

CROWLE PARISH COUNCIL

Crowle Parish Council Financial Regulations

Prepared by SLB Clerk/RFO June/July 2017 Updated and approved Jan 2018.

Reviewed and updated April 2019

Based on: NALC Model Financial Regulations (England) Jan 2016

With due regard to:

- (1) Accounts and Audit Regulations 2015 (derived from Sec 27 of the Audit Commission Act 1998)
- (2) Governance and Accountability for Smaller Authorities in England (Guidance from JPAG/NALC/SLCC) Mar 19 – the source of recognised ‘Proper Practices’ recognised by the Audit Commission Act.
- (3) Local Government Act 1972 part VIII (Finance) – esp sec 151 and 114
- (4) Clerks Companion (Worcs CALC) 2016
- (5) Councillors Companion (Worcs CALC) Appendix 10 – Safeguarding Public Money
- (6) Annual Governance Statement 2016/17
- (7) Annual Internal Audit Report 2016/17
- (8) Public Contracts Regulation 2015
- (9) Bribery Act 2010

Introduction

Every local council is responsible for ensuring that the financial management of the council is adequate and effective and the council has a sound system of internal control which facilitates the effective exercise of the council’s functions and includes arrangements for the management of risk. (1) It must attest to this the end of year audit on the Annual Governance Statement.

The RFO is the officer responsible for the administration of these affairs (3 – section 151) and they must ensure compliance with the regulations in accordance with ‘proper practices’ set out in (2)

The following Financial Regulations demonstrate how Crowle Parish Council meets these responsibilities and requirements. They are adapted from the NALC model and relate to a small, rural authority near Worcester with an annual precept of just over £25000, a population of approx. 900 electors and with a Parish Council of 9 members and 0.3 WTE Clerk/RFO.

They should be read in conjunction with the Parish Council’s Standing Orders and other key documents such as the Asset and Liabilities register and Risk Assessment (when completed and adopted.)

These Financial regulations were adopted by Crowle Parish Council at its meeting held on 11.1.18

Signed: (Chair of Finance and Risk Group) Date:

Signed: (Responsible Financial Officer) Date:

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ABBREVIATIONS:

PC=Parish Council

F&R=Finance and risk Group/Committee

VAT=Value Added Tax

RFO=Responsible Financial Officer

WTE=Whole Time Equivalent

NALC=National Association of Local Councils

CALC=County Association of Local Councils

1. General

a) Reviews

The following will be reviewed and assessed annually at a meeting of the F&R group prior to the signing of the Annual Governance Statement;

- these Financial Regulations
- the asset/investment and liability register
- risks
- budget
- charges
- direct debits and standing orders
- salaries
- insurance
- precept and
- the effectiveness of the internal audit.

The clerk will advise the committee of any changes in legislation notified by CALC/NALC and take advice from them as to any alterations to be made. Approval for any amendments made will be sought from the full Parish Council prior to implementations of any changes.

The PC may suspend any part of these regulations at a meeting, provided risks have been assessed and reasons minuted.

b) The RFO

The Clerk has been appointed as RFO for this council and;

- Acts under the policy direction of the council
- Ensures that accounting control systems and financial affairs are up to date and in line with current legislation and proper practices.
- Financial information is available to the PC as required.
- Assists the PC in securing effective, economic and efficient use of resources.

NB The ultimate responsibility for financial management of the PC lies with the Council and each individual councillor.

c) The Finance and Risk Group/Committee

The F&R group consists of :

- The Clerk/RFO
- The Chair of the PC
- At least 2 other Councillors, preferably at least one with some financial or business background.

It meets at least 3 times a year to review the financial affairs of the Council, monitor progress against the budget and make recommendations for approval by the full Council.

d) Compliance

Councillors and Employees are expected to follow the instructions in these regulations. Failure to do so will give rise to disciplinary proceedings for employees or will bring a councillor into disrepute.

2. Accounting Systems

a) Accounts Records:

- Are prepared by the RFO on a payments and receipts basis to comply with the Accounts and Audit Regulations 2015, guidance and proper practice
- Show day to day transactions, how they have been paid or received and to what they relate.
- Are prepared accurately and as soon as reasonable practicable.
- Include a record of assets and liabilities of the council (see sec 9)
- Include a record of contributions, grants or subsidies.
- Include statements of balances for bank accounts and cash book and bank reconciliations on a monthly basis.

b) Financial Control Systems:

