

# **FINANCIAL REGULATIONS**

**FOR THE**

**PARISH COUNCIL  
OF**

**HORDEN**

**MAY 2018**

## **Contents**

- Section 1 Introduction and Status of the Financial Regulations
- Section 2 Financial Management Responsibilities
- Section 3 Risk Management and Internal Control
- Section 4 Accounting Systems, Records, Policies and Procedures
- Section 5 Statement of Accounts
- Section 6 Financial Planning and Budgeting
- Section 7 Budget Monitoring and Budgetary Control
- Section 8 Virement and Treatment of Year End Budget Balances
- Section 9 Banking and Investment Arrangements
- Section 10 Purchase Ordering and Payments for Goods and Services
- Section 11 Payment of Salaries and Wages and Members Allowances
- Section 12 Collection and Banking of Income
- Section 13 Loans
- Section 14 Capital Programme Works and Payments Under Contracts
- Section 15 Management of Consumable Stocks
- Section 16 Management of Plant, Vehicles, Machinery and Equipment Assets
- Section 17 Asset Management of Land and Property
- Section 18 Insurance Arrangements
- Section 19 Taxation
- Section 20 Revision of Financial Regulations

## **1. Introduction and Status of the Financial Regulations**

- 1.1 The Council has a responsibility in law for ensuring that its 'financial management is adequate and effective' and that it has a 'sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk'.
- 1.2 These Financial Regulations form part of the Council's Standing Orders and provide the framework for the management of the Council's finances in accordance with these statutory responsibilities.
- 1.3 The framework for the procurement of all works, goods, materials and services and tendering and contract procedures are set out separately the Standing Orders for Contracts and Procurement.
- 1.4 The Financial Regulations apply to every Member and Officer of the Council and to anyone acting on their behalf. They identify the financial responsibilities of the Council as a whole, Members of the Council, the Clerk to the Council, the Deputy Clerk, and all other managers employed by the Council.
- 1.5 The Clerk to the Council is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and acting under the policy direction of the Finance and General Purposes Committee is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations and proper practices.
- 1.6 The Clerk to the Council will determine on behalf of the Council, its accounting policies, procedures, records and control systems, and ensure that these are observed and kept up to date in accordance with proper practices, produce the Council's accounts, budgets and financial plans, and assist the Council in securing economy, efficiency, and effectiveness in the use of resources.
- 1.7 The Clerk to the Council is also responsible for issuing supporting financial policies and procedures, as well as financial management information, advice, training and guidance to underpin the requirements of these Financial Regulations.
- 1.8 All Members and senior officers of the Council have a responsibility under the requirements of these Financial Regulations for taking reasonable action to ensure the security of all assets under their control, ensuring that all expenditure incurred is legal and properly authorised, that all cash and other income is properly collected, accounted for and banked, and for securing value for money in the use of public money.
- 1.9 Senior officers are responsible for ensuring that all staff in their services are aware of the existence of the Council's Financial Regulations and supporting financial policies and procedures, and that they comply with their requirements.
- 1.10 The Financial Regulations will be regularly reviewed and updated by the Clerk to the Council and any revisions will be submitted to Council for approval.

## 2.0 **Financial Management Responsibilities**

2.1 The financial management responsibilities at each level of the Council are summarised in this section of the Financial Regulations.

### ***The Council***

2.2 The Council is responsible for adopting the Standing Orders, which contains the Financial Regulations and provides the framework and guidelines within which the Council operates, and for monitoring and ensuring compliance with this.

2.3 Council is also responsible for setting the Council Precept, approving the annual Statement of Accounts and Annual Governance Statement, approving new borrowing and the bank mandate, writing off debts and receiving external audit reports.

### ***Finance and General Purposes Committee***

2.4 The Finance and General Purposes Committee are responsible for monitoring and ensuring compliance with the Financial Regulations and discharging functions in accordance with the Regulations.

2.5 The Finance and General Purposes Committee are also responsible for monitoring and considering financial information such as monthly budget income and expenditure and debtors reports.

2.6 Any decision taken by the Finance and General Purposes Committee must take account of any legal and financial implications and consider any risk management issues that may arise from the decision.

### ***Budget Sub-Committee***

2.7 The Budget Sub-Committee are responsible for considering and recommending for approval by Full Council, the annual Revenue and Capital Budget, financial plans such as the five year Strategic Plan, Medium Term Financial Plan and all other relevant financial information.

