

WROXTON & BALSCOTE FINANCIAL REGULATIONS

July 2024

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These Financial Regulations were adopted by the Council at its meeting held on 8 July 2024

1. General

- 1.1. These Financial Regulations govern the financial management of the Council and may only be amended or varied by resolution of the Council. They are one of the Council's governing documents and shall be observed in conjunction with the Council's Standing Orders.
- 1.2. Councillors are expected to follow these regulations and not to entice employees to breach them. Failure to follow these regulations brings the office of Councillor into disrepute.
- 1.3. Wilful breach of these regulations by an employee may result in disciplinary proceedings.
- 1.4. In these Financial Regulations:
 - 'Accounts and Audit Regulations' means the regulations issued under Sections 32, 43(2) and 46 of the Local Audit and Accountability Act 2014, or any superseding legislation, and then in force, unless otherwise specified.
 - "Approve" refers to an online action, allowing an electronic transaction to take place.
 - "Authorise" refers to a decision by the Council, or a committee or an officer, to allow something to happen.
 - 'Proper practices' means those set out in *The Practitioners' Guide*
 - *Practitioners' Guide* refers to the guide issued by the Joint Panel on Accountability and Governance (JPAG) and published by NALC in England or Governance and Accountability for Local Councils in Wales – A Practitioners Guide jointly published by One Voice Wales and the Society of Local Council Clerks in Wales.
 - 'Must' and **bold text** refer to a statutory obligation the Council cannot change.
 - 'Shall' refers to a non-statutory instruction by the Council to its members and staff.
- 1.5. The Responsible Financial Officer ("RFO") holds a statutory office, appointed by the Council. 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;
 - ensures the accounting records are kept up to date;
 - seeks economy, efficiency and effectiveness in the use of Council resources; and
 - produces financial management information as required by the Council.
- 1.6. **The Council must not delegate any decision regarding:**
 - **setting the final budget or the precept (Council tax requirement);**

- **the outcome of a review of the effectiveness of its internal controls**
- **approving accounting statements;**
- **approving an annual governance statement;**
- **borrowing;**
- **declaring eligibility for the General Power of Competence; and**
- **addressing recommendations from the internal or external auditors**

1.7. In addition, the Council shall:

- determine and regularly review the bank mandate for all Council bank accounts;
- authorise any grant resulting from an allocation (earmarking) of reserves , irrespective of amount.

2. Risk management and internal control

2.1. **The Council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.**

2.2. The Clerk with the RFO shall prepare, for approval by the Council, a risk management policy covering all activities of the Council. This policy and consequential risk management arrangements shall be reviewed by the Council at least annually.

2.3. When considering any material new activity, the Clerk with the RFO shall prepare a draft risk assessment including risk management proposals for consideration by the Council.

2.4. **At least once a year, the Council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.**

2.5. **The accounting control systems determined by the RFO must include measures to:**

- **ensure that risk is appropriately managed;**
- **ensure the prompt, accurate recording of financial transactions;**
- **prevent and detect inaccuracy or fraud; and**
- **allow the reconstitution of any lost records;**
- **identify the duties of officers dealing with transactions and**
- **ensure division of responsibilities.**

2.6. At least once in each quarter, and at each financial year end, a member other than the Chair shall be appointed to verify bank reconciliations for all accounts produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the Council

2.7. The RFO is required to utilise the on-line Scribe accounting system for financial record keeping purposes, in order to ensure robust, cloud based, back-up arrangements. The Council shall put measures in place to ensure that the ability to access the cloud based records is not lost if an employee leaves or is incapacitated for any reason.

3. Accounts and audit

3.1. All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations.

3.2. **The accounting records determined by the RFO must be sufficient to explain the Council's transactions and to disclose its financial position with reasonable accuracy at any time. In particular, they must contain:**

- **day-to-day entries of all sums of money received and expended by the Council and the matters to which they relate;**
- **a record of the assets and liabilities of the Council;**

3.3. The accounting records shall be designed to facilitate the efficient preparation of the accounting statements in the Annual {Governance and Accountability} Return.

3.4. The RFO shall complete and certify the annual Accounting Statements of the Council contained in the Annual {Governance and Accountability} Return in accordance with proper practices, as soon as practicable after the end of the financial year. Having certified the Accounting Statements, the RFO shall submit them (with any related documents) to the Council, within the timescales required by the Accounts and Audit Regulations.

