



# Chailey Parish Council

## Financial Regulations

### 1. Introduction

- 1.1 These Financial Regulations govern the conduct of financial management by Chailey Parish Council (“the Council”) and may only be amended or varied by resolution of the Council. The Council shall review these Financial Regulations annually.
- 1.2 The Responsible Finance Officer (“the RFO”), acting under the policy direction of the Council, is responsible for administering the Council's financial affairs in accordance with these Financial Regulations.
- 1.3 The Council is responsible for ensuring that the system of financial management is adequate and effective and that the Council has in place a system of internal controls that facilitates the effective exercise of its functions and which manages risk.
- 1.4 The Council's system of financial management and internal control shall cover:
  - i. the setting of the annual budget and budgetary controls;
  - ii. the preparation of financial statements and year end procedures, including internal and external audit;
  - iii. banking arrangements and controls;
  - iv. the payment of accounts;
  - v. the management of petty cash and cash receipts;
  - vi. controls over payroll and related payments;
  - vii. the management of loans and investments;
  - viii. the receipt of income and the levying of fees and charges;
  - ix. the placing of orders and contracts;
  - x. the management of stocks;
  - xi. the management of assets and properties; and
  - xii. insurance and risk management.

1.5 At least once a year the Council shall review the effectiveness of its systems of internal controls and shall produce a statement on internal control with its statement of accounts.

## 2. **Annual budget**

2.1 The RFO shall prepare detailed estimates of all receipts and payments for the following financial year not later than the end of December each year.

2.2 The estimate for payments shall be prepared with individual items of expenditure relating to the same matter being grouped together under an appropriate heading ("Class of Expenditure").

2.3 The Council shall review and approve the budget not later than the end of January each year and shall fix the Precept to be levied for the following financial year. The RFO will supply each member of the Council with a copy of the approved budget.

2.4 The approved budget shall form the basis of financial control for the following financial year.

2.5 The Council shall prepare and have regard to a three year forecast of Revenue and Capital Receipts and Payments which shall be prepared at the same time as the annual budget.

## 3 **Budgetary controls**

3.1 In any financial year, expenditure on revenue items may be incurred up to the amounts included for each Class of Expenditure in the approved budget for that year.

3.2 If, in any financial year, expenditure under any Class of Expenditure will be or is likely to be incurred such that the approved budget for that Class of Expenditure will be or is likely to be exceeded, the RFO shall report that fact to the Council. During the financial year, and with the approval of the Council, unspent and available amounts under any budget heading may be moved to other budget headings or to an earmarked reserve as thought appropriate.

3.3 The RFO shall regularly provide the Council with a statement of receipts to date and of payments to date under each Class of Expenditure, comparing actual receipts and payments against the approved budget.

3.4 The Responsible Financial Officer may, on behalf of the Council, incur expenditure of up to £500 (plus VAT if applicable) where it 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. The Responsible Financial Officer shall report the action to the Council as soon as practicable thereafter.

3.5 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.

3.6 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.

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

#### **4 Accounting and audit**

- 4.1 All accounting procedures and financial records of the Council shall be determined by the RFO and the Chairman in accordance with the applicable Accounts and Audit Regulations issued under the provisions of section 32 of the Local Audit and Accountability Act 2014 or any superseding legislation (“the Applicable Accounts and Audit Regulations”).
- 4.2 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. The RFO shall submit the financial statements and a report thereon to the Council which shall, if thought appropriate, be approved by the Council.
- 4.3 The RFO shall be responsible for completing the Accounts of the Council contained in the Annual Return and shall submit the Annual Return for approval by the Council within the timescales set by the Applicable Accounts and Audit Regulations or as required by the External Auditor appointed in relation to the Council.
- 4.4 The RFO shall be responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with the Applicable Accounts and Audit Regulations. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available such documents of the Council which appear to the RFO or Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.
- 4.5 The Council shall carry out a review of the effectiveness of internal audit on an annual basis in accordance with the Applicable Accounts and Audit Regulations and shall, in respect of each financial year, appoint an Internal Auditor who shall be competent and independent of the operations of the Council.
- 4.6 The Internal Auditor shall carry out the work required by the RFO and the Council, with a view to satisfactory completion of the Internal Auditor's Report section of the Annual Return as compiled annually. The Internal Auditor shall report to Council in writing, or in person, on a regular basis with a minimum of one annual written report in respect of each financial year.
- 4.7 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by the Applicable Accounts and Audit Regulations.
- 4.8 The RFO shall, as soon as practicable, bring to the attention of all Councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

#### **5. Banking arrangements and reconciliations**

- 5.1 The Council's banking arrangements, including the Bank Mandate, will be put in place by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- 5.2 All cheques and other orders drawn on the Council's bank accounts will be signed by two members of the Council and in accordance with the bank mandate currently in force.
- 5.3 The RFO shall prepare bank reconciliations of all the Council's bank accounts on a monthly basis. The reconciliations shall, as soon as practicable, be examined by a member of the Council authorised by the Council to deal with financial matters and shall be signed as being correct by that member. Copies of all bank reconciliations shall be laid before a meeting of the Council.

