

## Leigh On Mendip Parish Council: Financial Regulations

Notes:

1. All values are set by the Council when adopting these regulations (other than the EU Procurement thresholds shown in Regulation 11)
2. These regulations are based on the National Association of Local Council 's provided 2014 Model Financial Regulations and DCLG Transparency Code for Smaller Authorities, Dec 2014

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## 1. GENERAL

- 1.1. These financial regulations apply to financial management by the council and may only be amended or varied by the council and are used in conjunction with the Standing Orders.
- 1.2. The council is responsible in law for ensuring that its financial management is adequate and effective. Accordingly, the control systems include measures:
  - for the timely production of accounts;
  - that provide for the safe and efficient safeguarding of public money;
  - that manage financial risk;
  - to prevent and detect inaccuracy and fraud; and
  - that identify the duties of officers.
  - for an annual review of these regulations, including the effectiveness of the internal controls.
- 1.3. Members of the council are expected to follow these regulations and a breach of them by an employee is gross misconduct.
- 1.4. The Clerk is the Responsible Financial Officer (RFO), a statutory office appointed by the council.
- 1.5. The RFO:
  - acts under the policy direction of the council;
  - administers the council's financial affairs in accordance with all Acts, Regulations and proper practices;
  - determines on behalf of the council its accounting records and accounting control systems;
  - ensures the accounting control systems are observed;
  - maintains the accounting records of the council up to date in accordance with proper practices;
  - assists the council to secure economy, efficiency and effectiveness in the use of its resources; and
  - produces financial management information as required by the council.
- 1.6. The accounting records determined by the RFO are 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<sup>1</sup>.

1.7. In particular, the accounting records 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
- a record of the council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.8. The accounting control systems include:

- procedures to ensure that the financial transactions of the council are recorded promptly and accurately;
- procedures to prevent and detect inaccuracies and fraud and the ability to reconstruct any lost records;
- the duties of all officers dealing with financial transactions;
- procedures to ensure that the council approves all sums written off; and
- measures to ensure that risk is properly managed.

1.9. The council does not delegate decisions regarding:

- setting the final budget or the precept;
- approving accounting statements;
- borrowing;
- writing off bad debts;
- addressing recommendations in auditors reports.

1.10. In addition the council must:

- determine and keep under regular review the bank mandate for all council bank accounts;
- approve any grant or a single commitment; and
- review annual salary for any employee to reflect recommended rates.

1.11. 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.

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<sup>1</sup> Accounts and Audit (England) Regulations 2011/817

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 Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

## **2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)**

- 2.1. Accounting procedures and financial records of the council used by the RFO accords with the Accounts and Audit Regulations, appropriate guidance and proper practices.
- 2.2. At each meeting the council verifies bank reconciliations produced by the RFO and councillors sign both the reconciliations and the original.
- 2.3. The RFO completes Annual Return at the end of the financial year. This return includes an annual statement of accounts, an annual report, and any related council documents. Once certified by the RFO, the accounts are approved by the council and submitted to meet the timescales set by the Accounts and Audit Regulations.
- 2.4. The council ensures 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.
- 2.5. An internal auditor is appointed to audit the internal controls as required by the council and in accordance with proper practices.
- 2.6. The internal auditor is to:
  - be competent and independent of the financial operations of the council;
  - report to council in writing at least once a year;
  - demonstrate competence, objectivity and independence; and
  - to have no involvement in the financial decision making, management or control of the council.

Note: The transparency code for English parish councils with an annual turnover less than £25,000 exempts the council from external audit after the financial year 2016/17 but requires more financial information to be made available to the public.

- 2.7. Internal or external auditors may not under any circumstances:
  - perform any operational duties for the council;
  - initiate or approve accounting transactions; or
  - direct the activities of any council employee.
- 2.8. The RFO ensures that the public have the opportunity to inspect accounts, books, and vouchers and displays or publishes any notices and statements of account required by the Audit Regulations. In accordance with the DCLG Transparency Code for Smaller Authorities, the information listed in Annex A is published on the Leigh on Mendip Community Website.

- 2.9. The RFO raises correspondence or reports from internal or external auditors at the next monthly council meeting.

