PEAKIRK PARISH COUNCIL

FINANCIAL REGULATIONS

October 2018

**These Financial regulations, adopted by the Council at its Meeting held on 15th October 2018, should be read in conjunction with the Parish Council Standing orders (NALC Model Standing Orders 2018) adopted October 2018.**

**These Financial regulations set out how all money matters are dealt with and should be complied with at all times. They are approved by full council and can only be amended by full council as an agenda item with proper notice.**

1. **General**
   1. These Financial Regulations have been prepared as a supplement to the Council’s Standing Orders and apply to all of its financial transactions.

They form part of the arrangements by which the council discharges its responsibility under the Accounts and Audit Regulations 2015 to ensure that: (a) the financial management of the council is adequate and effective and that is has a sound system of internal control and (b) its accounts comply with proper practices as set out in Section 1 and 2 of “Governance and Accountability for Smaller Authorities in England.”

* 1. The Financial Regulations are based on the assumption that the Parish Clerk will also be acting as Responsible Financial Officer (RFO). All references are therefore to the RFO.
  2. The regulations should be reviewed annually as part of the council’s assessment of its internal control arrangements and amended where necessary to ensure that they remain effective and up to date.

1. **Accounting system and statement of accounts**
   1. The RFO will be responsible for maintaining up to date accounting records.

* 1. The Statement of Accounts is to be completed by the RFO in accordance with legal requirements and recognised accounting practices by 30 May following the end of each financial year and presented to the Council, subject to audit, by 30 June.

1. **Allowances and expenses**
   1. Allowances and expenses claimed by members and employees will be paid only in accordance with procedures adopted by the Council, and are not to exceed nationally agreed rates.
   2. All approved allowances and expenses must be claimed within three months of the allowance or expense becoming due. Expense claims should include relevant invoices, showing VAT where possible.
2. **Audit**
   1. Accounting procedures and financial records shall be determined by the RFO, who shall issue such accounting instructions as are considered necessary.
   2. The RFO shall be responsible for preparing the council’s financial statements and completing the relevant section of the Annual Return required by proper practices, and submitting to the Council in accordance with the statutory time limits.
   3. 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. A suitably competent and independent person shall be appointed by the council as its internal auditor, to undertake regular reviews of the council’s internal control systems and report thereon to the Council. The appointed person should complete the relevant section of the Annual Return.
   5. All reports by the Internal of External Auditor shall be considered by council. Any recommendations should be implemented or reasons why they are not recorded in the minutes.
   6. The council should review the effectiveness of its internal audit arrangements on a regular basis.
   7. Members and officers shall co-operate with auditors and provide such information and records as they or the RFO requires.
3. **Bank accounts and payments**
   1. The RFO has responsibility for the proper administration of the council’s financial affairs and should be familiar with the statutory duties for financial administration as they apply to the council. The duties of the RFO include advising the council on its corporate financial position, key financial controls and treasury management.
   2. The RFO is responsible for setting up banking arrangements but these and any changes to them, must be approved by the council. Any arrangements to automatically transfer money between accounts must also be approved by the council.
   3. Each bank mandate, list of authorised signature, limits of authority and amendments to any of these, must be approved by the council. Authorised signatories should be rotated on a regular basis.
   4. Monies received should be banked on a regular basis by the RFO. The council will review the arrangements for handling money and its associated risks at least annually. Up to date bank reconciliations should be presented to each ordinary meeting of the council, including copies of bank statements.
   5. Invoices for payment should be checked by the Clerk and entered onto a schedule for approval by council. Payments should be made by cheques signed by two authorised members. Where electronic banking is used, arrangements, approved by council, must ensure that at least two people authorise any transaction, one of whom should be a member. Urgent payments may, exceptionally, be made by the Clerk in consultation with the RFO and council Chairman. These should be reported to the next meeting with appropriate explanations. Once approved, signed cheques should be issued or other forms of payment initiated promptly by the RFO.
   6. The RFO shall be responsible for the security of cheques and passwords relating to the Council’s bank accounts.
   7. Direct debit or standing order payments may be permitted, with the approval of council, for regular items such as payroll. Amounts so paid should be reported to council along with the normal payment schedule. The RFO must ensure that all salary and other relevant payments comply with PAYE and other rules issued by HMRC.
   8. The RFO will report to the Council to seek instructions in relation to any outstanding invoice, which is subject to dispute.
4. **Budget preparation**
   1. Each year, before work begins on the budget, the Council will consider

the main issues that it wants to address and agree its objectives for the next year and for the medium term. It will review what has happened so far in the current year and identify any problem areas that need to be tackled and any changes that it wants to make during the planning period.

* 1. At the beginning of the budget process the council will consider any capital projects that are in progress or which are planned. No major projects should be undertaken without a detailed feasibility report which will include funding sources, cash flow forecasts and revenue implications for future years. Commitment to capital schemes should not be entered into unless and until the financial consequences have been incorporated in the council’s approved budget.
  2. By the end of October draft spending plans and income proposals for the forthcoming year should be submitted to council, together with forecasts for the next 2 years.
  3. The RFO is to prepare a draft budget statement by mid November each year for submission to the Chairman, with columns showing the original and revised estimates for the current financial year and the initial estimates for the next financial year.
  4. The budget statement is also to show the Council’s estimated balance in hand at the end of the current year and at the end of the next financial year.
  5. The Council will consider the draft budget and make recommendations as to the level of provision to be made for grants and for capital expenditure. It will also recommend the extent of the precept required, allowing for a reasonable level of balances to be retained.
  6. The full Council will consider the detailed budget in December for approval (in time for the RFO to notify the precept to Peterborough City Council by the required date).

