

MARCHWOOD PARISH COUNCIL



FINANCIAL REGULATIONS

REVISED September 2006

MARCHWOOD PARISH COUNCIL

FINANCIAL REGULATIONS

These Financial Regulations were adopted by the Council at its Meeting held on 25th September 2006.

1 GENERAL

- 1.1 A Responsible Financial Officer (RFO) shall be appointed by the Council under the terms of Section 151 of the Local Government Act of 1972.
- 1.2 These financial regulations govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council.
- 1.3 The RFO, under the policy direction of the Council, shall be responsible for the proper administration of the Council's affairs.
- 1.4 The RFO shall be responsible for the production of financial management information.

2. DUTIES OF THE RESPONSIBLE FINANCE OFFICER

- 2.1 To prepare financial reports for the Policy & Resources (P&R) Committee and/or the Council. Reports will normally be made to the Committee but will be submitted to Council where circumstances, such as the meeting of deadlines, dictate. Whether reports are made to the Committee or Council shall in the first place be determined by the RFO.
- 2.2 These reports will cover budget monitoring, fund balances, receipts to date, payroll summary, payment of accounts and other relevant current matters.
- 2.3 To prepare draft budget estimates. When approved by Council these will form the basis for annual budget monitoring during that financial year. To report thereon to the Council.
- 2.4 To submit the precept to the District Council and supply any breakdown requested.
- 2.5 To ensure that all money received by the Council is banked regularly, as soon as possible after receipt.
- 2.6 To ensure that all money due to the Council is billed and collected promptly.
- 2.7 To identify and monitor the duties of other members of staff relating to matters of Council finance, ensuring that regular checks are undertaken as often as practicable.
- 2.8 To manage cash flow and control investments and bank transfers.
- 2.9 To control payments by cheque.

- 2.10 To handle the overall management of payroll, including the Local Government Pension Scheme. To ensure prompt monthly payment of tax and national insurance to the collector of taxes. To ensure prompt payment of sums due to the pension authority.
- 2.11 To take overall responsibility for submission of VAT returns and to deal with VAT inspections.
- 2.12 To prepare and balance final accounts in accordance with the regulations and report thereon to Council.
- 2.13 To produce accounts and records for external audit in accordance with the regulations.
- 2.14 To arrange for an inspection of internal audit materials of all aspects of the Council's financial affairs in accordance with the regulations.
- 2.15 To arrange for an independent (internal) audit to take place annually and prepare the relevant documents for approval by the Council.
- 2.16 To report the recommendations of the independent (internal) audit to the Council and make necessary arrangements for their implementation.
- 2.17 To monitor compliance with the Council's financial regulations and to ensure correct financial systems are in place.
- 2.18 To manage insurance risk to ensure that claims are processed as necessary. To report annually to Council on insurance risk covered. To ensure that fidelity guarantee insurance is provided.
- 2.19 To maintain the Council's register of property and assets.

3. BUDGET TIMETABLE

- 3.1 September/October: Members of the Amenities Committee and Trustee of Lloyd Recreation Ground to establish preferred projects and submit recommendations to P&R Committee.
- 3.2 October/November: Draft budget prepared by the RFO and Clerk, in consultation with the Chairman of Council and Chairman of Policy and resource Committee. Draft considered by Policy and resources Committee and submitted to Council for approval.
- 3.3 December: Budget & Precept agreed by Council and precept submitted to District Council.

4. BUDGETARY CONTROL

- 4.1 Expenditure may be incurred up to the amounts included in the approved budget.

- 4.2 No expenditure may be incurred which will exceed the amount provided in the appropriate committee budget unless a virement has been approved by the Council or P&R Committee.
- 4.3 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned.
- 4.4 The Clerk or RFO may incur expenditure on behalf of the Council which is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £2,500. The Clerk shall report the action to the Council as soon as practicable thereafter.
- 4.5 The P&R Committee shall determine, at the end of each financial year, what unspent provisions may be carried forward into existing budgets and which shall be added to Council contingency funds.
- 4.6 No expenditure shall be incurred 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.
- 4.7 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

5. ACCOUNTING AND AUDIT

- 5.1 All accounting procedures and financial records of the Council shall be determined by the RFO as required by the Accounts and Audit Regulations 2006 as amended.
- 5.2 The RFO shall be responsible for completing the annual financial statements of the Council as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.
- 5.3 The RFO shall be responsible for completing the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time by the Audit Commission) and for submitting the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations 2006 as amended, or set by the Auditor.
- 5.4 The RFO shall be responsible for ensuring that there is adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with Regulation 5 of the Accounts and Audit Regulations 2006 as amended. Any officer or member of the Council shall, if the RFO or Independent Internal Auditor requires, make available such documents of the Council which appear to the RFO or Independent Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Independent Auditor with such information and explanation as the RFO or Independent Internal Auditor considers necessary for that purpose.

