / or made.
- 5.8 In respect of grants council shall approve all expenditure by resolution and in accordance with any policy statement approved by council.
- 5.9 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.
- 5.10 The Council will appoint a Lead Member for Finance at its annual meeting in May to carry out the duties of members in these Regulations.

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 written instructions to the Council's bankers, or otherwise, in accordance with a resolution of the Council.
- 6.3 Cheques or orders for payment shall be drawn on the bank account in accordance with the schedule as presented to the Council and signed by two members of the Council, in accordance with a resolution instructing that payment. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.

- 6.4 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 6.5 Cheques or orders for payment shall not normally be presented for signature other than at a meeting of the Council (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.
- 6.6 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 two years.
- 6.7 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- 6.8 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.
- 6.9 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. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.
- 6.10 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.
- 6.11 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 both the RFO and a councillor. A programme of regular checks of standing data with suppliers will be followed.
- 6.12 The RFO may use their own credit or debit card or cash up to a maximum of £100 for council business and will be refunded by way of a cheque duly authorised.
- 6.13 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 regular basis, at least quarterly.

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 rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by council.
- 7.2 Payment of salaries and payment of deductions from 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 employment contracts, provided that each payment is reported to the next available meeting of the Council, as set out in these regulations above.
- 7.3 No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.

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

8 LOANS AND INVESTMENTS

- 8.1 All borrowings shall be effected 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. The application for borrowing approval, and subsequent arrangements for the loan shall only be approved by full council.
- 8.2 Any financial arrangement which does not require formal borrowing approval from the Secretary of State/Welsh Assembly Government (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the full council. In each case a report in writing shall be provided to council in respect of value for money for the proposed transaction.
- 8.3 The Council will arrange with the Council's banks and investment providers for the sending of a copy of each statement of account to the Chairman of the Council at the same time as one is issued to the RFO.
- 8.4 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with council policy.
- 8.5 All investments of money under the control of the Council shall be in the name of the Council.
- 8.6 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 8.7 Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

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 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.
- 9.3 The origin of each receipt shall be entered on the paying-in slip.
- 9.4 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.5 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.

10 ORDERS FOR WORK, GOODS AND SERVICES

- 10.1 An official 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 All members and the Clerk are responsible for obtaining value for money at all times. The Clerk when 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 below.
- 10.3 A member may not issue an official order or make any contract on behalf of the Council.

10.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the minutes can record the power being used.

11 CONTRACTS

Procedures as to contracts are laid down as follows:

- 11.1 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 (v) below:
- i. for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
 - 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 work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
 - iv. for additional audit work of the external auditor up to an estimated value of £500 (in excess of this sum the RFO shall act after consultation with the Chairman and Vice Chairman of council); and
 - v. for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
- 11.2 When it is to enter into a contract of less than £5,000.00 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 £500.00 and above £100.00 the Clerk shall strive to obtain 3 estimates. Otherwise, Regulation 10.2 above shall apply.
- 11.3 The Council shall not be obliged to accept the lowest of any tender, quote or estimate.
- 11.4 Should it occur that the Council 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.

12 ASSETS, PROPERTIES AND ESTATES

- 12.1 The RFO 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.
- 12.2 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 £100.00.
- 12.3 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).

- 12.4 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).
- 12.5 Subject only to the limit set in Regulation 14.2 above, no tangible moveable property shall be purchased or acquired without the authority of the Council. In each case a report in writing shall be provided to council with a full business case.
- 12.6 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.

13 INSURANCE

- 13.1 Following the annual risk assessment (per Regulation 17), the RFO shall effect all insurances and negotiate all claims on the Council's insurers.
- 13.2 The RFO shall give prompt notification to the Council of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 13.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 13.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to the Council at its next available meeting.
- 13.5 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 annually by the Council, duly delegated committee or Responsible Officer.

14 RISK MANAGEMENT

- 14.1 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 at least annually.
- 14.2 When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

15 REVISION OF FINANCIAL REGULATIONS

- 15.1 It shall be the duty of the Council to review the Financial Regulations Policy of the Council from time to time. The RFO 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.