



# **SIMPSON AND ASHLAND PARISH COUNCIL**

## **FINANCIAL REGULATIONS**

**Adopted: 12<sup>th</sup> May 2014**

**Reviewed and revisions approved: 7 September 2015**

**Reviewed and revisions approved: 9 May 2016**

**Additional revisions approved: 5 September 2016**

**Additional revisions approved: 6 March 2017**

**Additional revisions approved: 5 March 2018**

The Financial Regulations are supplemented by the following documents:

Standing Orders

Statement of Internal Control and Annual Review of Effectiveness of Internal Control

Code of Conduct

Scheme of Delegated Powers

## **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.
- 1.2. All members of the Council must follow these Financial Regulations along with the Council's Standing Orders, Code of Conduct and "Statement of Internal Control and Annual Review of Effectiveness of Internal Control" and Scheme of Delegated Powers and must not entice employees to breach them. Failure to follow these Regulations brings the office of Councillor into disrepute.
- 1.3. Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.4. The Responsible Finance Officer (RFO) under the policy direction of the Council shall be responsible for the proper administration of the Council's financial affairs.
- 1.5. The Responsible Finance Officer shall be the Parish Clerk for Simpson and Ashland Parish Council.
- 1.6. The Council shall be responsible for ensuring that the financial management is adequate and effective and that the Council has a system of internal controls which facilitates the effective exercise of its functions and which manages risk.
- 1.7. The Council shall review at least once a year the effectiveness of its systems of internal controls and shall produce a statement of internal control for approval prior to approving the Annual Governance Statement.

## **2. ANNUAL ESTIMATES**

- 2.1. A draft budget for the following year shall be prepared by the RFO not later than the end of January each year.
- 2.2. The Council shall review and agree the annual salary provision for all staff. This shall be agreed at a full Council meeting prior to agreeing the final budget for the forth coming year.
- 2.3. Between January/March the Council will consider the proposed draft annual budget and set the precept (council tax requirement) to be levied and approve a budget for the following year
- 2.4. The approved annual budget shall form the basis of financial control for the ensuing year.

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

- 3.1. Revenue Expenditure items may be authorised up to the amounts included for that class of expenditure in the approved budget.
- 3.2. 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 sub group(s)/committee(s).
- 3.3. 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').
- 3.4. In cases of extreme risk to the delivery of council services, the RFO may authorise 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 £500. The RFO shall report such action to the Chair as soon as possible and to the Council as soon as practicable thereafter.
- 3.5. 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.
- 3.6. All capital works shall be administered in accordance with the Council's Standing Orders and financial regulations relating to contracts.
- 3.7. Changes in earmarked reserves shall be approved by Council as part of the budgetary control process. Reserves Policy will be reviewed annually to ensure it continues to be fit for purpose for the Councils current budget commitments.

### **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 statement of accounts, annual report, and any related documents of the Council contained in the Annual Return by the 30 June and shall submit them and report thereon to the Council for approval.
- 4.3. 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.

- 4.4. The Council shall carry out an annual review of the effectiveness of internal audit in accordance with the Accounts and Audit Regulations 2003 and 2006 and any subsequent amendments.
- 4.5. 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. The internal auditor shall be competent and independent of the financial operations of the Council, shall report to Council in writing, on a regular basis with a minimum of one annual written report during each financial year and have no involvement in the financial decision making, management or control of the Council.
- 4.6. The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from internal or external auditors.
- 4.7. 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.
- 4.8. The RFO shall make arrangements for the opportunity for inspection of the accounts, books and vouchers required by the Audit Commission Act 1998 section 15 and the Accounts and Audit Regulations 2003 and 2006 and any subsequent amendments thereto.
- 4.9. The accounting records determined by the RFO shall explain the Council's transactions and ensure the Council comply with the Accounts and Audit Regulations<sup>1</sup> and shall in particular contain:
  - entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure or receipts and payments account relate;
  - a record of the assets and liabilities of the Council; and
  - wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 4.10. The RFO shall draw up at the start of each financial year, a list of regular payments that will be debited from the Council's bank account, either by direct debit, standing order or BACs payment. This list will be presented to full Council for authorisation. Any amendments or 10%+/- variances will be reported to the relevant full Council meeting during the financial year.
- 4.11. The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:
  - setting the final budget or the precept (Council Tax Requirement);

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<sup>1</sup> In England - Accounts and Audit (England) Regulations 2011/817  
In Wales - Accounts and Audit (Wales) Regulations 2005/368

- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the General Power of Competence; and
- addressing recommendations in any report from the internal or external auditors,

shall be a matter for the full council only.