- Facilitate the detection of inaccuracies and fraud by;
 - i) Councillors regularly reviewing bank reconciliations produced by the RFO (for all accounts,) and approving them at PC meetings.
 - ii) Requiring any officer or member of the council to make necessary documents available for the purposes of checking and audit, together with other information if required
- Allow reconstruction of any lost records using electronic records as a back up.
- Identify responsibilities in relation to financial transactions and significant amounts (see Sec 6)
- Require that the RFO should present any bad debts to the council with reasons and that this is documented in records.
- Ensure that risks are managed (see sec 11)

c) Full Council Roles (Not delegated)

- Approving the budget and precept.
- Approving accounting and annual governance statements for the end of year audit.
- Borrowing decisions.
- Writing off bad debts.
- Addressing recommendations in the internal or external auditor's reports.
- Declaring eligibility for the General Power of Competence (if appropriate)
- Approval of any grant or single commitment in excess of £500
- Setting salaries after due regard to the recommendations of the relevant committee.
- Approval of the set up, amendments and review of bank mandates for all accounts, including authorised signatories and limits of authority for each.
- Approval of direct debits and standing orders.
- Reviewing any investment strategies.

3. Audit

a) Annual Return

The RFO completes the annual statement of accounts, annual report, and any related documents of the council contained in the Annual Return as soon as practicable after the end of the financial year and having certified the accounts, submits them and reports to the council within the timescales set by the Accounts and Audit Regulations. This is done with due regard to the external auditor's requirements and to 'Governance and Accountability for Small Authorities' March 2017 which sets out 'proper practices'. The Annual Return is submitted to the appointed External Auditors before the beginning of June each year having been approved by the full PC at the meeting in May (Governance Statement and Accounting statements signed by the Chair and minuted in that order.)

b) Internal Auditor

The internal auditor is appointed by, and carries out the work in relation to internal controls required by the council in accordance with proper practices. He/she;

- * Is competent and independent of the financial operations of the council,
- * Provides a minimum of one annual written report in each financial year,
- * Demonstrates competence, objectivity and independence, is free from any actual or perceived conflicts of interest, including those arising from family relationships
- * Is not involved in the financial decision making, management or control of the council.
- * May not under any circumstances, perform any operational duties for the council, initiate or approve accounting transactions or direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist them.

c) Exercise of Elector's Rights

The RFO makes arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts and books and display or publish any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

d) Audit Reports

The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors which are then considered by the F&R group and any recommendations agreed by the full council.

4. Budgeting and Precept

- a) In order that progress against the budget can be monitored, the RFO regularly provides the F&R group with a statement summary of receipts and payments under budget headings (e.g. salary) so that material variances can then be addressed and explained.
- b) The budget is discussed by the F&R group towards the end of the calendar year, then presented to the full PC for discussion and approval in January for the following financial year which runs from 1st April to 31st March.
- c) Detailed estimates of all receipts and payments including use of reserves and all other sources of funding are prepared to allow the PC to set the precept for the following year and build in contingencies for future spending and to meet the PC's liabilities as they fall due.
- d) In the budget is a set of authorities to spend under headings, and limits may be placed on these according to each heading and details of who has authority to instruct payments.
- e) Once approved, a document is produced for the community to summarise the budget for the PC for the next financial year and explain the calculation of the Precept.
- f) No expenditure is authorised unless the Council is satisfied that the necessary funds are available and/ or the requisite borrowing approval has been obtained.
- g) The Precept request is completed in January and is paid in 2 amounts by the District Council in April and September.
- h) During the budget year, with PC approval, unspent and available amounts can be moved to other budget headings or to an earmarked reserve account as appropriate (virement.)
- i) The Council will maintain and build up appropriate reserves to allow for funding capital projects and ad hoc or unbudgeted items.

5. BANKING ARRANGEMENTS

a) The Bank Mandate

The bank mandate must be approved by the full PC and regularly reviewed at the Annual meeting of the Parish Council. There are at least 3 parish Councillors who are on the bank mandate and can sign cheques and approve internet transactions at any one time.

b) Payments

The RFO received invoices and sets up payments for approval as soon as possible. Payments will not await the next full council meetings as the delay may result in financial penalties. Payments are subject to the following authorisation controls and review processes, and presented to the next full PC meeting for approval.

c) Invoices – Cheques and Internet Banking

Invoices are examined and verified by the RFO to ensure they are correct, that work or goods have been received and the expenditure has been previously approved or budgeted. Original invoices or electronic scans, are presented to those identified in the bank mandate and paid in one of two ways;

