

# EAST PRESTON PARISH COUNCIL

## FINANCIAL REGULATIONS 2018 v1

### 1. **General**

- 1.1 These financial regulations shall govern the conduct of the financial transactions of the Council and may only be amended or varied by resolution of the Council.
- 1.2 The Responsible Financial Officer (RFO) under the policy direction of the Finance and General Purposes Committee (F&GP Committee) shall be responsible for the proper administration of the Council's financial affairs.
- 1.3 The RFO shall be responsible for the production of financial management information.

### 2. **Annual Estimates**

- 2.1 Each Committee shall formulate and submit proposals to the F&GP Committee in respect of revenue services and possible capital expenditure by the end of November each year.
- 2.2 Detailed estimates of income and expenditure on revenue services, and receipts and payments on capital account, shall be prepared each year by the RFO.
- 2.3 The F&GP Committee shall review the estimates and submit them to the Council not later than the end of December in each year and shall recommend the precept to be levied for the ensuing financial year, for discussion at the January meeting of the Council, so that the RFO can notify Arun District Council of the agreed precept by the end of January. The RFO shall supply each Member with a copy of the approved estimates.
- 2.4 The annual capital and revenue budgets shall form the basis of financial control for the ensuing year.

### 3. **Budgetary Control**

- 3.1 Expenditure on the revenue account may be incurred up to the amounts included in each approved Committee budget. This must be by written Purchase Order or Approved Contract (see §11), prepared by the RFO and approved by the Chairman of the relevant budget-holding Committee. Certain Administration expenses may be paid against receipts, each of which must be authorised by the Chairman of the relevant budget-holding Committee and counter-signed by the RFO, except for the RFO's own expenses which must be authorised by the Council Chairman and counter-signed by the Chairman of the relevant budget-holding Committee.
- 3.2 No expenditure may be incurred which would mean exceeding the total service (or subhead) provision in a Committee budget unless the Chairman of the relevant budget-holding Committee has approved virement within that budget. The power of the Clerk to incur expenditure as set out in paragraph 3.4 may apply in these circumstances if agreed by the Council Chairman and Chairman, F&GP.

- 3.3 The RFO shall provide the F&GP Committee and the Council, on a monthly basis, with a statement of income and expenditure to date under each head of the approved annual revenue and capital budgets.
- 3.4 The Clerk 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 the limit listed in the Financial Regulations Schedule, and to the restriction in paragraph 3.2 above. The Clerk shall report the action to the Council as soon as practicable thereafter. If the Clerk is not also the RFO, this action may only be taken with the authorisation of the RFO on the relevant Purchase Order.
- 3.5 No expenditure may be incurred where the sum required would mean exceeding a Committee's total annual budget as approved by Council in the previous January without further approval by full Council. In such circumstances the Council, on recommendation from F&GP Committee, may authorise a Supplementary Estimate by virement from another Committee budget or if that would not be sufficient from the Council's reserves.
- 3.6 Unspent provisions in the revenue budget will be carried forward in the general reserve.
- 3.7 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving expenditure on capital account unless the Committee concerned are satisfied that it is contained in the rolling capital programme and that the necessary capital funds are available, or the requisite borrowing approval can be obtained. This shall be signified by the signature of the Chairman of the relevant budget-holding Committee on the Purchase Order.
- 3.8 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 as required by the Accounts and Audit Regulations 2011.
- 4.2 The RFO shall be responsible for ensuring the completion of the annual accounts of the Council as soon as practicable after the end of the financial year and shall submit them to and report thereon to the Full Council.
- 4.3 The following principles shall be observed in connection with accounting duties.
- (a) The duty of providing information, calculating, checking and recording sums due to, or from, the Council, should be separated as completely as possible from the duty of collecting or dispersing them.
  - (b) Officers charged with the duty of examining and checking the accounts of cash transactions should not be engaged in any of those transactions.
  - (c) If (a) and (b) above are not practicable, the Council's Audit & Governance Committee should monitor accounting duties using sufficient checks to ensure probity.
- 4.4 The RFO shall be responsible for maintaining an 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 1996. Any officer or Member of

the Council shall, if the RFO requires, make available such documents of the Council which relate to their accounting and other records as appear to the RFO to be necessary for the purpose of the audit and shall supply the RFO with such information and explanation as the RFO considers necessary for that purpose.

