
GREAT SOMERFORD (INCORPORATING STARTLEY) PARISH COUNCIL

Finance Regs for approval October 2020

Introduction

1.1 The Finance Regulations govern how the Parish Council (PC) conducts its financial affairs. The PC, as a whole, is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control and that its accounts comply with the proper practices in Sections 1 and 2 of "Governance and Accountability for Smaller Authorities in England" (the "Practitioners' Guide") issued by the Joint Practitioners' Advisory Board (JPAG) and published jointly by SLCC and NALC.

1.2 The Finance Regs set out how all money matters are dealt with and should be complied with at all times. They are approved by the full PC and can only be amended by the PC as an agenda item with proper notice.

1.3 The regulations should be reviewed annually as part of the PC's assessment of its internal control arrangements and amended where necessary to ensure that they remain effective and up to date.

1.4 The PC'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; and
- identifying the duties of officers.

1.5 These financial regulations demonstrate how the Council meets these responsibilities and requirements.

1.6 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.

The Budgetary process

2.1 The budget, which is approved annually, is the principal tool by which the PC controls how its money is spent. It is also the PC's primary planning tool, so that the budget setting process should be used not only to set the budget for the forthcoming year but also to review a rolling three year forecast of revenue, capital receipts and payments. It should consider and agree what the PC is seeking to achieve in the next 3 years, the major issues that it faces and how it is going to address them.

2.2 In the Autumn the PC will consider the main issues that it wants to address and agree its objectives for the next year and for the medium term (3 years). It will review what has happened so far in the current year and will consider any capital projects that are in progress or which are planned.

2.3 An early draft budget will be considered before Christmas each year and the resource requirements taken into account so that the Precept request can be submitted in January. The budget should also contain estimates of reserves and cash balances.

2.4 At one of the first meetings in the calendar year (no later than March) it will consider the detailed budget for approval. A copy of the approved budget must be given to each member.

2.5 The approved annual budget shall form the basis of financial control for the ensuing year.

Budgetary Control

3.1 The budget not only acts as the PC's plan of action, but also forms the main instrument for implementing that plan. By controlling and monitoring how money is spent, the PC ensures, not only that the use of its resources is properly managed but also that its decisions are implemented according to the approved plan.

3.2 Expenditure on revenue and capital items may be incurred up to the amounts approved in the budget and subject to the purchasing requirements. (Section 8). 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 £500;
- a Working Group of the Council for items up to £500; or
- the Clerk, in conjunction with Chair of Council for any items below £500.

Such authority must be reported back to the Council and evidenced by a minute.

3.3 Where spending would otherwise exceed the approved budget, amounts can be transferred ("vired") from other budget heads or from reserves with the formal approval of the PC.

3.4 Unbudgeted expenditure requires the prior approval of the PC but urgent expenditure or expenditure to resolve a health & safety matter up to £100 may be authorised by the Clerk, whether budgeted or not, and reported to the Chair as soon as possible and to the full Parish Council as soon as practical.

3.5 The Clerk shall report regularly to PC on actual spending and income against budget by producing a set of Receipts & Payments accounts highlighting material variances with explanations. "Material" means over £100 or 15% of the budget head.

3.6 Unspent balances at the year-end will be transferred to the general reserve unless otherwise designated when the budget is set or in year.

3.7 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year; expenditure for ongoing projects must be re-allocated in the budget.

Accounting & Audit

4.1 The Clerk as Responsible Financial Officer shall be responsible for preparing the PC's financial statements and completing the relevant sections of the Annual Return and submitting same to the PC for approval in accordance with the statutory time limits.

4.2 The Clerk shall ensure that all statutory requirements to publish accounting statements and facilitate public access and inspection are complied with and that the requirements of the External Auditor are met.

4.3 A suitably competent and independent person shall be appointed by the PC as its internal auditor, to undertake regular reviews of the internal control systems and report thereon. The appointed person should complete the relevant section of the Annual Return.

4.4 All reports by the Internal or External Auditor shall be considered by the PC. Any recommendations should be implemented or reasons why they are not, recorded in the minutes.

4.5 The PC should review the effectiveness of its internal audit arrangements on a regular basis.

4.6 Members shall co-operate with auditors and provide such information and records as required.

4.7 The PC will comply with the requirements of the Transparency Code which, from 2017, allows Council's with gross income or expenditure of less than £25,000 to claim exemption from external audit though they must still complete an annual return and comply with the publication requirements of the Transparency Code.

