

Keyworth Parish Council
FINANCIAL REGULATIONS

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1. General

1.1 These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial regulations are one of the Council's three governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the Council's standing orders and any individual financial regulations relating to contracts.

1.2 The Council is responsible in law for ensuring that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.

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

- For the timely production of accounts.
- That provide for the safe and efficient safeguarding of public money.
- To prevent and detect inaccuracy and fraud.
- 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 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.

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

1.8 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 that the accounting control systems are observed.
- Ensures that the accounting records of the Council are up to date in accordance with proper practices.
- Assists the Council to secure economy, efficiency, and effectiveness in the use of its resources.
- Arranges for production of financial management information as required by the Council.

1.9 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, complies with the Accounts and Audit Regulations.

1.10. 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.
- 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.

1.11. 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.
- Identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions.
- Measures to ensure that risk is properly managed.

1.12 The Council is not empowered by these regulations or otherwise to delegate certain specified decisions. In particular, any decision regarding the following shall be a decision for Full Council only:

- Setting the final budget or the precept (council tax requirement).
- Approving the annual statement of accounts.
- Approving the annual governance statement.
- Borrowing.
- Declaring eligibility for the General Power of Competence.

1.13. In addition, the Council must approve any new grant or commitment in excess of £7,500.

1.14 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.

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).

2. Accounting and audit (internal and external)

2.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate guidance, and proper practices.

- 2.2 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.
- 2.3 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.
- 2.4 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by, the Finance & Risk committee in accordance with proper practices.
- 2.5 The internal auditor shall:
- Be competent and independent of the financial operations of the Council.
 - Report to Council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year.
 - To demonstrate competence, objectivity, and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships.
 - 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.
 - 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 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.
- 2.8 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.
- 2.9 The RFO shall, without undue delay, bring to the attention of the Finance & Risk committee or Full Council as appropriate any correspondence or report from internal or external auditors.

3. Annual estimates (budget) and forward planning

- 3.1 The RFO must each year, by no later than January, 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 Finance & Risk committee and the Council.

- 3.2. The Finance & Risk committee and Council shall consider annual budget proposals in relation to a three-year forecast of revenue and capital receipts and payments, including recommendations for the use of reserves and sources of funding, and update the forecast accordingly.
- 3.3. 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 make available to each member a copy of the approved annual budget.
- 3.4. The approved annual budget shall form the basis of financial control for the ensuing year.

4. Budgetary control and authority to spend

- 4.1 Expenditure on revenue items may be authorised by committees or officers in accordance with terms of reference or delegation arrangements approved by the Council up to the amounts included for that class of expenditure in the approved budget. Contracts may not be disaggregated to avoid controls imposed by these regulations.
- 4.2. As a general rule, no expenditure may be incurred which will exceed the amount provided for that class of expenditure in the approved budget. However, where it is apparent that payments in respect of routine running expenses or essential repairs will result in amounts provided under individual budget headings being exceeded, the RFO may authorise such payments if satisfied that the overall budget is not likely to be exceeded or that there are sufficient uncommitted funds in reserve. During the budget year, and with the approval of Council or the Finance & Risk committee as appropriate, 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'). Note: in the absence of any express (and minuted) agreement to the contrary by Full Council or the Finance & Risk committee, any agreement to earmark funds should be regarded as no more than a decision in principle, and the relevant funds should not be spent without final approval of the expenditure.
- 4.3. Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 4.4. The salary budget shall be reviewed by the Finance & Risk committee or staffing sub-committee annually for the following financial year and such review shall be evidenced by an appendix to the minutes of the relevant meeting.
- 4.5. Subject to annual approval by the Council of appropriate delegation arrangements, the RFO may authorise expenditure on behalf of the Council which in the RFO's judgement is necessary for reasons of health & safety or security, or where there is a clear financial or operational imperative, whether or not there is any budgetary provision for the expenditure.
- 4.6. No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available, and the requisite borrowing approval has been obtained.
- 4.7. All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

4.8. The RFO shall regularly provide the Finance & Risk committee with a statement of receipts and payments to date under each heading of the budget, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall be accompanied by explanations of any significant variances.

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 or Finance & Risk committee as appropriate. They shall be regularly reviewed for safety and efficiency.

5.2. All payments shall be scheduled by the RFO for approval at meetings. The approved schedules shall be appended to the minutes of the relevant meetings. 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 by the RFO to confirm that the goods, services or work to which each invoice relates have been received in good order or carried out satisfactorily and represent approved expenditure.

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.

5.5. The RFO shall have delegated authority to authorise the payment of items 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 is before the next scheduled meeting, provided that the RFO is satisfied that there is no dispute or other reason to delay payment, and provided that a list of such payments shall be submitted to the next appropriate meeting.
- b) An expenditure item authorised under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting.
- c) If in accordance with delegation arrangements approved by the Council annually provided that a list of such payments shall be submitted to the next appropriate meeting.

5.6. For each financial year, the RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as, but not exclusively, salaries, PAYE and NI, superannuation fund, regular maintenance contracts and the like) for which the Finance & Risk committee may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, and provided also that a list of such payments shall be submitted to the next meeting.

5.7. In respect of grants, a duly authorised committee shall approve expenditure within any limits set by the Council and in accordance with any policy statement approved by the Council.

5.8. 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.