## **5. Banking Arrangements and BACS Payments / Cheques**

- 5.1 (a) The Council's banking arrangements shall be made by the RFO subject to the approval of the F&GP Committee. (Appendix 1 – Council's current banking arrangements)
- (b) Apart from petty cash payments (see paragraph 6.4) and some regular payments (see sub-paragraph (c) below) all payments shall be by BACS wherever possible or by cheque if specifically requested. BACS payments shall use the two-step authentication process and cheque payments shall require two signatories from five authorised members of the F&GP Committee and/or Audit and Governance Committee.
- (c) Payments may be made by direct debits and standing orders drawn on the Council's bankers if approved by the F&GP Committee. These should be limited to regular payments.
- 5.2 A monthly list of Purchase Orders issued, Approved Contract/ Supplier payments to be made, with the relevant budget headings, shall be prepared by the RFO and circulated with the Council Agenda. The RFO shall collate invoices and prepare BACS payments/ cheques to cover these. A BACS run shall be carried out twice a month with a two-step authentication process. Cheque payments shall be submitted for signing by authorised signatories as required. The signatories to check the BACS payments / cheques against invoices and Purchase Orders and to initial these and BACS list/ cheque stubs to confirm the checking process. A separate schedule of BACS payments/ cheques/ direct debits and standing orders paid in the month, with Purchase Orders, Approved Contracts, or other authorised documents, and budget headings shall be presented with the Council Agenda each month to inform the Council of completion of approved Purchase Orders and other payments.
- 5.3 In advance of any Council recess, forward schedules as in §5.2 shall be presented to the immediately preceding full Council meeting.

## **6. Payment of Accounts**

- 6.1 All invoices for payment shall be examined, verified and certified by the RFO. Before certifying an invoice the RFO shall satisfy himself/herself that the work, goods or services to which the invoice relates have been received, carried out, examined, approved and checked against the order, if relevant.
- 6.2 The RFO shall examine them in relation to arithmetical accuracy and authorisation, and shall ensure they are correctly coded to the appropriate expenditure head. He/she shall take all possible steps to settle all invoices submitted, and which are in order, within 30 days of their receipt.
- 6.3 All duly certified invoices will then be entered on the schedule referred to in 5.2 above.
- 6.4 (a) The RFO shall maintain a petty cash float to a limit listed in the Financial Regulations Schedule. This amount will be approved and minuted from time to time by the Finance and General Purposes Committee 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 the payment of money presented to the Council Meeting (under §5.2 above).

6.5 (a) A two-step authentication process will be carried out for processing BACS payments.

## 7. **Payment of Salaries and Wages**

7.1 The payment of all salaries and wages shall be prepared in accordance with the payroll records. The facilities of a payroll company approved by the Council shall be used to effect these payments, whenever practical.

## 8. **Loans and Investments**

8.1 All loans and investments shall be negotiated by the RFO in the name of the Council, and shall be for a set period of time in accordance with Council policy. Changes to loans and investments should be reported to the Council at the earliest opportunity.

8.2 All investments of money under the control of the Council shall be in the name of the Council.

8.3 All borrowings shall be effected in the name of the Council.

8.4 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

## 9. **Income**

9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.

9.2 Where appropriate, an invoice shall be raised in respect of monies due to the Council.

9.3 Particulars of all charges to be made for work done, services rendered or goods supplied shall be notified to the RFO and the RFO shall be ultimately responsible for the collection of all accounts due to the Council.

9.4 The Council will review all fees and charges annually, following a report of the Clerk.

9.5 Any bad debts shall be reported to the F&GP Committee.

9.6 All sums received on behalf of the Council shall be submitted to the RFO for banking. In all cases all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.

9.7 A reference to the related debt, or otherwise, indicating the origin of each cheque, shall be entered on the paying-in slip.