Safeguarding Money

5.1 The Clerk who is the Responsible Financial Officer has responsibility for the proper administration of the PC's financial affairs. In the absence of the Clerk or vacancy in the position a Councillor designated by the PC must cover the financial aspects of the role.

5.2 The Clerk shall administer the bank account but not be a signatory for physical paper cheques (but see clause 5.9). Each bank mandate, list of authorised signatures, limits of authority and amendments to any of these, must be approved by the PC. On-line, read only, access to the bank statements shall be granted to the Clerk.

5.3 Monies received should be banked on a regular basis by the Clerk. Cash should be banked, intact, at the earliest opportunity. Wherever possible arrangements for handling cash should involve at least two people.

5.4 The PC will review the arrangements for handling money and its associated risks at least annually. This includes a review of the bank mandate for all Council accounts.

5.5 Up-to-date bank reconciliations and copy statements should be available for inspection by Councillors at each ordinary PC meeting. On a regular basis, at least once in each quarter, and at each financial year end, a Councillor who is neither a cheque signatory nor the Chair shall be appointed to verify the bank reconciliations (for all accounts) produced by the Clerk. The Councillor shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to the Council.

5.6 Invoices for payment should be checked by the Clerk and entered onto a schedule for approval by the PC. The approved schedule shall be ruled off and initialled by the Chair of the Meeting and kept with the signed meeting minutes. Payments should be made by cheques signed by two authorised members/Councillors.

To indicate agreement of the details shown on the cheque and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.

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.

5.7 Urgent payments may be made by the Clerk in consultation with the Chair or Vice-Chair between meetings. This may be necessary in months where there are no meetings for the payment of regular suppliers, wages, pensions, PAYE or other taxes. Any such payments should be reported to the next meeting for ratification.

5.8 Direct debit or standing order payments may be permitted, with the approval of the PC, for regular items such as utility bills or payroll. Amounts so paid should be reported to the PC along with the normal payment schedule and the use of direct debits reviewed every two years.

5.9 Where internet banking arrangements are made with any bank, the Clerk shall be appointed as the Service Administrator with Full Power Signing Authority for online banking only in order to comply with the protocols of Lloyds Bank. This signing authority shall only be exercised to set up online

payments for authorisation by two Councillor cheque signatories. The bank mandate approved by the Council shall identify three Full Power Signatories authorised to approve transactions on those accounts. The bank mandate will state clearly the number of approvals required per transaction; i.e. one Full Power Signatory to set up the payment and two Full Power Signatories who must both be current Parish Councillors to authorise and action the transaction.

5.10 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 hard copy authority for change signed by two cheque signatories. A programme of regular checks of standing data with suppliers will be followed.

5.11 Any Debit Card issued for use will be specifically restricted to the Clerk and will also be restricted to a single transaction maximum value of £500 unless authorised by PC in writing or by minute before any order is placed.

5.12 The PC will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk or other Councillors (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

5.13 VAT claims and returns should be completed promptly by the Clerk in accordance with current HMRC rules once the annual audit has taken place. By exception and with the approval of the PC an interim claim may be submitted where the PC has incurred significant capital spend.

Loans & Investments

6.1 Surplus revenue balances may be invested in a bank deposit account as approved by the PC.

6.2 The PC should only run an overdraft in exceptional circumstances and if approved by the full PC.

6.3 No long term borrowing should be undertaken without appropriate borrowing approval, the nature and terms of which shall be approved by the PC.

Income

7.1 Income from fees, charges, grants etc., should be regularly reviewed to ensure that full advantage is taken of opportunities to raise additional resources. Charges set by the PC should be reviewed annually as part of the budget process.

7.2 The Clerk should issue invoices promptly and institute efficient collection arrangements.

7.3 Irrecoverable amounts (bad debts) may be written off with consent of the PC following a report from the Clerk.

Orders for Goods and Services

8.1 The aim of the purchasing process is to obtain the best value for the PC. This will usually mean that more than one quote should be sought unless the contract relates to one of the categories listed below:

- for the supply of gas, electricity, water, sewerage and telephone services;
- for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
- 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;
- for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;

- 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);
- for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price; and.
- for goods or materials costing less than £100.