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, a duly delegated committee or, if so delegated, the RFO, 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 the Council or a duly delegated committee.
- 6.4. Cheques or orders for payment drawn on the bank account shall be signed by two members of Council approved as bank signatories.
- 6.5. Payments may be made by standing order or variable direct debit provided that: any written instructions are signed by two members approved as bank signatories; any payments are reported to Council has made; and a summary of standing orders and direct debits operative on the Council's bank accounts is reviewed at least annually by the Finance & Risk committee.
- 6.6. Subject to approval by the Finance & Risk committee, payments may be made by BACS or CHAPS methods provided that the instructions for each payment are approved by two authorised bank signatories and evidence retained, and that any payments are reported to the Council or Finance & Risk committee as made.
- 6.7. Subject to approval by the Finance & Risk committee, payments may be made by internet banking transfer provided that evidence is retained showing which two members approved the payment, and that any payments are reported to the Council or Finance & Risk committee as made. In the case of internet bank facilities which only have a 'one-to-sign' capability, two authorised signatories must first approve the payment in writing via email to the RFO; one signatory (council member) or administrator (council officer) may then approve the payments in online banking. A clear audit trail should be kept on email.
- 6.8. 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.
- 6.9. 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.
- 6.10. Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate shall identify a number of Councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.

- 6.11. Access to any internet banking accounts will be directly to the access page (which may be saved under "favourites"), and not through a search engine or e-mail link. Remembered or saved password facilities must not be used on any computer used for Council banking work.
- 6.12. Changes to account details for suppliers which are used for internet banking may only be made on written hard copy notification by the supplier and supported by hard copy authority for change signed by two members who are bank signatories. A programme of regular checks of standing data with suppliers will be followed.
- 6.13. At the discretion of the Finance & Risk committee, commercial cards may be issued for use by the Clerk and/or RFO and/or Facilities Manager provided that: each card will be subject to a maximum monthly credit limit of £1500; amounts outstanding shall be subject to automatic payment in full on a monthly basis; and all payments are signed off by two authorised signatories as soon as practicable.
- 6.14. Pre-paid debit cards may be issued to employees with varying limits. These limits will be set by the Finance & Risk committee. Transactions and purchases made will be reported to the Finance & Risk committee and authority for topping-up shall be at the discretion of the Finance & Risk committee.
- 6.15. Petty Cash:
- a) A petty cash float of up to £100 shall be maintained for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payments.
 - b) Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.
 - c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to the Council under 5.2 above.

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 or a duly delegated committee or sub-committee.
- 7.2. Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to the next available meeting, 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 or relevant committee or sub-committee.

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. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than by:

- a) Any Councillor who can demonstrate a need to know.
- b) The internal auditor.
- c) The external auditor.
- d) Any person authorised under 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 required under these Financial Regulations.

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. Loans and investments

8.1. All borrowings shall be affected in the name of the Council after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the Council as to terms and purpose. The application for borrowing approval, and subsequent arrangements for the loan shall only be approved by Full Council.

8.2. Any financial arrangement which does not require formal borrowing approval from the Secretary of State (such as hire purchase or leasing of tangible assets) shall be subject to approval by the Council or the Finance & Risk committee.

8.3. 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.

8.4. All investments of money under the control of the Council shall be in the name of the Council.

8.5. All investment certificates and other documents relating thereto shall be retained in the custody of the RFO, the Council's bankers or the Council's solicitors.

9. Income

9.1. The collection of all sums due to the Council shall be under the supervision of the RFO.

9.2. The Council or a suitably delegated committee will review all fees and charges at least annually.

9.3. Any sums found to be irrecoverable, and any bad debts shall be reported to the Finance & Risk committee and shall be written off in the year.

9.4. 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.

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

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

9.7. The RFO shall ensure that any VAT Return required is completed promptly. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

9.8. Where any significant sums of cash are regularly received by the Council, relevant staff shall take such steps as are considered necessary to ensure that more than one person is present when the cash is counted in the first instance 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. 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.

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

10.3. Officers shall verify the lawful nature of any proposed purchase before the issue of any order.

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 legal professionals.

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 or 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 £25,000 or more, the Council shall comply with the relevant requirements of the Regulations. (The Regulations require Councils to use the Contracts Finder website to

advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts.)

- 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): at the time of writing, £213,477 for public supply and public service contracts; £5,336,937 for public works contracts.
- 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 or Finance & Risk committee as appropriate.
- e) Such invitation to tender shall state the general nature of the intended contract and the necessary technical assistance shall be obtained 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 the Council.
- g) Any invitation to tender issued under this regulation shall be subject to Standing Orders and shall refer to the terms of the Bribery Act 2010.
- h) When it is to enter into a contract of less than £25,000 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), three quotations (priced descriptions of the proposed supply) shall be obtained; where the value is £7,500 or less, steps shall be taken to ensure best value as far as is reasonable or practical.
- i) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- j) Should it occur that the Council, or duly delegated committee, does not accept any tender, quotation 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 quotation who was present when the original decision-making process was being undertaken.

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 or Finance & Risk committee as appropriate.

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

13. Assets, properties and estates

13.1. The RFO shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council. The RFO shall ensure a record is maintained of all such properties.

13.2. No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law. In each case, a report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case.

13.3. 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 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.

13.4. 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.

14. Insurance

14.1. The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby, to be annually reviewed by the Finance & Risk committee.

14.2. The RFO shall be notified of any loss, liability or damage or of any event likely to lead to a claim and shall report these to the Finance & Risk committee as appropriate.

14.3. All appropriate members and employees of the Council shall be included in a suitable form of security or fidelity guarantee insurance.

15. Risk management

15.1. The Council and the Finance & Risk committee, as specified in its terms of reference, are responsible for putting in place arrangements for the management of risk, and a formal overall review of risk and risk assessment shall be carried out at least annually.

15.2. When any new activity is being considered, a member of staff (normally the Facilities Manager) shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council or appropriate committee.

16. Suspension and revision of Financial Regulations

16.1. It shall be the duty of the Council to review its Financial Regulations from time to time. The RFO shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these Financial Regulations.

16.2. The Council may, by resolution duly notified prior to the relevant meeting of the 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.