

HERMITAGE PARISH COUNCIL
FINANCIAL REGULATIONS
ADOPTED FEBRUARY 15TH 2018

1. General
- 1.1 These financial regulations govern the conduct of financial management by Hermitage Parish Council and may only be amended or varied by resolution of the council. They must be observed in conjunction with the council's standing orders and any individual financial regulations relating to contracts.
- 1.2 The council is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk.
- 1.3 The council's accounting systems must include measures:
 - a. for the timely production of accounts;
 - b. that provide for the safe and efficient safeguarding of public money;
 - c. to prevent and detect inaccuracy and fraud; and
 - d. that identify the duties of officers.
- 1.4 At least once a year, prior to approving the annual governance statement (formed by completing Section 1 of the annual return, Accounts and Auditing Regulations 2015), the council must review the effectiveness of its system on internal control which shall be in accordance with proper practices.
- 1.5 A breach of these regulations by an employee is gross misconduct.
- 1.6 Members of the council are expected to follow the instructions within these regulations and not to entice employees to breach them. Failure to follow instructions within these regulations brings the office of Councillor into disrepute.
- 1.7 The Responsible Financial Officer holds a statutory office to be appointed by the council. The Clerk has been appointed RFO for HPC and these regulations apply accordingly.
- 1.8 The RFO:
 - a. acts under the policy direction of the council;
 - b. administers the council's financial affairs in accordance with all Acts, regulations and proper practices;
 - c. determines on behalf of the council, its accounting records and accounting control systems;
 - d. ensures the accounting control systems are observed;
 - e. keeps the accounting records of the council up to date in accordance with proper practices;
 - f. assists the council to secure economy, efficiency and effectiveness in the use of its resources; and
 - g. produces financial management information as required by the council.

- 1.9 The accounting records determined by the RFO shall be sufficient to show and explain the council's transactions and to enable the RFO to ensure that:
- a. any income and expenditure account and statement of balances; or
 - b. record of receipts and payments and additional information; or
 - c. management information prepared for the council from time to time comply with the Accounts and Audit Regulations 2015.
- 1.10 The accounting records determined by the RFO shall contain:
- a. entries from day to day of all sums of money received and expended by the council and the matters to which the income and expenditure or receipts and payments account relate;
 - b. a record of the assets and liabilities of the council; and
 - c. wherever relevant, a record of the council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 1.11 The accounting control systems determined by the RFO shall include:
- a. procedures to ensure that the financial transactions of the council are recorded as soon as practicable and as accurately as possible;
 - b. procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
 - c. identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
 - d. procedures to ensure that uncollectable amounts, including any bad debts, are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
 - e. measures to ensure that risk is properly managed.
- 1.12 The council is not empowered by these regulations or otherwise to delegate certain specified decisions, in particular any decision regarding a-g below:
- a. setting the final budget or the precept;
 - b. approving accounting statements;
 - c. approving an annual governance statement;
 - d. borrowing;
 - e. writing off bad debts;
 - f. declaring eligibility for the general power of competence; and
 - g. addressing recommendations in any report from the internal or external auditors, which are all matters for the full council.
- 1.13 In addition, the council must:
- a. determine and keep under review the bank mandate for all council bank accounts;

- b. approve any grant or single commitment more than £1,000.00; and
 - c. in respect of the annual salary for an employee, have regard to recommendations about annual salaries of employees made by the finance working party.
- 1.14 In these financial regulations reference to the Accounts and Audit Regulations or ‘the regulations’ means the Account and Audit Regulations 2015 or any superseding legislation in force at that time. And the term ‘proper practice or proper practices’ refers to Governance and Accountability for Smaller Authorities – a Practitioners Guide to Proper Practices 2017.
2. Accounting and audit (internal and external)
- 2.1 All accounting procedures and financial records of the council shall be determined by the RFO in accordance with the Account and Audit Regulations.
- 2.2 On a regular basis, at least once in each quarter and at each financial year end, a councillor other than the Chairman (or a cheque signatory) shall be appointed to verify bank reconciliations, for all accounts, produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall, on conclusion, be reported, including any exceptions, to and noted by, the council.
- 2.3 The RFO shall complete the annual statement of accounts, the annual report, and any related documents of the council contained in the annual return (as specified in proper practices) as soon as practicable after the end of the financial year and, having certified the accounts, shall submit them and report thereon to the council within the timescales set by the Accounts and Audit Regulations.
- 2.4 The council shall ensure that there is an adequate and effective system of internal audit of its accounting records and systems of internal control in accordance with proper practices. Any councillor shall make available such documents and records as appear to be necessary for the audit and shall, as directed by the council, supply the RFO plus internal and/or external auditor with such information and explanation as the council considers necessary.
- 2.5 The internal auditor shall be appointed by the council to carry out work in relation to its internal controls in accordance with proper practices.
- 2.6 The internal auditor shall:
- a. be competent and independent of the financial operations of the council;
 - b. report to council, in writing or in person, with a minimum of one annual written report during each financial year;
 - c. demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interests including those arising from family relationships; and
 - d. have no involvement in the financial decision making, management or control of the council.
- 2.7 Internal or external auditors may not, under any circumstances:
- a. perform any operational duties for the council;
 - b. initiate or approve accounting transactions; or

