

OVINGTON PARISH COUNCIL

Financial Regulations

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1. GENERAL

1.1. These financial regulations govern the conduct of financial management by Ovington Parish Council (hereafter referred to as the Council). Financial Regulations are one of the Council's two governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the Council's Standing Orders.

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 its functions, including arrangements for the management of risk.

1.3. The Council's accounting control systems must include measures:

- for the timely production of accounts;
- that provide for the safe and efficient safeguarding of public money;
- to prevent and detect inaccuracy and fraud; and
- that identify the duties of officers.

These financial regulations demonstrate how the council meets these responsibilities and requirements.

1.4. 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.

1.5. A breach of these regulations by an employee is gross misconduct.

1.6. The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly.

1.7. 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.

1.8. 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.

1.9. The accounting records determined by the RFO 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.

1.10. The accounting control systems determined by the RFO shall include:

- procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;

measures to ensure that risk is properly managed.

1.11. The Council recognises four stages in the financial process:

- Budget setting – where the Council agrees the individual sums allocated under specific budget headings.
- Approval to spend – or approval to incur costs
- Authority to pay – an authority to instruct payment.
- Instruction to pay – the physical act of payment.

1.12. 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
- 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).

2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

2.1. 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.

2.2. 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.

2.4. 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.

2.5. The Internal Auditor shall:

- be competent and independent of the financial operations of the Council;
- to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
- have no involvement in the financial decision making, management or control of the Council.

2.6. 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, except to the extent that such employees have been appropriately assigned to assist the Internal Auditor.

2.7. The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts, including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

2.8. The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from internal or external auditors.

3. BUDGET SETTING AND FORWARD PLANNING

3.1. The RFO must each year, by no later than November, prepare detailed estimates of all income and expenditure, including the use of reserves and all sources of funding, for the following financial year in the form of a budget to be considered by the Council.

3.2. The Council shall fix the precept (Council Tax requirement), and relevant basic amount of Council Tax to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

3.3. The approved annual budget shall form the basis of financial control for the ensuing year.

4. BUDGETARY CONTROL AND APPROVAL TO SPEND

4.1. Expenditure on revenue items up to and including £200 may be approved, up to the amounts included for that class of expenditure in the approved budget, by the Clerk in conjunction with the Chair. This only applies to the Council's most recent 'approved annual budget' within the budget classifications of Administration, Environment, Communications, Sports Facilities and Play Facilities.

The approval of the Clerk and Chair is to be evidenced by an appropriately authorised invoice or other form duly signed by the Clerk and the Chair.

4.2. The Council must, subject to paragraph 4.5, approve expenditure for all items over £200 and may approve expenditure whether or not it exceeds the amount included for that class of expenditure in the approved budget. The approval of the Council is to be evidenced by a Minute. Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.3. During the budget year and with the approval of the 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').

4.4. In cases of extreme risk to the delivery of Council services, the Clerk may approve revenue expenditure on behalf of the Council which in the Clerk'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 £200. The Clerk shall report such action to the Chairman as soon as possible and to the Council as soon as practicable thereafter.

4.5. In cases of extreme risk to the delivery of Council Services, the Clerk may approve expenditure over £200 only with the prior authority of the Chair.

4.6. No expenditure shall be approved 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. The Council holds funds in a 'General Fund' to facilitate authorised expenditure within the approved budget. Other funds are considered 'Reserve Funds' and are held in separate accounts. Reserve Funds can be set aside for specific purposes and are known as 'Allocated Reserves'. Reserve Funds which are not allocated to a specific purpose are known as 'General Reserves'. Changes in Allocated Reserves shall be approved by the Council as part of the budgetary control process. The Council must review the Reserve Funds annually.

4.8. All payments from the Council's funds will be made from the General Fund. Unless there are exceptional circumstances such that complying with this requirement causes a significant delay to a Council project, authorised payments will not be made from Reserve Funds, instead they will be transferred to the General Fund.

5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

5.1. The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for safety and efficiency.

5.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for each Meeting and, together with the relevant invoices, present the schedule to the Council. The schedule will identify those payments which require retrospective authority. The Council shall review the schedule for compliance and, having satisfied itself, shall authorise payment or grant retrospective authority as the case may be, by a resolution of the Council. The approved schedule shall be ruled off and 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, as described within these Regulations.

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, before or at the next available Council meeting, in accordance with the provisions of the Regulations.

5.5. For each financial year, the Clerk/ 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, and regular maintenance contracts) for which the Council may authorise payment for the year, either monthly or quarterly as the case may be, provided that a list of such payments made shall be submitted to the next appropriate meeting of the Council.

5.6. In respect of grants, the Council shall approve expenditure in accordance with the Council's policy for awarding grants.