- 5.5 The Independent Internal Auditor shall carry out the work required by the RFO, or by the Council, with a view to satisfactory completion of the Independent Internal Auditor's Report section of the Annual Return as compiled annually by the Audit Commission. The Independent Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing on a regular basis with a minimum of one annual report in respect of each financial year.
- 5.6 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers required by Audit Commission Act 1998 section 15 and the Accounts and Audit regulations 2006 as amended.
- 5.7 The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Independent Internal or External Auditor, unless the correspondence is of a purely administrative matter.
- 5.8 The Chairman of Council or Chairman of P&R shall take responsibility for Internal audit of the Council's accounts. The internal audit shall be carried out on a quarterly basis and the Chairman shall report to Council annually.

6. BANKING ARRANGEMENTS AND CHEQUES

- 6.1 The Council's banking arrangements shall be made by the RFO and approved by the P&R Committee or the Council. They shall be regularly reviewed for efficiency.
- 6.2 Schedules of all payments made by cheque shall be presented to the Council or P&R Committee for retrospective approval.
- 6.3 Cheques drawn on the bank account in accordance with the agreed budget shall be signed by two members of Council and countersigned by the Clerk or RFO. One of the members signing cheques shall be the Chairman or Vice-Chairman of Council or the Chairman of the P&R Committee.
- 6.4 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.

7. PAYMENT OF ACCOUNTS

- 7.1 All payments shall be effected by cheque or other order drawn on the Council's bankers, apart from petty cash payments.
- 7.2 All invoices for payment shall be examined, verified and certified by the RFO. The RFO shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.
- 7.3 The RFO shall examine invoices in relation to arithmetic accuracy and shall

analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted and which are in order

- 7.4 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 Clerk and RFO certify that there is no dispute or other reason to delay payment, the Clerk may (notwithstanding para 6.3) take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- 7.5 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
- a) The RFO shall maintain as petty cash a float of £200 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
 - b) Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.
 - c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council.

8. PAYMENT OF SALARIES

- 8.1 The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.
- 8.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, may be made in accordance with the payroll records and on the appropriate dates and shall be shown as a single payment in the schedule presented to the Council.
- 8.3 All time sheets shall be certified for accuracy by or on behalf of the RFO.

9. LOANS AND INVESTMENTS

- 9.1 All loans and investments shall be negotiated by the Clerk or RFO in the name of the Council and shall be for a set period in accordance with the Council policy.
- 9.2 The Council's Investment Policy, shall be in accordance with the Trustee Act 2000, and shall be reviewed on a regular basis (at least annually).
- 9.3 All investments of money under the control of the Council shall be in the name of the Council.
- 9.4 All borrowings shall be effected 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.
- 9.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

10 INCOME

- 10.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 10.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 10.3 The Council will review all fees and charges annually, following a report of the Clerk.
- 10.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 10.5 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.
- 10.6 The origin of each receipt shall be entered on the paying-in slip.
- 10.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 10.8 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 quarterly and coinciding with the financial year end.
- 10.9 Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

11 ORDERS FOR WORK, GOODS AND SERVICES

- 11.1 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 eg petty cash purchases. Copies of orders shall be retained.
- 11.2 Order books shall be controlled by the RFO.
- 11.3 All members and Officers are responsible for obtaining value for money at all times. An Officer issuing an official order is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 12 (1) below.
- 11.4 The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

12 CONTRACTS

12.1 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 these regulations shall 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 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 £500 (in excess of this sum the Clerk and RFO shall act after consultation with the Chairman and Vice Chairman of Council);

(vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.

(b) Where it is intended to enter into a contract exceeding £50,000 in value for the supply of goods or materials or for the execution of work or specialist services other than such goods, materials, works or specialist services as are accepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list. The list approved by Council and shall be based on any list as maintained by the District Council for such works.

(c) When application are made to waive financial regulations relating to contracts to enable a price to be negotiated with competition the reason shall be embodied in a recommendation to the Council.

(d) Such 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.

(f) 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 the Council.

(g) If less than three tenders are received for contracts above £50,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

(h) When it is to enter into a contract less than £50,000 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 (priced descriptions of the proposed supply); where the values is below £2,000 and above £300 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 11 (3) above shall apply.

(j) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

13 PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

- 13.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).
- 13.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.
- 13.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the Contractor in writing, the Council being informed where the final cost is likely to exceed the final provisions.

14 STORES AND EQUIPMENT

- 14.1 The officer in charge of each section shall be responsible for the care and custody of stores and equipment in that section.
- 14.2 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.
- 14.3 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 14.4 The RFO shall be responsible for periodic checks of stocks and stores at least annually.

