

FINANCIAL REGULATIONS

1. General	2
2. Accounting and audit (internal and external)	4
3. Annual estimates (budget) and forward planning	5
4. Budgetary control and authority to spend	5
5. Banking arrangements and authorisation of payments	6
6. Instructions for the making of payments	6
7. Payment of salaries	7
8. Loans and investments	7
9. Income	8
10. Orders for work, goods and services	8
11. Contracts	8
15. Insurance	10
17. Risk management	10
18. Review	10

These Financial Regulations were adopted by Herriard Parish Council at a meeting on 16th May 2022.

1. General

1.1. These financial regulations govern the conduct of financial management by the council and may only be changed by resolution of the council. They 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, facilitating the effective exercise of the council's functions, including 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; and
- to prevent and detect inaccuracy and fraud.

1.4. These financial regulations demonstrate how the council meets these responsibilities.

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 and employees of council are expected to follow these Regulations. Failure to do so brings the office of councillor into disrepute and any deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.

1.7. 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.

1.8. 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 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.

1.9. The accounting records shall be sufficient to show and explain the council's transactions and to ensure they comply 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 they relate;
- wherever relevant 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.

1.11. 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
- 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:

- 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.

1.13. In addition, the council must:

- determine and keep under regular review the bank mandate for all council bank accounts; and
- determine the annual salary for any employee.

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.

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. At least once in each financial year end, a member other than the Chair shall verify bank reconciliations produced by the RFO. The member shall evidence this verification.

2.3. The RFO shall complete the annual statement of accounts, annual report, and any related documents of the council contained in the Annual Return 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 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 controls required by the council in accordance with proper practices.

2.6. The internal auditor shall:

- be competent;
- report to council, in writing, at least once during each financial year;
- to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest; 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. The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts and to 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 all councillors any correspondence or report from internal or external auditors.

3. Annual estimates (budget) and forward planning

3.1. The council shall each year, by no later than December, consider annual budget proposals in relation to the council's next year forecast of revenue and capital receipts and payments including reserves and sources of funding and update the forecast accordingly.

3.2. The council shall fix the precept (council tax requirement), if any, to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept, if any, to the billing authority.

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. This authority is to be determined by:

- the council for all items over £1,000;
- the Clerk, in conjunction with Chair of the Council or Chair of the appropriate committee, for any items below £1000.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be reallocated.

4.3. The salary budgets are to be reviewed at least annually in March for the following financial year.

4.4. 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.

4.5. All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.

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; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency.

5.2. The RFO shall prepare a schedule of payments requiring authorisation and present the schedule to the Chair. The Chair plus one other Councillor, shall review the schedule for compliance and, having satisfied themselves shall authorise payment.

5.3. All invoices for payment shall be examined by the RFO for accuracy and to confirm that the work, goods or services to which each invoice relates has been received.

5.4. All grants shall, before payment, be subject to ratification by resolution of the council.

5.5. 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.

5.6. Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a Member.

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 Clerk or RFO shall give instruction that a payment shall be made.

6.3. All payments shall be affected by internet banking transfer, cheque or other instructions to the council's bankers.

6.4. Bank transfers, cheques or orders for payment drawn on the bank account shall be signed or authorised by two members of council.

6.5 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.

6.6. If thought appropriate by the council, payment for certain items (principally salaries) may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced by two members and are retained.

6.7. 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 or a duly delegated committee.

6.8. The council, and any members using computers for the council's financial business, shall ensure that appropriate anti-virus, anti-spyware and firewall software is used.

6.9. Where internet banking arrangements are made with any bank, the Clerk shall be appointed as the Service Administrator. The bank mandate approved by the council 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.

6.10. Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by authority for change agreed by the Clerk plus at least one council member.

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. The payment of all 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 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.

7.2. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the council.

7.3. An effective system of personal performance management should be maintained.

7.4. Any termination payments shall be supported by a rationale and shall only be authorised by council.

8. Loans and investments

8.1. The council currently has no borrowings. No loans or borrowings are to be taken on by the council without approval of all councillors in a meeting.

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. Particulars of all grants and charges to be made for work done, services rendered or goods supplied shall be agreed by the council and notified to the RFO who shall be responsible for the collection of all accounts due.

9.3. The council will review all fees and charges at least annually.

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

9.5. All sums received on behalf of the council shall be banked intact by the RFO.

9.6. 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 as appropriate, coinciding with the financial year end.

10. Orders for work, goods and services

10.1. An official e-mail, 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 orders shall be retained by the RFO.

10.2. All members and officers are responsible for obtaining value for money at all times. Anyone issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained for 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.

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 acting in disputes;



HERRIARD PARISH COUNCIL

- 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 Clerk and RFO shall act after consultation with the Chair and 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 Regulations¹.
- c) 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.
- e) Any 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 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. 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 council.
- g) Any invitation to tender issued under this regulation shall be subject to Herriard Parish Council Standing Orders, Section 18, 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) the Clerk or RFO shall obtain 3 quotations. Where the value is below

¹ 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

£3,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.2 above shall apply.

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, 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.

12. Insurance

12.1. The council shall put in place adequate insurance to cover its public obligations with a reputable insurer. The council will also review whether Official's Liability/D&O insurance is appropriate for the activities of the council.

12.2. The RFO shall effect payment for such insurances and keep a record of all insurances effected by the council and the property and risks covered thereby.

12.3. 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.

13. Risk management.

13.1. The council is responsible for putting in place arrangements for the management of risk. The council shall maintain a risk management policy and risk register 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.

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

14. Review

14.1. The council shall review these Financial Regulations from time to time.

14.2. The Clerk shall monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to these Financial Regulations.