5.7. Members are subject to the Code of Conduct that has been adopted by the Council, and shall comply with the Code and the Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.

6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS

6.1. The Council will make safe and efficient arrangements for the making of its payments.

6.2. Following authorisation under Financial Regulation 5 above, the Council, or, if so delegated, the Clerk/RFO shall give instruction that a payment shall be made.

6.3. All payments shall be effected by cheque or other instructions to the Council's bankers, or otherwise, in accordance with a resolution of Council.

6.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to the Council shall be signed by at least two members of the Council in accordance with a resolution instructing that payment. The Council requires a second signatory for each cheque. If a member who is also a bank signatory has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which the payment is being made, that Councillor shall be required to consider Standing Orders, and thereby determine whether it is appropriate and/or permissible to be a signatory to the transaction in question.

6.5. Payment for utility supplies (energy, telephone and water), recurring administrative costs (photocopier) and any National Non-Domestic Rates may be made by variable Direct Debit, provided that the instructions are signed by two members and any payments are reported to the Council as made. The approval of the use of a variable Direct Debit shall be renewed by resolution of the Council at least every two years.

6.6. The Clerk may use their personal credit card only with the prior approval of the Chair and shall be reimbursed in accordance with this section.

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 the 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 8 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. 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. Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- a) by any Councillor who can demonstrate a need to know;
- b) by the Internal Auditor;
- c) by the External Auditor; or
- d) by any person authorised under the Audit Commission Act 1998 or any superseding legislation.

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

7.6. Any termination payments shall be supported by a clear business case and reported to the Council. Termination payments shall only be authorised by the Council.

8. INCOME

8.1. The collection of all sums due to the Council shall be the responsibility of the RFO.

8.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, and the RFO shall be responsible for the collection of all accounts due to the Council.

8.3. All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.

8.4. The origin of each receipt shall be entered on the paying-in slip.

8.5. Personal cheques shall not be cashed out of money held on behalf of the Council.

8.6. 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.

9. ORDERS FOR WORK, GOODS AND SERVICES

9.1. An official order, email or letter shall be issued for all work, goods and services unless a formal contract for services is to be prepared or an official order would be inappropriate. Copies of orders shall be retained. Order books shall be controlled by the RFO.

9.2. 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. Where such an order is reasonably believed to exceed £500, the RFO shall endeavour to secure three quotes.

9.3. A member may not issue an official order or make any contract on behalf of the Council.

9.4. 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.

10. CONTRACTS FOR SERVICES

10.1. A Contract For Services is a formal specification drawn up by the Council that describes the detail of a proposed contract in respect of the supply of goods, materials or services. Every such 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) the supply of gas, electricity, water, sewerage and telephone services;
- (ii) specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
- (iii) 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) work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
- (v) additional audit work of the External Auditor up to an estimated value of £500 (in excess of this sum the Clerk/RFO shall act after consultation with the Chairman and Vice Chairman of the Council); and
- (vi) goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

10.2 Where it is intended to enter into such a contract that is reasonably believed will exceed £5,000 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 11.1, the Clerk shall invite tenders from at least three firms.

10.3 Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall deliver the tender in 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.

10.4 All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of the Council.

10.5 If less than three tenders are received for contracts above £5,000, 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.

10.6 Any invitation to tender issued under this regulation shall be subject to Standing Order 18 and shall refer to the terms of the Bribery Act 2010.

10.7 When it is to enter into such a contract which is reasonably believed to be up to £5,000 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 11.1, the Clerk/RFO shall endeavour to obtain three quotations (priced descriptions of the proposed supply as opposed to the formal tender process outlined above).

10.8 The Council shall not be obliged to accept the lowest of any tender, quote or estimate.

10.9 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.

10.10 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.

10.11 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.

11. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

11.1. 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).

11.2. 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.

11.3. Any variation to a contract or addition to or omission from a contract must be approved by the Council and the Clerk to the contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

12. ASSETS, PROPERTIES AND ESTATES

12.1. 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.

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.

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 the 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 the 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. 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 (as per Financial Regulation 17), the RFO shall effect and keep a record of all insurances, the property and risks covered thereby and annually review it.

13.2. The RFO shall negotiate all claims on the Council's insurers and shall be notified of any loss liability or damage or of any event likely to lead to a claim, reporting these to the Council at the next available meeting.

13.3. 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 by the Council.

14. RISK MANAGEMENT

14.1. The Council is responsible for putting in place arrangements for the management of risk. The Clerk/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.

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

15. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

15.1. It shall be the duty of the Council to review the financial regulations of the Council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.

15.2. The Council may, by resolution of the Council duly notified prior to the relevant meeting of the Council, suspend any part of these financial regulations, provided that the 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.