3.5. **The Council must ensure that there is an adequate and effective system of internal audit of its accounting records and internal control system in accordance with proper practices.**

3.6. **Any officer or member of the Council must make available such documents and records as the internal or external auditor consider 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.

3.7. The internal auditor shall be appointed by the Council and shall carry out their work to evaluate the effectiveness of the Council's risk management, control and governance processes in accordance with proper practices specified in the Practitioners' Guide.

3.8. The Council shall ensure that the internal auditor:

- is competent and independent of the financial operations of the Council;
- reports to the Council in writing, or in person, on a regular basis with a minimum of one written report during each financial year;

- can demonstrate competence, objectivity and independence, free from any actual or perceived conflicts of interest, including those arising from family relationships; and
- has no involvement in the management or control of the Council

3.9. Internal or external auditors may not under any circumstances:

- perform any operational duties for the Council;
- initiate or approve accounting transactions;
- provide financial, legal or other advice including in relation to any future 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.

3.10. For the avoidance of doubt, in relation to internal audit, the terms 'independent' and 'independence' shall have the same meaning as described in The Practitioners Guide.

3.11. 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 documents required by the Local Audit and Accountability Act 2014, or any superseding legislation, and the Accounts and Audit Regulations.

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

4. Budget and precept

4.1. **Before setting a precept, the Council must calculate its Council tax requirement for each financial year by preparing and approving a budget, in accordance with The Local Government Finance Act 1992 or succeeding legislation.**

4.2. Budgets for salaries and wages, including employer contributions shall be reviewed by the Chair in conjunction with the RFO at least annually for the following financial year and the final version shall be evidenced by a hard copy schedule signed by the RFO and the Chair.

4.3. No later than December each year, the RFO shall prepare a draft budget with detailed estimates of all income and expenditure for the following financial year, taking account of the lifespan of assets and cost implications of repair or replacement.

4.4. Unspent budgets for completed projects shall not be carried forward to a subsequent year. Unspent funds for partially completed projects may only be carried forward by placing them in an earmarked reserve with the formal approval of the full Council.

4.5. The draft budget, including any recommendations for the use or accumulation of reserves, shall be considered by the Council.

- 4.6. Having considered the proposed budget, the Council shall determine its Council tax requirement by setting a budget. The Council shall set a precept for this amount for the ensuing financial year at its normal January meeting.
- 4.7. **Any member with Council tax unpaid for more than two months is prohibited from voting on the budget or precept by Section 106 of the Local Government Finance Act 1992 and must and must disclose at the start of the meeting that Section 106 applies to them.**
- 4.8. The Clerk shall **issue the precept to the billing authority no later than the deadline for submission set by that authority** and supply each member with a copy of the agreed annual budget.
- 4.9. The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned.
- 4.10. Any addition to, or withdrawal from, any earmarked reserve (also referred to as allocations) shall be agreed by the Council before the end of its financial year.

5. Procurement

- 5.1. **Members and officers are responsible for obtaining value for money at all times.** Any officer procuring goods, services or works costing in excess of £1,500 should ensure, as far as practicable, that the best available terms are obtained, usually by obtaining prices from several suppliers.
- 5.2. The RFO should verify the lawful nature of any proposed purchase before it is made and in the case of new or infrequent purchases, should ensure that the legal power being used is reported to the meeting at which the order is authorised and also recorded in the minutes.
- 5.3. Every contract shall comply with the Council's Standing Orders and these Financial Regulations and no exceptions shall be made, except in an emergency.
- 5.4. The Council shall (with the exception of items listed in paragraph 6.12) obtain prices as follows:
- 5.5. For new contracts estimated to exceed £5,000 including VAT, the Clerk shall seek prices from at least two suppliers agreed by the Council.
- 5.6. For smaller purchases, the Clerk and/or RFO shall seek to achieve value for money.
- 5.7. **Contracts must not be split into smaller lots to avoid compliance with these rules.**
- 5.8. The requirement to obtain competitive prices in these regulations need not apply to contracts that relate to items (i) to (iv) below:
 - i. specialist services, such as legal professionals acting in disputes;
 - ii. repairs to, or parts for, existing equipment;
 - iii. works, goods or services that constitute an extension of an existing contract;