15 PROPERTIES AND ESTATES

- 15.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned 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 Regulations 4(3)(b) of the Accounts and Audit Regulations 2006 as amended.
- 15.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £200 or where the nature of the item is such that it is exceptionally attractive and portable (eg cameras).
- 15.3 The value of items for disposal shall be determined by the RFO, with suitably qualified advice, and shall be notified to all members and staff.

16 INSURANCE

- 16.1 Following an annual risk assessment, the RFO shall effect all insurances and negotiate all claims on the Council's insurers (in consultation with the Clerk).
- 16.2 The Clerk shall give prompt notification to the RFO of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 16.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 16.4 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.
- 16.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the Council.

17 CHARITIES

- 17.1 Where the Council is sole trustee of a Charitable body the Clerk and RFO shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, as determined by the Charity Commission. The Clerk & RFO shall arrange for any Audit or Independent Examination as may be required by Charity Law or any Governing Document.

18 INTERNAL AUDIT ARRANGEMENTS

- 18.1 The financial condition and documentation of the Council shall be checked internally (in addition to the Independent Internal Audit and the External Audit) quarterly during the financial year.
- 18.2 The internal auditor(s) shall be appointed by the Council to monitor the financial management of the council.
- 18.3 the RFO shall act as internal auditor for the financial activities of other members of staff.
- 18.4 At the end of the financial year the internal auditor shall report briefly to the Council on the checks undertaken on the financial transactions and record keeping of the Council.

19 RISK MANAGEMENT

- 19.1 The Clerk with the RFO shall prepare and promote risk management policy statements in respect of all activities of the Council.

- 19.2 When considering any new activity the Clerk and RFO shall prepare a draft Risk Management policy for the activity and shall bring a draft addressing the legal and financial liabilities and Risk Management issues that arise to Council for consideration and, if thought appropriate, adoption.
- 19.3 The financial risk management assessment shall be as contained in Appendix A of this document.

20 REVISION OF FINANCIAL REGULATIONS

- 20.1 It shall be the duty of the P&R Committee to review the Financial Regulations of the Council from time to time, within a minimum of four years, and to make such recommendations for amendment to the Council as the Committee considers are required.

Employments and employers liability	Legal default/tribunal action	L	Appropriate insurance cover, subject to regular review.
Libel & Slander	Litigation	M	Appropriate insurance cover, subject to regular review.
Embezzlement by staff	Loss of funds, litigation	L	Fidelity insurance cover, Internal audit undertaken as in Financial Regulations disposal of Assets – as determined in Financial Regulations/Standing Orders
Loss of staff/Clerk or RFO	Loss of control systems, breach of Financial Regulations and Standing Orders, loss of revenue from invoices to be issued	M	RBS Accounting services for accounts records, interim appointment of locum.
Insurance cover	Inadequate cover, claim not honoured	L	Annual review
Inadequate budget set	Failure to provide services	L	Budget timetable procedure as Item 20 of Financial Regulations. Contingency funds in place.
Payment of Accounts	Fraudulent activity	L	Authorisation of payments as required in Standing Orders.
Payment of Councillors expenses and allowance, staff expenses	Inaccurate claim, fraudulent activity	L	Payments made to scales as notified by advisory bodies and reviewed from time to time.

MARCHWOOD PARISH COUNCIL FINANCIAL REGULATIONS

APPENDIX A

FINANCIAL RISK MANAGEMENT

Activity/Procedure to be assessed	Risk identified	Estimated scale of risk High – H Medium – M Low – L	Risk management
Handling of cash	Fraudulent activity	L	Insurance Fidelity Cover Pre-numbered receipt book for cash income, cross reference of receipt numbers to bank paying-in book. Record of petty cash expenditure.
Ordering, payments and receipt of goods.	Fraudulent activity	L	Record keeping system for goods received, initialled and dated by person receiving goods.
Assets	Loss/theft	M	Inventory of assets for items valued at over £200 and other items deemed to be portable and attractive. Record keeping system to include date of purchase, cost, description, serial numbers (if any), records verified annually by person other than inventory holder.
Income received	Fraudulent activity	L	Quarterly spot-checks to be undertaken by Clerk of RFO records, checks to be recorded
Accounts records	Loss/theft/damage/computer virus	L	Back-up discs of accounts records to be held in fire-proof safe, antivirus protection programme, security marking of equipment.
Damage to 3 rd party or to individuals	Public liability	H	Regular maintenance and adequate insurance cover
Tendering and contract placement	Preferential awards/lack of probity	L	Requirements for declarations of interest Contracts procedures as Financial regulation 12.