9.8 Personal cheques shall not be cashed out of money held on behalf of the Council.

## 10. **Orders for Work, Goods and Services**

- 10.1 East Preston Parish Council recognises that Purchase Orders are the main control documents for the purchase of goods and services of any type which may be required by the Council. It therefore recognises that these documents must be complete in terms of all necessary information to control the purchase and explicit about the terms and conditions under which the Council trades.
- 10.2 An official Purchase Order, sequentially numbered or lettered, shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate e.g. petty cash purchases. Copies of orders issued shall be maintained. All Purchase Orders must be signed by the Clerk, and authorised by the Chairman (or deputy) of the relevant budget-holding Committee as noted in 3.7.
- 10.3 All Purchase Orders will be issued from the Council's information management system in use at the time, and printed on headed paper with the Council's Terms and Conditions printed on the back of every sheet.
- 10.4 Each item or service which the Council wishes to purchase must be the subject of a separate line on the Purchase Order, however multiples of the same item, provided all are to be delivered simultaneously, will be on a single line with the quantity clearly stated. Items with multiple delivery dates should be the subject of one line item per required delivery date.
- 10.5 Each item or service on a Purchase Order must be sufficiently described, if possible with a supplier's or manufacturer's part number, to enable any employee of the Council to determine when satisfactory delivery has taken place. If no part number is possible, then there must be a full description, including a statement of the agreed quality, i.e. the standard by which it will be possible to agree satisfactory delivery.
- 10.6 Order books shall be controlled by the RFO and reported on a monthly basis to the Council.
- 10.7 On receipt of the item or service by the Council, an employee of the Council shall examine it to determine that it is to the standard expected, and, if so, sign off that item of the Delivery Note as "delivered/accepted". Where it is not possible to determine the full quality of an item upon delivery, the employee shall so indicate on the Delivery Note. The Delivery Note shall be returned to the Clerk to be held with the Purchase Order for payment.
- 10.8 The RFO is responsible for obtaining value for money at all times. The RFO 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. The RFO is responsible for making sufficient checks to ensure that any selected supplier is reputable and stable.
- 10.9 Payment for Purchase Orders will be made under the Council's normal Terms and Conditions of purchase. The Council does not generally make pre-payments to supplies – any such request from a supplier must be agreed by the Council, if recommended by the budget-holding Committee Chairman. In such circumstances, payment will be made on the strict understanding that such goods are then the property of the Council. Similar approval can be given for the provision of services covered by a Purchase Order.

10.10 Exceptional to section 10.9, where pre-payment is required for training courses, and there is insufficient time for this to be approved by Full Council, this is permitted provided that the signatory on the Purchase Order is also one of the signatories on the cheque. (This was approved by Full Council on 4<sup>th</sup> January 2010, in Minute 024/10, resolution 0276.)

10.11 Where it may not be possible to determine the full quality of an item upon delivery, provision will be made for a suitable retention of part of the payment until this has taken place.

## 11. **Contracts**

11.1 Procedures as to the contracts are laid down in the Council's Standing Orders. In greater detail these are:

- (a) Every new contract whether made by the Council or by a Committee to which the power of making contracts has been delegated shall comply with these financial regulations, and no exception from any of the following provisions of these financial regulations shall be made otherwise than by direction of the Council or in an emergency by such a Committee as aforesaid. Existing contractual commitments agreed prior to the coming into force of these regulations are not affected. Any renewal or re-negotiation of a service when an existing contract ends will be subject to these regulations except as may be authorised by F&GP Committee.
- (b) Where it is intended to enter into a contract:
  - (i) for an expenditure up to an amount as approved and minuted from time to time by the Finance and General Purposes Committee 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 shall obtain at least one quotation. In regard to expenditure of this value, the Chairman of the Spending Committee, together with the Clerk, shall have executive power.
  - (ii) for an expenditure above the amount in (i) above but below a second amount as approved and minuted from time to time by the Finance and General Purposes Committee 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 shall obtain at least three quotations.
  - (iii) for an expenditure exceeding the amount in (ii) above 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 shall obtain at least three tenders.
  - (iv) Note: the amounts agreed for the above three paragraphs are listed in the Financial Regulations Schedule document.
- (c) When applications are made to waive standing orders relating to contracts to enable a tender to be negotiated without competition the reason shall be embodied in a recommendation to the Council.

