

FINANCIAL REGULATIONS

May 2021

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1. General Introduction

- 1.1 These regulations govern the financial management by the Council and can only be amended or varied by resolution of the Council. The Council is responsible in law for ensuring that its financial management is adequate and effective; that a sound system of financial control is maintained; and that procedures exist for the management of risk and for the internal audit.
- 1.2 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The RFO, acting under the policy direction of the Council, shall administer its financial affairs in accordance with proper practices. The RFO shall determine on behalf of the Council its accounting records and financial control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with proper practices.
- 1.3 It shall be the duty of the Council to review these Financial Regulations every year to ensure their relevance. The Clerk shall monitor changes in legislation or proper practices and shall advise the Council of any amendment necessary to these Regulations.
- 1.4 The RFO shall produce financial management information as required by the Council.
- 1.5 At least once a year, prior to approving the annual return, the Council shall conduct a review of the effectiveness of its system of internal control, which shall be in accordance with proper practices.
- 1.6 In these Financial Regulations, references to the Accounts and Audit Regulations shall mean the Regulations issued under the provisions of section 27 of the Audit Commission Act 1998 and currently in force.
- 1.7 In these Financial Regulations the term 'proper practice' shall refer to guidance issued in 'Governance and Accountability in local Councils in England and Wales - a Practitioners' Guide', which is published jointly by National Association of Local Councils and Society of Local Council Clerks.

2. Annual Budget and Precept

- 2.1 A revenue budget made up of detailed estimates of all income and expenditure, and any use of reserves, shall be prepared by the RFO and presented to the Council for approval.
- 2.2 The Council shall approve all capitals schemes after considering the timing of expenditure, sources of income and borrowing, and the ongoing revenue implications.
- 2.3 Where a committee has proposals for variations in revenue or capital budgets, for the following financial year, these shall be submitted to the Council by November of the current financial year.
- 2.4 In considering the required budget, the Council shall distinguish between continuing commitments and those of a time limited nature. In order to strengthen financial planning, the Council shall seek to develop a three year forecast of likely budget requirements.
- 2.5 Before the end of January, the Council shall consider the proposed budget and determine the Precept to be levied for the next financial year. The Clerk shall formally notify the billing authority of the required Precept.

3. Budgetary Control

- 3.1 The approved annual revenue and capital budgets shall form the basis of financial control for the year.
- 3.2 The RFO shall ensure that all new proposals to vary the budget are fully evaluated and take into account future year commitments.
- 3.3 The RFO shall monitor actual expenditure against the approved budget and report any significant variations to the Council. The RFO shall make recommendations to the Council to vary amounts between estimate heads to meet current needs.
- 3.4 The RFO shall have authority to incur expenditure up to the estimated amount provided under each budget heading. If it is necessary to exceed a budget by more the £1,000 the RFO shall seek the approval of the Council.
- 3.5 The Clerk may authorise the undertaking of emergency work up to a value of £1,000 where no budgetary provision exists. The Clerk shall report such action to the Council as soon as practicable.
- 3.6 At the financial year end the Council may authorise any under spent revenue budget to be transferred to a designated reserve fund to meet future expenditure.
- 3.7 The Council may authorise the creation of designated reserve funds for the equalisation of significant future revenue expenditure.

4. Accounting & Financial Reporting

- 4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with current Accounts and Audit Regulations.
- 4.2 The RFO shall ensure that all financial records are maintained in a secure, accurate and timely manner.
- 4.3 The RFO shall complete the annual financial statements of the Council, including the Annual Return, as soon as practicable after the end of the financial year and shall submit them, with a covering report, to the Council.
- 4.4 The RFO shall complete the Accounts of the Council contained in the Annual Return, (as supplied by the external auditor appointed from time to time by the government), and shall submit it for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations.
- 4.5 The RFO shall ensure that there is an adequate and effective system for the internal audit of the Council's accounting, financial and other operations in accordance with proper practices.
- 4.6 The RFO shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any notices and statements of account required by Audit Commission Act 1998 and the Accounts and Audit Regulations.
- 4.7 For each quarter of the financial year the RFO shall report to the Council providing a summary of actual receipts and payments compared with the approved budget

5. Internal Auditor

5.1 The Council shall appoint a competent and independent person to act as an Internal Auditor so as to maintain an effective review of their Financial systems and procedures.

5.2 The Internal Auditor shall :-

- a) Be independent of the routine business of the Council and its financial decision making process.
- b) Have access to all minutes, financial records and supporting documents required to review financial transactions.
- c) Report annually to the Council and more frequently if circumstances dictate.
- d) Shall be consulted by the RFO before any changes are made to financial procedures.

5.3 All councillors and employees shall be required to provide any information or documents necessary for internal audit purposes.

5.4 All councillors and employees shall report any suspected financial irregularities to the RFO, who will inform the internal auditor, and agree the action to be taken.