- iv. goods or services that are only available from one supplier or are sold at a fixed price.
- 5.9. When applications are made to waive this financial regulation to enable a price to be negotiated without competition, the reason should be set out in a recommendation to the Council {or relevant committee}. Avoidance of competition is not a valid reason.
- 5.10. The Council shall not be obliged to accept the lowest of any tender, quote or estimate.
- 5.11. Subject to the provisions of paragraph 6.6 below, individual purchases within an agreed budget for that type of expenditure may be authorised by:
- Any two Councillors excluding the RFO for items above £100 excluding VAT.
 - Any one Councillor for items below £100 excluding VAT.
 - The Council for any grants, irrespective of amount. Any such authorisation must be supported by a minute or other auditable evidence trail.
- 5.12. No individual member, or informal group of members may issue an official order {unless instructed to do so in advance by a resolution of the Council} or make any contract on behalf of the Council.
- 5.13. No expenditure may be authorised that will exceed the budget for that type of expenditure other than by resolution of the Council, except in an emergency.
- 5.14. In cases of serious risk to the delivery of Council services or to public safety Council, the Clerk may authorise expenditure of up to £2,000 excluding VAT on repair, replacement or other work that in their judgement is necessary, whether or not there is any budget for such expenditure. The Clerk shall report such action to the Chair as soon as possible and to the Council as soon as practicable thereafter.
- 5.15. No expenditure shall be authorised, no contract entered into or tender accepted in relation to any major project, unless the Council is satisfied that the necessary funds are available and that where a loan is required, Government borrowing approval has been obtained first.

6. Banking and payments

- 6.1. The Council's banking arrangements, including the bank mandates, shall be made by the RFO and authorised by the Council; banking arrangements shall not be delegated to a committee. The Council has resolved to bank with HSBC The arrangements shall be reviewed annually for security and efficiency.
- 6.2. The Council must have safe and efficient arrangements for making payments, to safeguard against the possibility of fraud or error. Wherever possible, more than one person should be involved in any payment, for example by dual online authorisation. Even where a purchase has been approved, the payment must also be authorised and only authorised payments shall be approved to allow the funds to leave the Council's bank.

- 6.3. The Council has noted that the HSBC online payments system allows the designated Primary User to effect payments on their sole authority and that this cannot be overridden. As a result of this, the Council has determined that the designated Primary User should always be a Councillor and not an employee.
- 6.4. All invoices for payment should be examined for arithmetical accuracy, analysed to the appropriate expenditure heading and verified to confirm that the work, goods or services were received, checked and represent expenditure previously authorised by the Council before payment is made.
- 6.5. All payments shall be made by online banking, in accordance with a resolution of the Council unless the Council resolves to use a different payment method.
- 6.6. For each financial year the Clerk may draw up a schedule of regular payments due in relation to a continuing contract or obligation such as Salaries, PAYE, National Insurance, rent, regular maintenance contracts and similar items, which the Council may authorise in advance for the year, also known as a block authorisation Payments for such items may then be made without further authorisation.
- 6.7. Fund transfers within the Councils banking arrangements may be made for any amount by the RFO, provided that details of such transfers shall be submitted to the next meeting of Council
- 6.8. On at least a quarterly basis, the RFO will supplement the normal bank reconciliation statement with a list of payments and receipts for the financial year to date analysed by cost code, in order to facilitate comparisons with the budget for that year.

7. Electronic payments

- 7.1. Where internet banking arrangements are made with any bank, a Councillor (normally the RFO) shall be appointed as the Primary User. The bank mandate agreed by the Council shall identify a number of Councillors who will be authorised to approve transactions on those accounts. A minimum of two Councillors (other than the RFO) will be required to authorise payments. The Clerk may be an authorised signatory, but no signatory should be involved in approving any payment to themselves.
- 7.2. All authorised signatories shall have access to view the Council's bank accounts online.
- 7.3. No employee or Councillor shall disclose any PIN or password, relevant to the Council or its banking, to anyone not authorised in writing by the Council.
- 7.4. The Clerk shall set up all items due for payment online. A list of payments for approval, together with copies of the relevant invoices, shall be sent by email to all Councillors, requesting approval from any two of them (other than the RFO).
- 7.5. In the prolonged absence of the Clerk, an authorised signatory shall set up any payments due before the return of the Clerk.
- 7.6. Evidence shall be retained showing which members approved the payment online

- 7.7. With the approval of [the Council] in each case, regular payments (such as gas, electricity, telephone, broadband, water, National Non-Domestic Rates, refuse collection, pension contributions and HMRC payments) may be made by variable direct debit, provided that the instructions are approved online by two authorised users of the HSBC online system. The approval of the use of each variable direct debit shall be reviewed by the Council at least every two years.
- 7.8. Account details for suppliers may only be changed upon written notification by the supplier verified by the Clerk and the RFO. This is a potential area for fraud and the individuals involved should ensure that any change is genuine.
- 7.9. Members and officers shall ensure that any computer used for the Council's financial business has adequate security, with anti-virus, anti-spyware and firewall software installed and regularly updated.