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

- 3.1. The RFO and council formulate a budget for the following financial year in November each year. The council does not have a formal three year budget forecast but past outturn and forward expectations are fully considered by the council when formulating the budget. Should this change additional regulations will be required here.
- 3.2. The council agrees the precept and relevant basic amount of council tax to be levied for the ensuing financial year and formally agrees the annual budget not later than by the end of January each year. The RFO then issues the precept to the billing authority.
- 3.3. The approved annual budget forms 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 item in the approved budget by:
- the council for items over £50
  - the RFO, in conjunction with Chairman of Council for any items below £50.
- All expenditure is to be included in the appropriate council meeting minutes.
- Contracts may not be disaggregated to avoid controls imposed by these regulations.
- 4.2. Any expenditure that exceeds the amount provided in the approved budget must be approved by the council.
- 4.3. Any unspent provisions in the approved budget may be carried forward to a subsequent year with council approval.
- 4.4. The salary budget is reviewed annually as an input to the annual budget
- 4.5. 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 £250. The RFO shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.
- 4.6. The RFO provides the council with a statement of receipts and payments to date at each council meeting in the established pro-forma. The underlying Spreadsheet compares actual expenditure to that planned in the approved annual budget and identifies changes in reserves.

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

- 5.1. The council's banking arrangements, including the bank mandate, is made by the RFO and approved by the council. The arrangements are regularly reviewed for safety and efficiency.
- 5.2. The RFO prepares a schedule of payments requiring authorisation and includes this on the agenda for the next council meeting. The council reviews the schedule for compliance and authorises payment.
- 5.3. Invoices for payment are examined and verified by the RFO to:
  - confirm that the activity related to each invoice was authorised by the council and has been completed
  - confirm that the invoices are arithmetically accurate.
- 5.4. The RFO does not have delegated authority to authorise the payment of any item without reference to the Chairman or other councillor.
- 5.5. The RFO maintains a list of payments which arise on a regular basis.
- 5.6. Councillor's pecuniary interests must be declared if a decision to authorise payment is made in which they have a disclosable or other interest; the Code of Conduct refers.
- 5.7. Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a councillor.

## **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. Following authorisation by the council, cheques are presented to council and are signed by two members of the council. They also initial the cheque counterfoil and the appropriate invoice.
- 6.3. Cheques are not normally signed other than at a council meeting. Any signatures obtained away from such meetings are reported to the council at the next convenient meeting.
- 6.4. If thought appropriate by the council, payment for utility supplies (energy, telephone and water) may be made by variable direct debit provided that the instructions are signed by two members and payments are reported to council as made. The approval to use a variable direct debit must be renewed by the council at least every two years.

- 6.5. 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 by two members, these are retained and payments are reported to council. The approval of the use of a banker's standing order must be renewed by the council at least every two years.
- 6.6. If thought appropriate by the council, payment for certain items may be made by BACS or CHAPS methods provided that the instructions for each payment are signed by two authorised bank signatories and any payments are reported to council as made. The approval of the use of BACS or CHAPS must be renewed by resolution of the council at least every two years.
- 6.7. Where a council provided computer requires a Personal Identification Number (PIN) or other password(s) for access to the council's records on that computer, a note must be made of the PIN and Passwords and be retained by the Chairman in a sealed dated envelope. This envelope may only be opened in the presence of two other councillors. Once the envelope has been opened the PIN and / or passwords are changed as soon as practicable. The fact that the sealed envelope has been opened is reported at the next available council meeting. This will not be required for a member's personal computer used only for remote authorisation of bank payments.
- 6.8. Regular back-up copies of computer records are retained in accordance with the council's Document Retention Policy.
- 6.9. The council does not use internet banking at present. Should it decide to do so then additional regulations will be included.
- 6.10. The council does not use debit or credit cards at present. Should it decide to do so then additional regulations will be included.
- 6.11. The council does not maintain any form of cash float. All cash received is banked intact. Any payments made by officers or councillors in cash (for example for postage or minor stationery items) is refunded on a regular basis.

## **7. PAYMENT OF SALARIES**

- 7.1. As an employer, the council makes arrangements to meet the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of salaries is made in accordance with payroll records and the rules of PAYE and National Insurance currently operating at rates agreed by council.
- 7.2. No changes are made to an employee's pay, emoluments, or terms and conditions of employment without the prior consent of the council.
- 7.3. The total of such payments in each calendar month is authorised with all other payments at a council meeting.
- 7.4. Termination payments are considered by council.