- c. direct the activities of any council employee ie the Clerk, except to the extent that she has been assigned to assist the internal auditor.
- 2.8 For the avoidance of doubt, in relation to internal audit the terms ‘independent’ and ‘independence’ shall have the same meaning as is described in proper practices.
 - 2.9 The RFO shall make 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 the Local Audit and Accountability Act 2014.
 - 2.10 The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.
3. Annual budget estimates and forward planning
- 3.1 The FWP shall review its three-year forecast of revenue and capital receipts and payments and use this to formulate proposals for the following financial year. These proposals should be set before the council no later than December each year along with any revisions to the forecast.
 - 3.2 The RFO must each year, by no later than November, prepare detailed estimates of all receipts and payments, including the use of reserves and all sources of funding, for the following financial year in the form of a budget to be considered by the FWP and the council.
 - 3.3 The council shall consider annual budget proposals in relation to its three-year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.
 - 3.4 The council shall fix the precept to be levied for the ensuing financial year no later than by the end of January each year. The RFO shall issue the precept to West Berkshire Council, the billing authority, and shall supply each member with a copy of the approved annual budget.
 - 3.5 The approved annual budget shall form the basis of financial control for the ensuing year.
4. Budgetary control and authority to spend
- 4.1 Expenditure on revenue items may be authorised up to the amounts included for that line of expenditure in the approved budget. This authority is determined by:
 - a. the council for all items more than £1,000.00; or
 - b. the Clerk in conjunction with the Chairman for any items less than £1,000.00.

Such authority is to be evidenced by a Minute which is signed by the Chairman. Contracts must not be disaggregated to avoid controls imposed by these regulations.
 - 4.2 No expenditure may be authorised that will exceed the amount budgeted for that activity other than by resolution of the council. During the budget year, and with the approval of council – having considered fully the implications – unspent and available amounts may be moved to other budget lines or to an earmarked reserve as appropriate (virement).
 - 4.3 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.

- 4.4 The salary budget should be reviewed annually, in December, for the following financial year.
- 4.5 In cases of extreme risk to the delivery of council services, the Clerk may authorise revenue expenditure on behalf of the council which, in the Clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £200.00. The Clerk shall report such action to the Chairman as soon as possible and to the council as soon as practicable thereafter.
- 4.6 No expenditure shall be authorised 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.
- 4.7 All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.
- 4.8 The RFO shall regularly provide the council with a statement of receipts and payments to date under each budget heading comparing actual expenditure at that date against budgeted expenditure. These statements shall be produced quarterly and shall show explanations of material variances which, for this purpose, shall be more than £50.
- 4.9 Changes in earmarked reserves shall be approved by council as part of the budgetary control process.
5. Banking arrangements and authorisation of payments
- 5.1 The council's banking arrangements, including the bank mandate, shall be made by the RFO/FWP and approved by the council; banking arrangements may not be delegated to a committee. They shall be reviewed regularly for safety and efficiency.
- 5.2 The RFO shall prepare a schedule of payments requiring authorisation, forming part of the agenda for the meeting and, together with the relevant invoices, present the schedule to council. The council shall review the schedule for compliance and, having satisfied itself, shall authorise payment by a resolution of the council. A detailed list of all payments shall be disclosed within, or as an attachment to, the minutes of the meeting at which payment was authorised and signed by the Chairman. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.
- 5.3 All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received and examined and represents expenditure previously approved by the council.
- 5.4 The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available council meeting.
- 5.5 The Clerk/RFO and one member of the FWP shall have delegated authority to authorise the payment of items only in the following circumstances:
- a. if a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts Regulations 2002 and the due date for payment is before the next scheduled meeting of council, where the RFO and the Chairman certify that there is no

- dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate council meeting;
- b. a regular expenditure item authorised (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate council meeting.
- 5.6 In respect of grants, council shall approve expenditure within any predetermined budgetary limits and in accordance with any policy statement approved by council.
 - 5.7 Members are subject to the proper conduct adopted within the standing orders and shall comply with all orders when a decision to authorise or instruct is made in respect of a matter in which they have a disclosable pecuniary interest unless a dispensation has been granted.
 - 5.8 The council will aim to rotate the duties of members in these regulations so that onerous duties are shared out as evenly as possible over time.
 - 5.9 Any changes in the recorded details of suppliers, such as bank account records, shall be approved in writing by a councillor.
6. Instructions for the making of payments
 - 6.1 The council will make safe and efficient arrangements for making payments.
 - 6.2 Following authorisation under financial regulation 5 above the council shall give instruction that a payment shall be made.
 - 6.3 All payments shall be effected by cheque or other instructions to the council's bankers in accordance with a resolution of the council.
 - 6.4 Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council shall be signed by two members of council in accordance with a resolution instructing that payment. If a councillor who is also a bank signatory has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which the payment is being made, that councillor shall be required to consider standing orders and thereby determine whether it is appropriate and/or permissible to be a signatory to the transaction in question.
 - 6.5 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.
 - 6.6 Cheques or orders for payment shall not normally be presented for signature other than at a council or committee meeting (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the council at the next meeting.
 - 6.7 If thought appropriate by the council, payment for certain items (principally salaries) may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced, by two councillors, retained and payments reported to council as made. The approval of the use of banker's standing order shall be renewed by resolution of the council at least every two years.
 - 6.8 If thought appropriate by the council, payment for certain items may be made by internet banking transfer provided evidence is retained showing which member approved the payment.
 - 6.9 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate approved by the council

shall identify those councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the Service Administrator with a stated number of approvals.

- 6.10 Changes to suppliers' internet banking account details may only be actioned if supported by a hard copy notification from that supplier and signed off by a member of the FWP. A programme of regular checks of standing data with suppliers will be followed.
- 6.11 Any debit card issued for use will be specifically restricted to the Clerk and restricted to a maximum value of £100 unless authorised by council or the FWP in writing before any transaction takes place.
- 6.12 Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk and shall be subject to automatic payments in full at each month-end. Personal credit or debit cards of members of staff shall not be used under any circumstances.
- 6.13 The council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk eg postage or minor stationery items, shall be refunded on a regular basis, at least quarterly.

7. Electronic financial security

- 7.1 Where a computer requires use of a personal identification number or other password(s) for access to the council's records on that computer a note shall be made of the PIN and passwords and shall be handed to and retained by the Chairman in a sealed dated envelope. This envelope may not be opened other than in the presence of two other councillors. After the envelope has been opened, in any circumstances, the PIN and/or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all councillors immediately and formally to the next available council meeting.
- 7.2 No employee or councillor shall disclose any PIN or password relevant to the working of the council or its bank accounts to any person not authorised in writing by the council.
- 7.3 Each month records shall be backed up from any computer used for financial transactions onto a hard drive which will be stored securely, preferably off site.
- 7.4 The council, and any members using computers for the council's financial business, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.
- 7.5 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 email 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 serious offence. All banking work must be carried out on the council owned computer.

8. Payment of salaries

- 8.1 As an employer, the council must meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and NI currently operating and salary rates shall be as agreed by council.
- 8.2 Payment of salaries and payment of deductions from salary such as may be required for tax, NI and pension contributions, or similar statutory or discretionary deductions, must be made in accordance with payroll records and on the appropriate dates stipulated in employment contracts, provided each payment is reported to the next available council meeting as set out in these regulations above.
- 8.3 No changes shall be made to any employee's pay, emoluments or terms and condition of employment without the prior consent of council.
- 8.4 Every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions (see regulation 8.2 above) shall be recorded in a separate, confidential record. This is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
- a. by any councillor who can demonstrate a need to know;
 - b. by the internal auditor;
 - c. by the external auditor.
- 8.5 The total of such payments in each calendar month shall be reported with all other payments made as may be required under these financial regulations to ensure that only payments due for the period have been paid.

