

## **Financial Regulations**

**These Financial Regulations were  
adopted by Mountfield Parish Council  
at the meeting on 10th September 2019**

# MOUNTFIELD PARISH COUNCIL

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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 function, including arrangements for the management of risk.

1.3 The council's accounting control systems must include the 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
- 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 this council and these regulations will apply accordingly.

1.9 The Clerk/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.

1.10 The accounting records determined by the Clerk/RFO shall be sufficient to show and explain the council's transactions and to enable the Clerk/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.

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- 1.11 The accounting records determined by the Clerk/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.
- 1.12 The accounting control systems determined by the Clerk/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.
  - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions.
  - 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 Clerk/RFO and that the approvals are shown in the accounting records; and
  - measures to ensure 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:
- setting the final budget or the precept;
  - approving accounting statements;
  - 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.
- 1.14 In addition, the council must:
- determine and keep under review the bank mandate for all council bank accounts.
  - approve all requests for grants and donations; and
  - 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 or reference.

1.15 In these financial regulations, reference 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.

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 of 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 Clerk/RFO in accordance with the Accounts and Audit Regulations, appropriate guidance and proper practices.

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

2.3 The Clerk/RFO shall complete the annual statement of accounts, annual report and any related documents of the council contained in the Annual Governance and Accountability Return (AGAR) 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 Clerk/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 control required by the council in accordance with proper practices.

2.6 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
- has no involvement in the financial decision making, management or control of the council.

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, 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 Clerk/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 the Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

2.10 The Clerk/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 The Clerk/RFO must each year, by no later than November, 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.

3.2 The council shall fix the precept not later than by the end of January each year. The Clerk/RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

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3.3 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 all items must be authorised by the council. The only exception is the Clerk's authority to purchase essential office supplies, e.g. printer cartridges, paper etc., and any training she deems necessary, approval for this will be via email from members.

4.2 The salary budgets are to be reviewed at least annually in November for the following financial year. The Clerk/RFO will inform the council of any changes impacting on their budget requirement for the coming year in good time.

4.3 The Clerk/RFO shall regularly provide the council with a statement of receipts and payments to date. These statements are to be prepared at least at the end of each financial quarter.

4.4 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 Clerk/RFO and approved by the council. They shall be regularly reviewed for safety and efficiency.

5.2 The Clerk/RFO shall prepare a schedule of payments requiring authorisation, forming part of the agenda for the 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 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.

5.3 All invoices for payment shall be examined, verified and certified by the Clerk/RFO to confirm that work, goods and services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.

5.4 The Clerk/RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The Clerk/RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available council meeting.

5.5 The Clerk/RFO shall have delegated authority to authorise fund transfers within the council's banking arrangements.

5.6 In respect of grants and donations the council shall approve expenditure within any limits set by the council and in accordance with any policy statement approved by the council. All grants and donations must be approved, by resolution, by the council.

5.7 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.

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## 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 shall give instruction that a payment shall be made.
- 6.3 All payments shall be affected by cheque or other instructions to the council's bankers, or otherwise, in accordance with a resolution of council.
- 6.4 Cheques for payment drawn on the bank account in accordance with the schedule as presented to the council shall be signed by two members of 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.
- 6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice number or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 6.6 Cheques or orders for payment shall not normally be presented for signature other than at a council meeting. Any signatures obtained away from such meetings shall be reported to the council at the next convenient meeting.
- 6.7 Regular back-up copies of the records on the Clerk's/RFO's computer shall be made and 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 Clerk/RFO shall be appointed as Service Administrator.
- 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 email 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 Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk/ RFO and shall be subject to automatic payment in full at each month end. Personal credit cards or debit cards of members of staff shall not be used under any circumstances.
- 6.12 The council will not maintain any form of cash float. All cash received must be banked intact.

## 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 as agreed by council.

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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 payroll records and on the appropriate dates stipulated in employment contracts, provide 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 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. Income

8.1 The collection of all sums due to the council shall be the responsibility of and fall under the supervision of the Clerk/RFO.

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

8.3 The council will review all fees and charges at least annually, following a report of the Clerk.

8.4 Any sums found to be irrecoverable and any bad debts shall be reported to the council and shall be written off in the year.

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

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

8.7 Personal cheques shall not be cashed out of money held on behalf of the council.

8.8 The Clerk/RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with the VAT ACT 1994 section 33 shall be made at least annually coinciding with the financial year end.

8.9 Any income arising which is the property of a charitable trust shall be paid into a charitable bank account. Instructions for the payment of funds due from the charitable trust to the council (to meet expenditure already incurred by the authority) will be given by the Sole Trustee of the charity meeting separately from any council meeting (see also Regulation 13 below).

## 9. Orders for Work, Goods and Services

9.1 An official order, letter or email 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.

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, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11.1 below.

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

9.4 The Clerk/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 Clerk/RFO shall ensure that the proposed purchase shall be reported to the meeting at which the order is approved and recorded in the minutes.

## 10. Contracts

10.1 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) and (vi) below:
- i. for the supply of gas, electricity, water, sewerage and telephone services;
  - ii. for specialist services such as are provided by legal professionals acting in disputes;
  - iii. for work to be executed for 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 Clerk/RFO shall act after consultation with council); and
  - vi. for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

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## 11. Assets, Properties and Estates

11.1 The Clerk/RFO shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The Clerk /RFO shall ensure a record is maintained of all properties held by the council, 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.

11.2 No tangible moveable property shall be purchased or otherwise acquired, sold, leased for otherwise disposed of, without the authority of the council, together with any other consents required by law.

11.3 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).

11.4 No real property (interests in land) shall be purchased or acquired without the authority of the 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).

11.5 The Clerk /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.

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## 12. Insurance

12.1 Following the annual risk assessment (per Regulation 17), the Clerk/RFO shall effect all insurances and negotiate all claims on the council's insurers.

12.2 The Clerk/RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annual review it.

12.3 The Clerk /RFO shall report to the council as soon as is practicable any loss liability, damage or of any event likely to lead to a claim.

12.4 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.

## 13. Charities

13.1 Where the council is the sole trustee of a charitable body the Clerk/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 Clerk/ RFO shall arrange for any audit or independent examination as may be required by Charity Law or any Governing Document.

## 14. Risk Management

14.1 The council is responsible for putting in place arrangements for management of risk. The Clerk/RFO shall prepare, for approval by the council, a risk management statement covering all activities of the council. This statement and consequential risk management arrangements shall be reviewed by the council at least annual.

## 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 at least annually. The Clerk/ 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.

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.