- i) By cheque, in which case two signatories are asked to verify the invoice, ensure that the cheque is accurately written and sign it, also initialling the counterfoil. A record of the cheque number is made on the invoice for accounting purposes. A minimum of three councillors are authorised at any one time as cheque signatories.
- ii) By BACS payment: The RFO shows invoices and corresponding pending bank payments in person or by email to Cllrs on the mandate for checking. The payment will be set up to leave the bank account at least 5 days later. Once approval has been given by 2 Cllrs the payment is allowed to progress. Email approvals are recorded on the BACS sheet by the clerk and approvals in person are signed and dated on the BACS sheet to clearly show which members approved each payment. This is also recorded on the accounts. If not approved, the payment is cancelled by the RFO. The RFO must be satisfied that the BACS details provided are from an official invoice/bank statement/cheque book.
- iii) Prior to the following full PC meeting all Cllrs are given copies of bank statements, reconciliations, payments and receipts to view before the meeting so that entries can be checked and approval minuted if correct.
- iv) Access to any internet banking accounts will be directly to the access page (which may be saved under “favourites”) and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for council banking work. Breach of this Regulation will be treated as a very serious matter.

Changes to account details for suppliers, which are used for internet banking are initiated by the RFO/clerk and signed by two Councillors who are cheque signatories. A log of any such changes and payments made is presented for countersigning monthly/at each PC meeting, along with all other financial documents.

d) Schedule of Payments and receipts

A schedule of payments and receipts with the monthly bank reconciliations and bank statements since the last meeting are presented as an attachment to the agenda and are approved by resolution of the PC to be added to the minutes relating to that meeting. (NB personal payments such as salary and expenses may be summarised to remove personal data from public access.)

e) Regular payments

Regular payments such as continuing loan payments, contracts, salaries etc. may be set up by variable direct debit or standing orders, providing these have been approved by the full PC by resolution and are presented in the schedule of payments at each PC meeting. They are reviewed annually.

f) Members' responsibilities

If a member has a disclosable pecuniary interest in a matter, they must comply with the PC's Standing Orders and Code of Conduct. If they have a connection to the beneficiary of the payment, they should not be a signatory or authorise a bank payment.

6. Expenditure

a) Salaries

- The PC as an employer meets full statutory requirements for PAYE and NI legislation.
- The PC employ a payroll company to calculate monthly salary, PAYE and NI (and pension if required) and the RFO arranges payments to employees and HMRC.
- Records of payslips, salary etc. are marked as confidential and kept with other payments but are not open to inspection or review other than by a councillor who can demonstrate a need to know, the internal or external auditor or any person authorised under the Audit Commission Act or updated legislation.
- An annual appraisal is carried out for employees.

b) Loans and Investments

- All borrowings such as loans for capital projects (for sums between £5/elector to £500000 usually from the PWLB) and investments are approved by the full Council as to terms, purpose, arrangements and period. Borrowing approval is sought if required (if the loan is not going to be repaid within the same financial year) from the Secretary of State from the Department of Communities and Local Government, an application form for which can be obtained from CALC who will check and forward once completed.)
- A report detailing value for money is presented to the council by the F&R group.
- Statements for the investment or loan are available to the council and retained by the RFO.
- Any investment strategy is reviewed by the PC annually.
- All payments for loans or investments are made in accordance with Section 4 Banking arrangements already set out.

c) Expenses

Expenses incurred by members or employees in the course of council business must be approved by the PC prior to being paid, when setting the budget in accordance with Section 4. Receipts must be provided and retained along with the payment record. Details of expenses that may be claimed are given in the PC Standing Orders and current NJC mileage rates apply in the case of journeys undertaken on PC business. Any expenses are detailed in the schedule of payments presented at each PC meeting.

d) Section 137 spending

Section 137 of the Local Government Act gives power to Parish Councils to spend in areas where no other legislation exists to grant power. However, this spending is limited to a fixed sum per head of elector within the parish (2019/20 currently £8.12) per annum. If the Parish Council is able to use the General Power of Competence (has a qualified Clerk and minimum number of elected councillors) then this limit is removed. (As of April 2019, this does not apply to Crowle PC.)

7. Income

- a) The Clerk/RFO is responsible for collecting all sums due to the council and these are banked intact indicating the origin of the payment on the paying in slip. These include rents, advertising revenue, VAT and money from any Council-led events. They are recorded in the cash book as receipts under agreed budget headings in the same way as payments.
- b) Large sums of cash received are checked by the RFO and at least one other person before banking.
- c) Charges to be made for services or rent are agreed by the PC and reviewed annually following a report if necessary.
- d) Any unrecoverable payments or bad debts are reported to the council by the RFO and written off in the year being shown in the accounting records in the usual way.
- e) Income from grants or precept is received by bank transfer from the relevant authority and these can be checked on the bank statements by the RFO and any councillor who has access to the online banking.
- f) All cash receipts are banked and will not be used to make payments.
- g) Crowle PC has no income from Charitable Trusts.