- 8.6 An effective system of personal performance management should be maintained for all salaried staff.
- 8.7 Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by the council.
- 8.8 Before employing interim staff the council must consider a full business case.
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 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the council. To date the council's only income is from the burial ground.
- 9.3 The council will review all fees and charges at least annually, following a report from the Clerk.
- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the council and shall be written off in the year in which they occurred.
- 9.5 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.
- 9.6 The origin of each receipt shall be entered on the paying in slip.
- 9.7 Personal cheques shall not be cashed out of money held on behalf of the council.
- 9.8 The RFO shall complete promptly any VAT return that is required. Any repayment claims due in accordance with the VAT Act 1994 Section 33 shall be made at least annually coinciding with the financial year end.
- 9.9 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.
10. Orders for goods, works and services
- 10.1 An official order, by email 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. Copies of orders shall be retained.
- 10.2 All councillors are responsible for obtaining value for money always. When issuing an official order, 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, subject to any *de minimus* provisions (see regulation 4.1a above).
- 10.3 A councillor may not issue an official order nor make any contract on behalf of the council.
- 10.4 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. Contracts

11.1 Procedures for contracts are laid down as follows:

- a. Every contract shall comply with these financial regulations without exception other than in an emergency. This regulation need not apply to contracts which relate to items (i) and (v) 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 constitute an extension of an existing contract by the council;
 - iv. for additional audit work of the external auditor up to an estimated value of £50 (more than this sum the Clerk/RFO shall act after consultation with the Chairman and Vice Chairman of the council); and
 - v. 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 £1,000.00 but less than £5,000 in value for the supply of goods or materials or for the execution of works or specialist services other than those set out in regulation (10.1a) above the Clerk shall invite tenders from at least two firms agreed by the council. For a contract valued at more than £5,000 but less than £25,000, three firms must be invited to tender. Where the value of a contract exceeds £25,000 a formal tendering process must be entered into as follows:
 - i. a specification of the goods, materials, services and the execution of works shall be drawn up;
 - ii. tenders shall be sent, in a sealed marked envelope, to the Clerk by a stated date and time;
 - iii. tenders submitted shall be opened, after the stated closing date and time, by the Clerk and at least one councillor
- c. When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the council.
- d. Invitations 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.
- e. If fewer than three tenders are received for contracts above £5,000, 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.
- f. Any formal invitation to tender (see 11 g above) must follow regulations and guidelines set out in the Public Control Regulations 2015 and shall refer to the terms of the Bribery Act 2010.
- g. The council shall not be obliged to accept the lowest of any tender, quote or estimate.

- h. Should it occur that the council does not accept a tender, quote or estimate the work is not allocated and the council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision-making process was being undertaken.

12. Assets, properties and estates

- 12.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure a record is maintained of all properties held 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 Accounts and Audit Regulations.
- 12.2 No tangible moveable property shall be purchased or otherwise acquired, 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 this item is less than £10.
- 12.3 No real estate shall be sold, leased or otherwise disposed of without the authority of the council, together with any consents required by law. In each case a written report shall be 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).
- 12.4 No real estate shall be purchased or acquired without the authority of the full council. In each case a report in writing shall be 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).
- 12.5 The RFO shall ensure that an appropriate and accurate register of assets is kept up to date. The continued existence of tangible assets shown in the register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

13. Insurance

- 13.1 Following the annual risk assessment (see regulation 14.1 below), the RFO shall effect all insurances and negotiate all claims on the council's insurers.
- 13.2 The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.
- 13.3 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.
- 13.4 All members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually by the council.

14. Risk Management

- 14.1 The council is responsible for putting in place arrangements for the management of risk. The Clerk and/or councillor 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.

- 14.2 When considering any new activity, the lead councillor shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.

15. Suspension and revision of financial regulations

- 15.1 It shall be the duty of the council to review its financial regulations every year (see 1.4 above). The Clerk shall monitor changes in legislation or proper practices and shall advise the council of any requirement for a consequential amendment to these financial regulations.

- 15.2 The council may, by resolution of the council duly notified prior to the relevant meeting of council, suspend any part of these financial regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all councillors.

16. Loans and investments

- 16.1 All loans and investments shall be negotiated in the name of the council and shall be for a set period in accordance with council agreement.

- 16.2 All investments of money under the control of the council shall be in the name of the council.

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

- 16.4 Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instruction for payments).

Reviewed and adopted by Hermitage Parish Council on 20th February 2020

Signed by Chairman