## **6 Payment of accounts**

- 6.1 All payments shall be effected by cheque or other order drawn on the Council's bankers. If thought appropriate by the Council, payment for any supply to the Council may be made by bank standing order or variable direct debit provided that the instructions are signed by two members and any payments are reported to the Council as made. The approval of the use of a standing order or variable direct debit shall be renewed by resolution of the Council at least every two years.
- 6.2 All invoices or other demands for payment shall be examined, verified and certified by the RFO. The RFO shall ensure that the work, goods or services to which the invoice or demand relates have been received, examined and approved.
- 6.3 The RFO shall examine invoices for arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle invoices and demands for payment submitted, and which are in order, as soon as practicable.
- 6.4 The RFO shall prepare a list of cheques to be signed and this list, together with each of the invoices and demands being paid, shall be signed by a member of the Council authorised by the Council to deal with financial matters.
- 6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or demand, the signatories to the cheque or order shall each initial the cheque counterfoil or a copy of the order as the case may be.
- 6.6 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 the Council, where RFO certifies that there is no dispute or other reason to delay payment, the RFO 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 Cash**

- 7.1 The Council will not maintain any form of cash float and all cash received must be banked intact.
- 7.2 Where it is expected that a sum of cash exceeding £500 will be received by the Council, the RFO shall take steps 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.

## **8 Payment of wages and salaries**

- 8.1 The payment of all wages and salaries shall be made in accordance with employment contracts (as agreed by the Council) and in accordance with the requirements of HM Revenue and Customs.
- 8.2 Payment of wages and 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 on the appropriate dates. Payment of amounts under this paragraph must be reported to and ratified by the Council at the next available Council Meeting.

## **9 Loans and investments**

- 9.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period.
- 9.2 The Council's Investment Policy shall be in accordance with the Trustee Act 2000 and shall be reviewed 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, fees and charges**

- 10.1 The Council will review all fees and charges annually, following a report prepared by the RFO.
- 10.2 The collection of all sums due to the Council shall be the responsibility of the RFO.
- 10.3 Any sums found to be irrecoverable and any bad debts shall be reported to, and may be written off with the authority of, the Council.
- 10.4 All sums received on behalf of the Council shall be banked intact. All receipts shall be deposited with the Council's bankers with such frequency as the RFO considers appropriate.
- 10.5 The RFO shall promptly complete any VAT Return or similar that is required. An application to reclaim VAT paid by the Council and which can be recovered shall be made quarterly, unless the amount involved in any quarter is under £100.

## **11 Orders for works, goods and services**

- 11.1 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.
- 11.2 Where it is intended to place an order or enter into a contract for the supply of works goods or services with a value exceeding £2,500 (excluding recoverable VAT), the RFO shall 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.
- 11.3 An application may be made to waive financial regulations relating to the procurement of works, goods or services in order to enable a price to be negotiated without competition. The reason for the application shall be embodied in a recommendation to the Council which shall be approved by the Council in advance of any order being placed or contract being entered into.

- 11.4 The RFO shall be empowered, without prior reference to the Council, to place and amend orders relating to the following:
- i. the supply of gas, electricity, water, sewerage, telephone and internet services;
  - ii. subject to regulation 12.1 the supply of office stationery and similar;
  - iii. works to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery, equipment or plant;
  - iv. works, goods or services which constitute an extension of an existing contract let by the Council, up to a value of £250 (excluding recoverable VAT);
  - v. additional audit work of the External Auditor up to a value of £250 (excluding recoverable VAT); and
  - vi. works, goods or services which are proprietary articles and/or are only obtainable at a fixed price.
- 11.5 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.
- 11.6 An order or contract shall be issued for all work, goods and services. Copies of orders and contracts shall be retained.
- 11.7 Where a contract has been entered into which provides for payments on account of the contract sum, such payments shall be made by the RFO within the time specified in the contract. Payment shall be made upon the receipt of authorised certificates of the architect or other consultants engaged to supervise the contract or on production of the relevant invoice or demand for payment. Where agreed in the contract, payments made shall be subject to the withholding of the appropriate retention.
- 11.8 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 by 5% or more a report shall be submitted to the Council.
- 11.9 Any variation to a contract or addition to or omission from a contract must be approved by the Council and notified by the RFO to the contractor in writing.
- 12. Stocks**
- 12.1 Stocks shall be kept at the minimum levels consistent with efficient operational requirements.
- 12.2 The RFO shall be responsible for undertaking periodic checks of stocks.
- 13 Assets and properties**
- 13.1 The RFO shall make appropriate arrangements for the custody of all title deeds of properties owned or leased by the Council. The RFO shall ensure a record is maintained of all properties owned or leased 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 the Applicable Accounts and Audit Regulations.

13.2 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 £50.

13.3 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.

#### **14 Insurance**

14.1 The RFO shall effect all appropriate insurances on behalf of the Council.

14.2 The RFO shall keep a record of all insurance contracts entered into by the Council and the property and risks covered thereby.

14.3 The RFO shall review the insurance contracts entered into by the Council on an annual basis.

14.4 The RFO shall give prompt notification to the Council's insurers of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

14.5 The RFO shall promptly be notified by a member of the Council of any loss, liability or damage or of any event likely to lead to a claim, and shall report all such matters to Council at the next available meeting. The RFO shall negotiate all claims on the Council's insurers.

#### **15 Risk management**

15.1 The RFO with assistance from the Council 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.

15.2 When considering any new activity, the RFO shall prepare a draft risk assessment including risk management proposals for consideration and if thought appropriate adoption by the Council.

15.3 The Council shall carry out a Financial Risk assessment on an annual basis in accordance with the Applicable Accounts and Audit regulations.