4.12. The Council shall approve any grant or a single commitment in excess of £5,000.

## **5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

- 5.1. The Council's banking arrangements, shall be made by the RFO and delegated Councillor with Financial portfolio approved by the Council. Banking arrangements may not be delegated to a sub group(s)/committee(s) and shall be regularly reviewed for safety and efficiency.
- 5.2. A summary of expenditure and income against the budget will form part of the Council meeting Agenda. This will include any payments required that are additional to those stated under 4.10, any payments agreed via Delegated powers and explanations of variances of 10%+/- against the schedule of payments.
- 5.3. The RFO 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 or a service is required before the next scheduled Meeting of Council, where the RFO and Chair certify 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. Provision made in Scheme of Delegated Powers.
  - b) An expenditure item authorised under 5.2 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of Council; or
  - c) fund transfers within the councils banking arrangements up to a sum agreed by full Council provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
  - d) expenses up to the amount of £150 for stationery items, training, equipment, mileage expenses or salary expenses provide that such payments shall be submitted to the next appropriate meeting of the Council for approval.

- 5.4. All grants shall be authorised by full Council meeting within any limits set by Council and in accordance with any Policy statement approved by Council, unless where a decision is required between scheduled Full Council meetings, Delegated powers given.
- 5.5. Any Revenue or Capital Grant in excess of £5,000 shall before payment, be subject to ratification by resolution of the Council. (was part of 5.4 above)
- 5.6. Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code of Conduct, Standing Orders and Internal Statement of Control 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.
- 5.7. Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a Member.

## **6. PAYMENT OF ACCOUNTS**

- 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, BACs or other instructions to the Council's bankers.
- 6.3. 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.
- 6.4. 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.
- 6.5. Two duly authorised Members of the Council shall sign cheques, one on the cheque and one on the counterfoil, drawn on the Council's current account. 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.
- 6.6. Cheques or orders for payment shall not normally be presented for signature other than at Council meeting (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.
- 6.7. Most payments are made by BACs and prior to payment the RFO requests instructing for payment and approval must be received from a minimum of four councillors, or if approved under 5.3 of the Financial Regulations and the Scheme of Delegated Powers, if it has not already been approved at a prior full Council meeting.

The approval of the use of BACS shall be renewed by resolution of the Council at least every two years.

- 6.8. No employee or councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council or a duly delegated sub group.
- 6.9. 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.
- 6.10. 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.
- 6.11. Changes to account details for suppliers, which are used for BACs banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by the RFO and the Village Hall committee. A programme of regular checks of standing data with suppliers will be followed.
- 6.12. The Council does not maintain debit or credit cards facilities. For this to become operational, agreement must be approved by full Council and the financial regulations amended prior to any cards becoming operational.
- 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 RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

## **7. PAYMENT OF SALARIES**

- 7.1. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and 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 Council meeting, as set out in these regulations above.
- 7.3. Parish Clerk/RFO timesheets must be submitted and approved by the Chair and Councillor with Financial Portfolio. Cleaners timesheets must be submitted and approved by the Village Hall committee.
- 7.4. Salary payments are made by a third party on behalf of the Council. An assigned Councillor will make the payment to the agency once the timesheet has been approved. RFO will make payment for the cleaner once the timesheet has been approved. The third party undertake to make the appropriate salary payment and

make the necessary tax and national insurance payments to HMRC. Monthly reports are provided to the Council.

- 7.5. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.
- 7.6. 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.
- 7.7. Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by Council.
- 7.8. Before employing interim staff the Council must consider a full business case.

## **8. LOANS AND INVESTMENTS**

- 8.1. 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.
- 8.2. All investments of money under the control of the Council shall be in the name of the Council and all investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 8.3. Any financial arrangement which does not require formal Borrowing Approval from the Secretary of State (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.
- 8.4. The Council shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Strategy and Policy shall be reviewed by the Council at least annually.
- 8.5. 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 (Payment of Accounts).

## **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. 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.
- 9.3. The Council will review all fees and charges at least annually, following a report of the RFO.



- 9.4. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 9.5. 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.
- 9.6. The origin of each receipt shall be entered on the paying-in slip.
- 9.7. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8. 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.
- 9.9. Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

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

- 10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 10.2. Order books shall be controlled by the RFO.
- 10.3. All Members and Officers are responsible for obtaining value for money at all times. An Officer issuing an official order 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 11.1 below.
- 10.4. A Member placing an order must ensure a copy is provided to the RFO.
- 10.5. The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the Minutes can record the power being used.