8.2 The PC is not bound to accept the lowest quote or tender as it may not be cheapest that offers the best value. It may set alternate criteria against which the quote or tender is to be assessed (such as preference for local businesses). Where only a single quote is obtained, or one other than the cheapest is accepted, the reasons should be minuted.

8.3 Before placing an order or making a purchase steps should be taken to ensure that the PC is paying a competitive price and achieving good value for money. Wherever possible quotes or estimates should be obtained from 3 sources. Where the estimated cost exceeds £1,000 formal written quotes must be sought.

8.4 Notice of a contract exceeding £10,000 shall state the general nature of the intended contract and state the name and address of the person to whom tenders are to be addressed and the last date by which those tenders should reach that person in the ordinary course of post. Three tenders are to be sought.

8.5 For contracts exceeding £25,000 the PC must comply with the relevant requirements of the Public Contracts Regulations 2015 with details of the opportunity and the award being published on the government's Contracts Finder website. The PC seeks to source the most suitable contractors based on cost and their knowledge, experience, capability and financial standing. Details of the award of a contract over £25,000 should also be published on Contracts Finder. (*Public Contracts Regulations 2015*).

8.6 Orders should normally be placed by the Clerk unless a member of the PC has specialist knowledge in the area and the PC agrees that he/she should so act. Before committing to a purchase or entering into a contract the PC should check that funds are available within the budget and that the PC has the necessary power to incur the expenditure.

8.7 No member or employee of the PC shall issue an official order or make any contract on behalf of the PC without the prior agreement of the PC.

8.8 Longer term contracts for the supply of services such as gas, electricity, water and telephones should be regularly reviewed to ensure that the best terms are being obtained with regard to tariffs and supplier.

8.9 Other ongoing arrangements such as with professional advisers, banks, insurance providers, maintenance contractors etc., should be reviewed every three years to ensure continuing value for money.

Salaries and Pensions

9.1 As an employer, the PC shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE, National Insurance and Pensions legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of HMRC in force from time to time.

9.2 Salary rates shall be as agreed by the PC and no changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the PC.

9.3 Individual payroll records are not open to public inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- by any Councillor who can demonstrate a need to know;
- by the internal auditor;
- by the external auditor; or

- by any person authorised under Audit Commission Act 1998, or any superseding legislation.

9.4 The total of such payments in each calendar month shall be reported with all other payments as made.

9.5 Any termination payments shall be supported by a clear business case and reported to the PC. Such payments can only be authorised by the PC.

9.6 In respect of annual salaries for any employee the Council should have regard to the NALC/ Local Government pay scales and any cost of living awards.

Assets

10.1 Items of equipment costing over £100 should be recorded on an inventory list, which should be checked periodically by the Clerk.

10.2 Capital assets costing over £250 should be recorded in the Fixed Asset Register at original cost. Assets should be properly maintained and sufficient funds should be included in the revenue budget to enable this to happen. Assets, particularly land and buildings, should be reviewed to assess if the PC is making the most effective economic use of them and that they are insured at replacement value.

10.3 Surplus assets may only be disposed of with the approval of the PC for the best possible price.

Risk Management and Insurance

11.1 The PC needs to be aware of significant risks that it faces and decide rationally on how to manage them. This may involve insuring against them, minimising them, taking the risk or not pursuing the particular activity.

11.2 The PC should conduct a risk assessment of its activities once a year before it renews its insurance policy.

11.3 Insurance arrangements should cover potentially high cost risks and meet statutory obligations such as Public Liability, Employers Liability, Money and Fidelity Guarantee. Insurance terms and costs should be kept under regular review to ensure that best value is obtained.

11.4 Long Term Agreements not exceeding 5 years may be entered into if felt to offer value for money.

Charity trustee

12.1 Where the PC is sole managing trustee of a Charity, the PC shall ensure that all appropriate legal and administrative requirements are met, and that separate accounts are kept of the Charity's transactions and that required returns are submitted.

12.2 The PC as trustee must at all times manage the charity's finances in the best interests of the object of the charity.

12.3 These Financial Regulations will apply to the activities of the Charity.

Reviewed and approved by the Parish Council at its meeting on 7 October 2020

Signed _____



_____ Chair