

# Payhembury Parish Council

## Financial Regulations

Payhembury Parish Council's Standing Orders, Financial Regulations and Code of Conduct are based on the model versions provided by NALC. **These Financial Regulations are based on the NALC model Financial Regulations (2019).**

**Not all sections of the NALC model Financial Regulations are currently relevant to Payhembury Parish Council and the details for these non-relevant sections have been removed, in particular sections 12, 13 & 16. If matters change and these sections are required then Payhembury Parish Council will follow the relevant section of the NALC model Financial Regulations until such time as these Financial Regulations are updated and re-adopted.**

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## Financial Regulations

### 1. General

- 1.1. These Financial Regulations regulate and control the financial management and accounting procedures of Payhembury Parish 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 (the others are the Standing Orders and Code of Conduct). These 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 and for the prevention and detection of fraud and corruption. These financial regulations are designed to demonstrate how the council meets these responsibilities.
- 1.3. The Clerk has been appointed Responsible Financial Officer (RFO) and, acting under the policy direction of the Parish Council, shall determine on behalf of the council its accounting records and accounting control systems.

The RFO shall ensure that the accounting systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with all Acts, Regulations and proper practices.

The RFO shall assist the council to secure economy, efficiency and effectiveness in the use of its resources and produce financial management information as required by the council.

- 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. 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.
- 1.6. 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.
- 1.7. The accounting control systems determined by the RFO shall include:

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- 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; and
- measures to ensure that risk is properly managed.

1.8. The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final budget or the precept (council tax requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the General Power of Competence; and
- addressing recommendations in any report from the internal or external auditors

shall be a matter for the full council only.

1.9. In addition, the council must:

- determine and keep under review the bank mandate for all council bank accounts
- approve any grant or a single commitment in excess of £250; and
- in respect of the annual salary for the Clerk have regard to the National Pay Scale for clerks as issued by the National Joint Council for Local Government Services (NJC).

1.10. 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), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

## **2. Accounting and audit (internal and external)**

2.1. All accounting procedures and financial records of Payhembury Parish Council shall be determined by the RFO in accordance with the Audit Commission Act 1998 as amended and the Accounts and Audit Regulations 2011, 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.

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- 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. The RFO or any 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;
  - report to council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;
  - 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 the Clerk/RFO, except to the extent that the Clerk/RFO has 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 the Audit Commission Act 1998, or any superseding legislation, the Accounts and Audit Regulations 2011 and the Code of Audit Practice.
- 2.9. The RFO shall, without undue delay, bring to the attention of all Payhembury Parish Councillors any correspondence or report from the internal or external auditors.

### **3. Annual estimates (budget) and forward planning**

- 3.1. The RFO must each year, by no later than 30<sup>th</sup> 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 review the budget and fix the precept (council tax requirement) for the ensuing financial year not later than by the end of January each year. The RFO shall issue the

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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 authority to spend**

4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget and no expenditure will exceed the amount provided in the budget other than by resolution of the council.

4.2. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

4.3. 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 or the requisite borrowing approval has been obtained.

4.4. All capital works shall be administered in accordance with the council's Standing Orders and Financial Regulations relating to contracts.

4.5. The RFO shall regularly provide the council with a statement of receipts and payments to date under each heading of the approved budget, comparing actual expenditure against that planned as shown in the budget.

#### **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 full council. They shall be regularly reviewed by the council for safety and efficiency and, as a minimum, require:

- A resolution of the Council to nominate at least three Councillors to be authorised by the Council to sign cheques and authorise on-line payments and for this resolution to be reviewed annually or when there is a change of Councillors;
- the RFO to be the only person able to arrange payments;
- all cheques to be signed and all online payments to be authorised by two out of the three nominated Councillors only.

5.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and present the schedule to council. The council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council. 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.

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- 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.
- 5.4. The RFO shall examine invoices for arithmetical accuracy and allocate them to the appropriate expenditure heading.
- 5.5. The RFO shall have delegated authority to initiate the payment of items not previously authorised at a Parish Council meeting only in the following circumstances:
  - a. If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of council, where the RFO certifies that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of council;
  - b. An expenditure item approved under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of council; or
  - c. fund transfers within the council's banking arrangements up to the sum of £10,000.
- 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 and regular maintenance contracts and the like for which council may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of 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.