## **11. CONTRACTS**

- 11.1. Procedures as to contracts are laid down as follows:
  - a. Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that this regulation need not apply to contracts which relate to items (i) to (vi) below:

- i. for the supply of gas, electricity, water, sewerage and telephone services;
  - ii. for 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 £500 (in excess of this sum the RFO shall act after consultation with the Chair and Vice Chair 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 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 £10,000 or more, the Council shall comply with the relevant requirements of the Regulations<sup>2</sup>.
  - c. 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>3</sup>
  - d. 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.
  - e. Such invitation to tender shall state the general nature of the intended contract and the RFO 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 RFO 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.
  - f. All sealed tenders shall be opened at the same time on the prescribed date by the RFO in the presence of at least one Member of Council.

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<sup>2</sup> The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out procedures to be followed in awarding new contracts and to publicise the award of new contracts.

<sup>3</sup> Thresholds currently applicable are:

- For public supply and public service contracts 209,000 Euros (£164,176)
- For public works contracts 5,225,000 Euros (£4,104,394)

- g. If less than three tenders are received for contracts above £10,000 or if all the tenders are identical the council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- h. Any invitation to tender issued under this regulation shall be subject to Standing Order 33 and shall refer to the terms of the Bribery Act 2010.
- i. When it is to enter into a contract of less than £10,000 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 RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.
- j. The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- k. 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.
- l. Council Members shall not be precluded from tendering for supplies or services to the Council provided that the requirements of the Financial Regulations and supporting documents are complied with and 1.2 is complied with.

## **12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

- 12.1. Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).
- 12.2. Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.
- 12.3. Any variation to a contract or addition to or omission from a contract must be approved by the Council and RFO to the contractor in writing, the council being informed where the final cost is likely to exceed the financial provision.

### **13. GRANT AID FUNDING**

- 13.1. Each year during the annual estimates process full Council will set a budget provision for Grant Aid Funding.
- 13.2. The RFO will check all relevant information provided on the grant aid form and request any missing information from the applicant.
- 13.3. All grant aid to be approved by full Council only. Grants will be submitted to the next appropriate full Council meeting for approval and approval or decline will be minuted.
- 13.4. Where decisions are required between scheduled full Council meetings Delegated Powers are given to the Council members. See Scheme of Delegated Powers document, item 5.
- 13.5. Where the grant applicant is a group or an organisation and has a bank account, the money agreed shall be transferred to the account after approval at full Council. The applicant is asked to confirm receipt of the BACs transfer.
- 13.6. Within one month of completion of the grant event, the applicant shall submit a financial statement with invoices/receipts detailing the amount spent. The RFO will check this and report to the next appropriate full Council meeting.
- 13.7. Applicants are informed at approval that any unspent money must be returned to the Parish Council.
- 13.8. Where a grant applicant is made up of individuals, method of payment will be agreed at full Council. 13.5 to 13.6 will then apply.

### **14. STORES AND EQUIPMENT**

- 14.1. Village Hall committee will be in charge of responsibility for the care and custody of stores and equipment.
- 14.2. Delivery notes shall be obtained for all goods received into the store or otherwise delivered and goods must be checked as to the order and quality at the time of delivery.
- 14.3. Stocks will be kept to minimum levels consistent with operational requirements.
- 14.4. The RFO and one councillor from the village hall committee shall be responsible for periodic checks off stocks and stores at least annually.

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

- 15.1. The RFO shall maintain and make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council.
- 15.2. No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the full Council, together

with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £250.

- 15.3. No property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the full Council, together with any other consents required by law, and supported by a full business case report.
- 15.4. No property (interests in land) shall be purchased or acquired without the authority of the full Council and supported by a full business case report.
- 15.5. The RFO shall ensure 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.

## **16. INSURANCE**

- 16.1. Following the annual risk assessment (per Financial Regulation 18), the RFO shall effect all insurances and negotiate all claims on the Council's insurers.
- 16.2. 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.
- 16.3. The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 16.4. 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 Council at the next available meeting.
- 16.5. 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.

## **17. CHARITIES**

- 17.1. Where the Council is sole managing trustee of a charitable body the RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

## **18. RISK MANAGEMENT**

- 18.1. The Council is responsible for putting in place arrangements for the management of risk. The RFO and Village Hall committee shall prepare, for approval by the Council,

risk management policy statements in respect of all activities of the council and village hall. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.

- 18.2. When considering any new activity, the RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

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

- 19.1. It shall be the duty of the Council to review the Financial Regulations of the Council from time to time.
- 19.2. The Council may, by resolution of the full 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 the Council.

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