## **8. LOANS AND INVESTMENTS**

- 8.1. All loans and investments are negotiated in the name of the council, are extant for a set period and are approved by the council.
- 8.2. Any borrowing that does not require formal approval from the Secretary of State/Welsh Assembly Government (such as Hire Purchase or Leasing of tangible assets) is approved by the council after confirmation that the transaction represents value for money.
- 8.3. The council does not have an Investment Strategy and Policy. If one is adopted additional regulations will be required.
- 8.4. All investment certificates and other documents relating thereto are retained by the RFO.
- 8.5. Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, are made in accordance with these regulations (5 and 6 above).

## **9. INCOME**

- 9.1. The collection of all sums due to the council is the responsibility of the RFO.
- 9.2. There are no routine charges made for work done, services rendered or goods supplied by the council. Should this change additional regulations will be required here.
- 9.3. As well as the precept, income received by the council includes that from the cemetery, the solar farm agreement and potentially from freedom of information applications. All fees and charges are reviewed by the council at least annually, following a report of the RFO.
- 9.4. Any sums found to be irrecoverable and any bad debts are reported to the council and written off in the year.
- 9.5. The RFO promptly completes any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 is made at least annually coinciding with the financial year end.
- 9.6. No significant sums of cash are regularly received by the council. Should this change additional regulations will be required here.
- 9.7. No charitable trust related income is received by the council. Should this change additional regulations will be required here.



## 10. ORDERS FOR WORK, GOODS AND SERVICES

- 10.1. An official order or letter is 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 are retained. Activity is controlled by the RFO.
- 10.2. All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order ensures as far as reasonable and practicable that the best available terms are obtained in respect of each transaction. This is usually achieved by obtaining three or more quotations or estimates from appropriate suppliers; see regulation 11 below.
- 10.3. The RFO will verify the lawful nature of any proposed purchase before the issue of an order and the council will approve placing that order. An individual member may not issue an official order or make a contract on behalf of the council.

## 11. CONTRACTS

- 11.1. Procedures as to contracts are laid down as follows:
  - a. Every contract complies with these financial regulations, and no exceptions are made other than in an emergency. However, competition may be waived for contracts which relate to items (i) to (vii) 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 repairs to or parts for existing machinery or equipment or plant;
    - iv. for an extension of an existing contract by the council;
    - v. for additional audit work of the external auditor up to an estimated value of £50 (in excess of this sum the RFO will act after consultation with the Chairman);
    - vi. for goods or materials which are proprietary articles and / or are only sold at a fixed price; and
    - vii. if special circumstances (eg to enable a price to be negotiated) are approved at a council meeting
  - b. Where it is intended to enter into a contract exceeding £60,000 in value for the supply of goods or materials or for the execution of works or specialist services (but see paragraph a. above) the RFO will invite tenders from at least three firms to be taken from the appropriate approved list. In this case the following regulations apply:

- i. The invitation to tender will state the general nature of the intended contract. The RFO will seek technical assistance to prepare a specification in appropriate cases. The invitation will state that tenders must be addressed to the RFO in the ordinary course of post. Each tendering firm will 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.
  - ii. All sealed tenders will be opened at the same time on the prescribed date by the RFO in the presence of at least one member of council.
  - iii. If less than three tenders are received for contracts above £60,000 or if all the tenders are identical the council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
  - iv. Any invitation to tender issued under this regulation will be subject to council's Standing Order 18, and will refer to the terms of the Bribery Act 2010.
- c. Where the contract value is less than £60,000 in value for the supply of goods or materials or for the execution of works or specialist services (but see paragraph a above) the RFO will seek 3 quotations;
  - d. Where the value is below £3,000 the RFO will try to obtain 3 estimates. If this proves impossible then the council may authorise alternative arrangements
  - e. The council will seek value for money and might not accept the lowest price.
  - f. If the council does not accept an offer and requires further pricing, no one involved with the original decision making process is permitted to submit a later tender.
  - g. 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.

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

- 12.1. There are no planned contracts for building or other construction works. Should this change additional regulations will be required here.

## **13. STORES AND EQUIPMENT**

- 13.1. There are no stores or equipment held by the council other than that listed on the Asset Register; see 14 below. Should this change additional regulations will be required here.

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

- 14.1. The RFO makes appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council.
- 14.2. The RFO ensures that an appropriate and accurate Register of Assets is kept up to date. The continued existence of tangible assets shown in the Register is verified annually. The Asset Register records all properties held by the council, recording the location, extent, plan, reference, purchase details and nature of the interest and purpose for which held, in accordance with Accounts and Audit Regulations. Should any future asset attract tenancies with rents payable then additional regulations will be required.
- 14.3. No tangible moveable property is acquired, leased or otherwise disposed of without council authorisation. Where appropriate, transactions are supported by a business case.
- 14.4. No real property (interests in land) is acquired, leased or otherwise disposed of without council authorisation. Any transactions are supported by a report addressing valuation and condition and a business case supporting the proposed transaction.