### **6. Instructions for the making of payments**

- 6.1. Following approval under Financial Regulation 5 above, the RFO shall arrange payment of the relevant invoices.
- 6.2. All payments shall be made by BACS transfer, by cheque or by other instructions to the council's bankers in accordance with a resolution of council.
- 6.3. Two out of the three nominated Councillors shall sign the cheque (and initial and date the cheque counterfoil to show agreement with the details shown on the cheque), or shall authorise the on-line payment, for the invoices authorised for 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 or authorising person to the payment in question.

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- 6.4. If thought appropriate by the council, payments by variable direct debit for utility supplies (energy, telephone and water) and any National Non-Domestic Rates or by banker's standing order for certain items (principally salaries) may be set up provided that the instructions are signed by two out of the three nominated Councillors and that the use of the variable direct debit or banker's standing order is renewed by resolution of the council at least every two years.
- 6.5. Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the council's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Chairman of Council in a sealed dated envelope. This envelope may not be opened other than in the presence of two other Councillors. After the envelope has been opened, in any circumstances, the PIN and / or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all members immediately and formally to the next available meeting of the council. This will not be required for a member's personal computer used only for remote authorisation of bank payments.
- 6.6. No employee or councillor shall disclose any PIN or password, relevant to the working of the council or its bank accounts, to any person not authorised in writing by the council.
- 6.7. 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.
- 6.8. 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 is used.
- 6.9. Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate approved by the council shall identify a number of councillors (minimum of 3) who will be authorised to approve transactions on those accounts.
- 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 e-mail 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. The council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

### **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. Payment of salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by council.

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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 the payroll records and on the appropriate dates stipulated in employment contracts 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. Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by 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 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 full council. In each case a report in writing shall be provided to council in respect of value for money for the proposed transaction.
- 8.3. 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 and all investment certificates and other documents relating thereto shall be retained in the custody of 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, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

### **9. Income**

- 9.1. The collection of all sums due to the council shall be the responsibility of and under the supervision of the RFO.
- 9.2. 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.
- 9.3. Personal cheques shall not be cashed out of money held on behalf of the council.
- 9.4. The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

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### 10. Orders for work, goods and services

- 10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of such orders or letters shall be retained 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 shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by striving to obtain three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11.1 below.
- 10.3. A member may not issue an official order or make any contract on behalf of the council.
- 10.4. 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.

### 11. Contracts

- 11.1. 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 such as solicitors, accountants, surveyors, and planning consultants;
  - iii. for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
  - iv. for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the council;
  - v. for additional audit work of the external auditor up to an estimated value of £250 (in excess of this sum the RFO shall act after consultation with the Chairman and Vice Chairman 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.
- 11.2. When it is to enter into a contract above £3000 the RFO shall strive to obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.2 above shall apply.
- 11.3. The council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 11.4. 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

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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.

- 11.5. The European Union Procurement Directive shall apply and the terms of the Public Contracts Regulations 2006, the Utilities Contracts Regulations 2006 including thresholds and the Bribery Act 2010 shall be followed. Any invitation to tender issued under this regulation shall also be subject to Standing Orders item 18.

### **12. [Payments under contracts for building or other construction works]**

This section is not currently relevant to Payhembury Parish Council and the details have been removed. If matters change and this section is required then Payhembury Parish Council will follow the relevant section of the NALC model Financial Regulations until such time as these Financial Regulations are updated and re-adopted.

### **13. [Stores and equipment]**

This section is not currently relevant to Payhembury Parish Council and the details have been removed. If matters change and this section is required then Payhembury Parish Council will follow the relevant section of the NALC model Financial Regulations until such time as these Financial Regulations are updated and re-adopted.

### **14. Assets, properties and estates**

- 14.1. 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.
- 14.2. 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.
- 14.3. 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 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).
- 14.4. 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 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).

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14.5. 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.

### 15. Insurance

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

15.2. The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.

15.3. The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim and shall report these to council at the next available meeting.

15.4. 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 by the council.

### 16. [Charities]

This section is not currently relevant to Payhembury Parish Council and the details have been removed. If matters change and this section is required then Payhembury Parish Council will follow the relevant section of the NALC model Financial Regulations until such time as these Financial Regulations are updated and re-adopted.

### 17. Risk management

17.1. The council is responsible for putting in place arrangements for the management of risk. The Clerk 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.

17.2. When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

### 18. Suspension and revision of Financial Regulations

18.1. 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.

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 that an assessment of the risks arising has been drawn up and presented in advance to all members of council.