8. Orders and Contracts

Orders

- a) An official order or letter is issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders are retained.
- b) Order books are controlled by the RFO.
- c) All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order ensures 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 under the Contracts section below.
- d) A member may not issue an official order or make any contract on behalf of the council and significant orders require the permission of the full Council.
- e) The RFO verifies 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 ensures 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.

Contracts

- a) Crowle PC may enter into a contract with a company or person for the provision of services such as for ;
 - Specialist services e.g. solicitors, accountants, surveyors, auditors, planners
 - Repair or maintenance of council-owned equipment or land
 - Suppliers of goods and materials at a fixed price
- b) In procuring a public supply, service or works contract (as defined in the Public Contracts Regulations 2015) greater than £25 000, the council complies with these regulations in terms of advertising contract opportunities and procedures to be followed in awarding and publicising new contracts.
- c) The clerk, with appropriate technical assistance, prepares a specification for anyone wishing to tender for contracts and these will be submitted in a sealed, specifically marked envelope and opened on a prescribed date by the clerk and at least one member of the Council.
- d) Any invitation to tender is subject to the Council's Standing Orders and Code of Conduct and refers to the terms of the Bribery Act 2010.
- e) For contracts less than £25 000, the Clerk obtains three quotations and for sums between £100 and £3000, three estimations. The Council is not obliged to accept the lowest of any tender, quote or estimate.
- f) When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition, the reason is embodied in a recommendation to the Council.
- g) Payments under contracts for building or other construction works (Public Works Contracts) Payments on account of the contract sum are 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).
- h) Where contracts provide for payment by instalments the RFO maintains 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 is submitted to the council. 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 financial provision.

9. Assets

- a) The RFO keeps an appropriate and accurate register of Assets and Investments up to date which is verified annually with a H&S inspection where necessary. This ensures that assets are properly used, maintained and controlled and risks reduced, making the most cost effective use of resources.
- b) The Clerk holds records of all properties held by the Council including details of location, extent, plan, reference, purchasing detail, nature of interest, tenancies granted, rents payable and purpose for which held and keeps all title deeds and land registry certificates.
- c) Any tangible moveable property over £1000 *can* only be acquired, sold, leased or disposed of with the authority of the Council and consents required by law. Such property can only be purchased or acquired with full Council permission when a report and business case is presented.
- d) No real property (interests in land) are purchased, acquired, sold, leased or otherwise disposed of without the authority of the council, together with any other consents required by law. In each case a report in writing is provided to council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).

10. INSURANCE

- a) Following the annual risk assessment, the RFO effects all insurances and negotiate all claims on the council's insurers.
- b) The Clerk/RFO notifies the PC of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- c) The RFO keeps a record of all insurances effected by the council and the property and risks covered and the policies are annually reviewed with quotes being sought prior to renewals.
- d) The RFO is notified of any loss liability or damage or of any event likely to lead to a claim, and reports these to council at the next available meeting.
- e) All appropriate members and employees of the council are included in a suitable form of security or fidelity guarantee insurance which covers the maximum risk exposure as determined by the council, or duly delegated committee.

11. RISK MANAGEMENT

- a) The council is responsible for putting in place arrangements for the management of risk (1) and attests to this in the Annual Governance Statement.
- b) The F&R group prepare, for approval by the council, a risk register in respect of all activities of the council following the guidance and template presented in Governance and Accountability for Smaller Authorities in England (Mar 2017.)
- c) Risks are assessed and managed with internal controls in place and external insurance cover.
- d) The risk register is reviewed by the council at least annually.
- e) When considering any new activity, the F&R group prepares a draft risk assessment including risk management proposals for consideration and adoption by the council.

12. Records and Storage, Security and Confidentiality.

- a) The Council follows the principles of the Data Protection Act and takes note of the GDPR (General Data Protection Regulations) due to come into force in 2018 to ensure that sensitive data is not shared.
- b) Any Member or Officer of the Council who holds records or property belonging to them, ensures that these are stored as safely and securely as possible with sensitive items being locked or hidden away.
- c) The PC laptop is password protected and this is not disclosed to others (but see d) Documents are backed up onto Dropbox. It has antivirus, firewall and anti-spyware security features.
- d) A written record of the laptop password is retained in a sealed envelope by the chair. If this is opened, another councillor should be present and the password changed as soon as possible.
- e) Records relating to personal matters such as salaries are not shared on documents which are in the public domain and only available to Councillors or the Internal Auditor on a confidential 'need-to-know' basis.
- f) Any bank account details used for making Internet Banking payments are kept within the cash book and seen only by the RFO, Councillors who check the invoices and the Internal Auditor.
- g) Permission is sought for the sharing of any personal information such as telephone numbers or e-mails on any Council notices, newsletters or websites.