- (d) Every exception made by a Committee to which the power of making contracts has been delegated shall be reported to the Council and the report shall specify the emergency by which the exception shall have been justified.
- (e) Invitations to tender shall require formal tender documents to be sent to the Parish Council's office in a sealed envelope. Each tendering firm shall be supplied with such a specially marked envelope for this purpose, marked by the Clerk "TENDER, for ATTENTION of PARISH CLERK, EAST PRESTON PARISH COUNCIL" together with a stated date and a time. Any tender notice shall contain a reference to Standing Orders 60 and 62 regarding improper activity. These envelopes will remain sealed until the prescribed date for opening tenders for that contract, which date shall be after the closing date and time for receipt of tenders.
- (f) The process of seeking quotations (lower level value than formal tenders) shall comprise the same steps so far as practicable as those for tenders recorded above.
- (g) The Clerk to the Council (or in his/her absence, the Assistant Clerk to the Council) shall prescribe the time and date for opening tenders and quotations in association with the Chairman of the budget-holding Committee responsible for the contract.
- (h) The Clerk to the Council (or Assistant Clerk to the Council) will note in the Council's register all tenders and quotations as they are received.
- (i) All tenders and quotations received are to be opened by the Clerk to the Council (or Assistant Clerk to the Council) in the presence of two members of the Council at the prescribed time and place, in the order recorded in the Council's register.
- (j) Tenders and quotations are then to be assessed by the Clerk to the Council (or Assistant Clerk to the Council) and reported to the next meeting of the appropriate Council Committee or to Full Council. The Council (or any Committee) is not bound to accept the lowest tender or quotation.
- (k) If less than the required number of tenders or quotations is received or if all or some of the tenders or quotations are virtually indistinguishable from one another the Council may authorise such arrangements as it thinks fit for procuring the goods or materials or executing the works for which tenders or quotations were sought.

## **12. Payments Under Contracts for Building or Other Construction Works**

- 12.1 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.
- 12.2 Any variation to a contract or addition to or omission from a contract must be approved by the RFO and the Chairman of the relevant budget-holding Committee in writing.
- 12.3 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case when it is estimated that the total cost of work under a contract, excluding fluctuation clauses, is likely to exceed the financial provision a report shall be submitted to the appropriate Committee.

## **13. Properties and Estates**

- 13.1 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned by the Council. The Clerk 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 regulation 4(3)(b) of the Accounts and Audit Regulations 1996.

13.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, save where the estimated value of any one item does not exceed an amount as approved and minuted from time to time by the Finance and General Purposes Committee. This amount is listed in the Financial Regulations Schedule document.

#### 14. **Risk Assessment**

14.1 The Council shall continually assess risks in connection with its financial arrangements and take such action to recognise and minimise such risks as are identified.

14.2 The RFO shall effect all insurances and negotiate all claims on the Council's insurers.

14.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

14.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim.

14.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

#### 15. **Internal Audit**

15.1 The Council is required to maintain an adequate and independent system of internal audit of its accounting records and control systems. The Council must appoint an independent Internal Auditor who will produce an Annual Audit Report for examination, action and response by the Council.

#### 16. **Financial Reporting**

16.1 The Council is required to complete an Annual Return summarising its annual activities at the completion of each financial year for submission to the Council's External Auditor who is appointed by the Audit Commission. Local Electors and other interested parties must be allowed the opportunity to inspect the Council's accounts, i.e. the Annual Return and the Council must confirm this has been done. The Council should advertise these inspection arrangements in compliance with the inspection period prescribed by the Audit Commission.

#### 17. **Revision of Financial Regulations**

17.1 It shall be the duty of the Council's Finance & General Purposes Committee to review the financial regulations of the Council from time to time and to make such recommendations to the Council as the Committee considers are required.

**Adopted at the Finance & General Purposes Committee meeting held on 10<sup>th</sup> December 2018.**