8. Cheque payments

No payments may be made by cheque

9. Payment cards

No use of payment cards is permitted

10. Petty Cash

No petty cash payments are permitted

11. Payment of salaries and allowances

- 11.1. **As an employer, the Council must make arrangements to comply with the statutory requirements of PAYE legislation.**
- 11.2. **Councillors allowances (where paid) are also liable to deduction of tax under PAYE rules and must be taxed correctly before payment.**
- 11.3. The Council uses HMRC's Basic PAYE Tools software to calculate, submit and record amounts of PAYE tax and NI contributions.
- 11.4. Salary rates shall be agreed by the Council, normally based on the NALC approved scale for the year in question. No changes shall be made to any employee's gross pay, emoluments, or terms and conditions of employment without the prior consent of the Council
- 11.5. Payment of salaries shall be made, after deduction of tax, national insurance, pension contributions and any similar statutory or discretionary deductions, on the dates stipulated in employment contracts.
- 11.6. Deductions from salary shall be paid to the relevant bodies within the required timescales, provided that each payment is reported, as set out in these regulations above.
- 11.7. Any termination payments shall be supported by a report to the Council, setting out a clear business case. Termination payments shall only be authorised by the full Council.

12. Loans and investments

- 12.1. No loans will be arranged and no investments (other than in an interest bearing deposit or reserve account) will be made unless formally approved by resolution of the Council.

13. Income

- 13.1. The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 13.2. The Council will review all fees and charges for work done, services provided, or goods sold at least annually as part of the budget-setting process, following a report of the Clerk. The RFO shall be responsible for the collection of all amounts due to the Council.
- 13.3. Any sums found to be irrecoverable and any bad debts shall be reported to the Council by the RFO and shall be written off in the year. The Council's approval shall be shown in the accounting records.
- 13.4. All sums received on behalf of the Council shall be deposited intact with the Council's bankers, with such frequency as the RFO considers necessary. The origin of each receipt shall clearly be recorded on the Scribe accounting system.
- 13.5. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 13.6. The RFO shall ensure that VAT is correctly recorded in the Council's accounting software and that any repayment claim under section 33 of the VAT Act 1994 shall be made at least annually at the end of the financial year.

14. Assets, properties and estates

- 14.1. The Clerk shall make arrangements for the safe custody of all title deeds and Land Registry Certificates of properties held by the Council.
- 14.2. The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date, with a record of all properties held by the Council, their 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.
- 14.3. 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.
- 14.4. No interest in land 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. In each case a written report 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 where required by law).

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, except where the estimated value of any one item does not exceed [£500]. In each case a written report shall be provided to Council with a full business case.

15. Insurance

- 15.1. The RFO shall keep a record of all insurances effected by the Council and the property and risks covered, reviewing these annually before the renewal date in conjunction with the Council's review of risk management.
- 15.2. The Clerk shall give prompt notification to the RFO of all new risks which require to be insured and of any alterations affecting existing insurances.
- 15.3. The RFO shall be notified of any loss, liability, damage or event likely to lead to a claim, and shall report these to the Council at the next available meeting. The RFO shall negotiate all claims on the Council's insurers {in consultation with the Clerk}.
- 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. Suspension and revision of Financial Regulations

- 16.1. The Council shall review these Financial Regulations annually and following any change of clerk or RFO. The Clerk shall monitor changes in legislation or proper practices and advise the Council of any need to amend these Financial Regulations.
- 16.2. The Council may, by resolution 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 presented to all members. Suspension does not disapply any legislation or permit the Council to act unlawfully.
- 16.3. The Council may temporarily amend these Financial Regulations by a duly notified resolution, to cope with periods of absence, local government reorganisation, national restrictions or other exceptional circumstances.

**Adopted pursuant to a Resolution by Wroxton & Balscote Parish Council
at a meeting on 8 July 2024**