## **15. INSURANCE**

- 15.1. The RFO effects insurance cover for council activities. The RFO ensures that the insurance reflects issues arising from the annual risk assessment (see regulation 17 below) and negotiates all claims on the insurers.
- 15.2. The RFO keeps a record of insurance held by the council and this is reviewed annually.
- 15.3. The RFO reports any loss liability, damage activity or other event that is likely to lead to an insurance claim to the council at the next available meeting.
- 15.4. All appropriate members and employees of the council are included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the council

## **16. CHARITIES**

- 16.1. The council is not the sole managing trustee of a charitable body. Should this change additional regulations will be required here.

## **17. RISK MANAGEMENT**

- 17.1. The council has arrangements for managing risk. For ongoing council activities, the RFO prepares risk assessments and derives risk management proposals that are endorsed by the council annually.
- 17.2. When new activities are started the RFO prepares a draft risk assessment and derives risk management proposals for adoption by the council.

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

- 18.1. The council reviews these Financial Regulations at least annually. The RFO makes arrangements to monitor changes in legislation or proper practices and advises the council if an amendment is required.
- 18.2. 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 an assessment of the risks has been undertaken and agreed by the council.

**19. Annex A: Transparency Code for Smaller Authorities**

<b>Information title</b>	<b>Information which should be published</b>
<b>All items of expenditure above £100</b>	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish details of each individual item of expenditure.</p> <p>Copies of all books, deeds, contracts, bills, vouchers, receipts and other related documents do not need to be published but should remain available for inspection.</p> <p>For each individual item of expenditure the following information must be published:</p> <ol style="list-style-type: none"> <li>a. date the expenditure was incurred,</li> <li>b. summary of the purpose of the expenditure,</li> <li>c. amount, and</li> <li>d. Value Added Tax that cannot be recovered.</li> </ol>
<b>End of year accounts</b>	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed statement of accounts according to the format included in the Annual Return form. It should be accompanied by:</p> <ol style="list-style-type: none"> <li>a. a copy of the bank reconciliation for the relevant financial year,</li> <li>b. an explanation of any significant variances (e.g. more than 10-15 percent) in the statement of accounts for the relevant year and previous year, and</li> <li>c. an explanation of any differences between ‘balances carried forward’ and ‘total cash and short term investments’, if applicable.</li> </ol>
<b>Annual governance statement</b>	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed annual governance statement according to the format included in the Annual Return form.</p> <p>Explain any negative responses to governance statements, including how any weaknesses will be addressed.</p>
<b>Internal audit report</b>	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Publish signed internal audit report according to the format included in the Annual Return form.</p> <p>Explain any negative response to the internal controls objectives, including how any weaknesses will be addressed. Explain any ‘not covered’ responses to internal controls objectives.</p>
<b>List of councillor or member responsibilities</b>	<p>Annual publication of councillor or member responsibilities no later than 1 July in the year immediately following the accounting year to which it relates, including:</p> <ol style="list-style-type: none"> <li>a) names of all councillors or members,</li> <li>b) committee or board membership and function (if Chairman or Vice-Chairman), and</li> <li>c) representation on external local public bodies (if nominated to represent the authority or board).</li> </ol>

<p><b>Location of public land and building assets</b></p>	<p>Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.</p> <p>Parish councils and port health authorities to publish details of all public land and building assets – either in its full asset and liabilities register or as an edited version.</p> <p>Internal drainage boards to only publish details of registered land and buildings that have a market value and appear in Fixed Assets Register.</p> <p>The following information must be published:</p> <ul style="list-style-type: none"> <li>a) description (what it is, including size/acreage),</li> <li>b) location (address or description of location),</li> <li>c) owner / custodian, e.g. the authority manages the land or asset on behalf of a local charity,</li> <li>d) date of acquisition (if known),</li> <li>e) cost of acquisition (or proxy value), and</li> <li>f) present use.</li> </ul>
<p><b>Minutes, agendas and papers of formal meetings</b></p>	<p>Publication of draft minutes from all formal meetings not later than one month after the meeting has taken place.</p> <p>Publication of meeting agendas and associated meeting papers not later than three clear days before the meeting to which they relate is taking place.</p>