1. **Budgetary control**
   1. At regular intervals (not less than three times each year) the RFO will prepare a budgetary control statement to the Council, setting out actual income and expenditure compared against the annual budget.
   2. The Council will examine each budgetary control statement and recommend appropriate action if necessary.
2. **Contracts and orders**
   1. All goods and services required by the Council shall be obtained following the placing of an official order by the RFO (except where the Council is following the procedures set out in paragraphs 8.5 and 8.6).
   2. Orders should only be place for goods and services that will be used by the council for its own purposes.
   3. Prior to placing any order, the RFO will check that the proposed purchase is within budget and that the council has the necessary power to incur the expenditure.
   4. The RFO will be responsible for ensuring that best value is obtained from all purchases - wherever possible quotes should be obtained from 3 sources.

8.4.1 Where the estimated cost exceeds £1,000 formal written quotes

should be sought.

8.4.2 Ongoing arrangements, such as with banks, maintenance

contractors and insurance providers should be reviewed at least

every three years. Everyone involved with the council should be

aware of the need to achieve value and increase efficiency and

should bring relevant issues to the attention of the Clerk and the

council.

8.4.3 For capital projects and other contracts estimated to cost in

excess of £10,000 the council’s contract standing orders should

be followed.

8.4.5 Where the expected value of a contract opportunity exceeds

£25,000 and either the council’s standing orders require the

contract opportunity to be advertised, or the council decides to

advertise the contract opportunity, the contract opportunity must

be advertised on the government’s Contracts Finder website, in

addition to any other method of advertising. Details of the award

of a contract over £25,000 should also be published on

Contracts Finder (*Public Contracts Regulations 2015*).

1. **Financial records**
   1. The Council’s financial records will normally be kept for six years, except that statements of account, cash books, contracts under seal, and all information relating to any land transactions or loans must be kept indefinitely.
   2. Items of equipment should be recorded on an inventory list which should be checked periodically by the RFO.
   3. Capital assets should be recorded in the Council’s Asset Register at original cost. Where appropriate assets should be properly maintained and sufficient funds should be included in the revenue budget to enable this to happen.
2. **Grants to individuals and organisations**
   1. Grants will be made in accordance with policies agreed by the Council (such policy to be ratified annually) and only to residents of Peakirk or to organisations that exist wholly or mainly for the benefit of Peakirk. Grants will not normally be awarded to any organisation operated with a view to profit.
   2. If the Council decides to give a grant outside of the terms of its agreed policy on an exceptional basis, the reasons for the decision are to be recorded in the minutes.
   3. Where possible, the RFO is to arrange for invoices for equipment, etc. that is subject to grant aid to be addressed to the Council and paid by the Council direct to the supplier. Where this is not feasible, receipts for money spent must be obtained from the grant aided organisation or individual as soon as possible.
   4. The RFO is responsible for establishing that legal powers exist for all proposed expenditure or grants before commitments are made. If there is any doubt, advice must be sought from CAPALC or NALC.
3. **Income**
   1. The Council may decide on the charges to be made in respect of any of the services it provides, and on any exemptions or reliefs applying to such charges. The RFO will be responsible for billing and collecting such charges and any other income due to the Council. Charges set by council should be reviewed annually as part of the budget process.
   2. All income received is to be to be banked intact as soon as possible. An official receipt must be given in respect of any cash income.
   3. Any decision to remit or write off income is to be made by the Council on receipt of a report from the RFO.
   4. Any surplus equipment is to be disposed of to the highest bidder or at the best price reasonably obtainable, following a procedure to be determined by the Council in each case. The Council may decide to donate surplus items of little cash value to local organisations or charities.
   5. VAT claims and returns should be completed promptly by the RFO in accordance with current HMRC rules.
4. **Insurance and risk management**
   1. The council should conduct a risk assessment of its activities at least annually. This should involve identifying significant risks and agreeing how they should be managed, taking into account the potential consequences and the likelihood of the event happening. New ventures should be subject to a risk assessment before they are approved and the resultant management actions implemented.
   2. Any occurrence that may give rise to an insurance claim must be promptly reported to the RFO, who will advise the Council’s insurers as soon as possible.
   3. Where a contractor is employed to undertake works or services for the Council, the RFO will obtain evidence that the contractor has in place adequate public liability insurance cover.
5. **Irregularities**
   1. Any member or employee of the Council who suspects that financial irregularity may have taken place in relation to its affairs must report such suspicions to the Chairperson as soon as possible. The Chairperson will then consult with the Internal Auditor and authorise appropriate action. The Internal Auditor will report to the Council as to the outcome of investigations.
6. **Leasing of equipment**
   1. Any decision to enter into a lease or hire arrangement shall be made by the Council following the consideration of a report setting out the financial implications over the full term, including any termination payment.
7. **Loans and Investments**
   1. If the Council wishes to take out a loan to finance capital expenditure, it must ensure that relevant statutory authority is obtained. A report must be made to Council setting out the relevant terms of the proposed loan and the annual expenditure that will be incurred over the whole term of the loan.
   2. Surplus revenue balances should be invested in a bank deposit account as arranged by the RFO and approved by Council. Longer term investments where advisable should be invested in line with current statutory guidelines and advice and be approved by council.
8. **Payroll and superannuation**
   1. The Council will determine the salary range applicable to any post prior to advertisement. Any proposal to regrade a post or to make additional payments must be considered by Council prior to implementation.
   2. The Council will take any decisions to settle employment claims or to award discretionary redundancy payments or superannuation benefits, only after considering a written report from a suitably qualified external adviser.