6. Payment of Accounts

6.1 The key principle of the payment procedure is that there shall be a separation of duties so that no one person is involved in the whole process. Councillors shall have no direct involvement in the payment procedure, so that they can maintain an effective independent overview.

6.2 Invoices for payment must be in the name of the Council and show sufficient detail to permit proper validation and correct accounting for VAT.

6.3 All invoices for payment shall be examined, verified and certified by the Clerk, who must be satisfied that the work, goods or services are a correct charge on the Council's budget.

6.4 Payments will be made by bank transfer, unless there is an exceptional reason why a cheque may be used; or the expense is of a minor nature when petty cash may be appropriate.

6.5 A schedule of bank transfers shall be prepared and the Deputy Clerk shall process approved payments through the online banking system. This schedule shall be subsequently be reviewed and certified by an approved signatory.

6.6 Where a cheque is required it shall be signed by two approved signatories.

6.7 Payments under £100 may be made through petty cash at the discretion of the Clerk.

6.8 Bank mandates for Direct Debits or Standing Orders shall be authorised by two signatories when first set up or subsequently amended.

7. Payment of Salaries

7.1 The Council shall make arrangements to comply with the statutory requirements placed on all employers in respect of PAYE, National Insurance and pension legislation.

7.2 The Council will set the amount of salary to be paid to each employee, together with hours of work and conditions of employment.

- 7.3 Northumberland County shall be retained as the agent responsible for the payment of salaries, maintenance of payroll records, the submission of statutory returns, and the payment of PAYE and National Insurance to HMRC.
- 7.4 Reimbursement to Northumberland Council for their payroll service shall be upon the receipt of an appropriate invoice.
- 7.5 Self-employed persons, who receive payments outside the payroll system, shall be required to provide evidence that HMRC are aware of their status.

8. Income

- 8.1 The RFO shall review all fees and charges annually and make recommendations to the Council for its approval.
- 8.2 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 8.3 Detailed records of all receipts shall be maintained to evidence banked income. The form of these records shall be determined by the nature of the income.
- 8.4 A receipt in the name of the Council shall be issued for all cash received.
- 8.5 All sums received on behalf of the Council shall be banked intact at such frequency as the RFO considers necessary taking into account insurance limits.
- 8.6 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 8.7 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 8.8 The RFO shall ensure that a return for recoverable VAT is submitted no less frequently than every six months.

9. Bank Account, Loans and Investments

- 9.1 The Council shall approve all banking arrangements and authorise account signatories. Two approved signatories shall be required for all financial documents.
- 9.2 The Council shall determine its policy for the temporary investment of monies and long term borrowing. This policy shall be reviewed annually when the Council's revenue budget is agreed.
- 9.3 All loans and investments shall be held in the name of the Council and must be in accordance with approved policy.
- 9.4 The RFO shall have authority to transfer surplus funds to an investment account provided by the Council's bankers. All other lending or borrowing shall be subject to the Council's prior approval.

10. Orders for Work, Goods and Services

- 10.1 All orders for works, goods or service exceeding £1,000 in value shall be confirmed by letter or e-mail to the supplier.
- 10.2 Before any order is placed the person placing the order shall have made all reasonable steps to ensure the Council obtains best value.

11. Contracts

11.1 The RFO shall ensure that all contracts, or agreements to provide regular services, comply with the Council's Financial Regulations.

11.2 All contracts shall only be entered into with appropriate suppliers who conform to appropriate professional standards.

11.3 Where any contract is expected to have a value in excess of £50,000, the Clerk shall invite tenders from at least three appropriately qualified suppliers. All tenders must be sealed and shall be opened on a specified date by the Clerk and one councillor.

11.4 The Council shall not be obliged to accept the lowest of any tender, quote or estimate, but in such circumstances the decision must be confirmed by the Council before the contract is signed.

12. Assets Register

12.1 The RFO shall ensure that an appropriate record is maintained of all assets held in the name of the Council. The record shall include all land, buildings, fixtures, fittings and equipment with a value in excess of £100. Full details shall be recorded as appropriate for the asset held. The record shall be checked against actual assets on an annual basis.

12.2 The Clerk shall make appropriate arrangements for the custody of all title deeds of properties owned or leased by the Council.

12.3 No property with a value exceeding £1,000 shall be sold, leased or otherwise disposed of without the authority of the Council.

13. Risk Management

13.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare a risk management policy in respect of all activities and will submit this to the Council for approval. The policy statement and its application shall be reviewed annually by the Council.

13.2 When new activities or significant changes are to be made to existing ones, the Clerk shall undertake a risk assessment and advise the Council as appropriate.

14. Insurance

14.1 The RFO is responsible for maintaining insurance for the Council against all identified risks and negotiating terms and claims with the insurers.

14.2 The RFO shall keep a record of all insurances entered into on behalf of the Council.

14.3 All employees of the Council shall be included in a suitable fidelity guarantee insurance, which shall cover the maximum risk exposure as determined by the Council.

14.4 The RFO shall ensure that the members of the Council are covered for risks that may arise in fulfilling their official duties.