### ***The Clerk***

2.8 The Clerk is the Council's 'proper officer' in accordance with Section 112 of the Local Government Act 1972, and is ultimately responsible for the discharge of the council's functions, under delegation from the Council.

2.9 The Clerk is responsible for the overall strategic and corporate management of the Council including the maintenance and update of the Council's Standing Orders.

2.10 The Clerk must report to and provide independent, objective and professional advice and information to the Council and its various Committees to help them make appropriate and lawful decisions.

2.11 The Clerk is also responsible for establishing a framework for management direction and staff management and dealing with personnel issues, representing the Council, promoting and maintaining high standards of

conduct, reporting any breaches of law, health and safety, asset management, monitoring the performance of the Council, and managing the system of recording and publicising all Council decisions, policies and procedures.

2.12 The Clerk acts as the Deputy Clerk's, SWC Manager's and Parks and Cemetery Manager's line manager.

***Responsible Finance Officer (RFO)***

2.13 The Clerk is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and, acting under the policy direction of the Council's Finance and General Purposes Committee, is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations and proper practices.

2.14 The RFO is responsible for the following areas of financial management:-

- Advising the Council, whether a decision is likely to be in accordance with the Financial Regulations and the Standing Orders for Contracts and Procurement;
- Determining on behalf of the Council, its accounting systems, internal controls, financial records, accounting policies and financial procedures in order to ensure compliance with the Financial Regulations;
- Reporting on the Council's financial performance and financial position;
- Providing financial information to Members and Officers including the regular reporting of budgetary control during the year;
- Preparing the annual Revenue Budget and Capital Programme;
- Preparing the Medium Term Financial Plan and five year Strategic Plan;
- Preparing the annual Statement of Accounts;
- Preparing the Annual Governance Statement incorporating the annual Statement of Internal Control;
- Managing an effective payroll service;
- Managing an effective accounts payable and receivable function to ensure that all invoices are raised and paid promptly;
- Managing an effective income collection and banking system to ensure that all income receivable by the Council is collected and banked promptly and recorded accurately;
- Managing the Council's insurance arrangements;

- Managing the Council's banking arrangements;
  - Accounting for taxation including VAT, income tax and national insurance;
  - Preparing and monitoring compliance with the Council's Anti-Fraud and Corruption Policy;
  - Overseeing and ensuring an effective internal audit service in accordance with statutory requirements; and
- 2.15 Section 114 of the Local Government Finance Act 1988 requires that the RFO reports to Council and the external auditor, if the Council or one of its officers:-
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted in or would result in a loss to the Council; or
  - is about to make an unlawful entry in the Council's Accounts.
- 2.16 The Council must ensure that the RFO is provided with sufficient staff and other resources to carry out these statutory duties effectively.

### ***Service Managers***

- 2.17 Service Managers are responsible for managing and controlling income and expenditure within their approved budgets, ensuring compliance with the Financial Regulations and supporting financial policies and procedures, and for the welfare of all staff, assets, cash and other resources under their responsibility.
- 2.18 Service Managers are also responsible for ensuring that the financial implications of all proposals in relation to their service areas have been agreed with the RFO and properly reported to the Council and its Committees.

## **3.0 Risk Management and Internal Control**

### ***Risk Management***

- 3.1 The Accounts and Audit Regulations require the Council to put in place effective arrangements for the management of risk.
- 3.2 It is therefore essential that a robust risk management system is developed and maintained for identifying and evaluating all significant operational and financial risks to the Council. This includes regularly re-assessing risks arising from existing services and activities, as well as undertaking new risk assessments for all new initiatives and activities.

- 3.3 The Clerk is responsible for preparing the Council's Corporate Risk Review, Financial, Risk review, maintaining and updating the Council's Risk Register, promoting the principles of effective risk management throughout the Council, and reporting risk, on a quarterly basis, to the Finance and General Purposes Committee.
- 3.4 The RFO is responsible for ensuring that appropriate insurance cover is put in place to mitigate the risks identified. The RFO is also responsible for advising Members and officers on insurance related matters. See Section 18 – Insurance for more detailed information.
- 3.5 The Finance and General Purposes Committee are responsible for considering the quarterly update reports on changes to the Council's Risk Register.
- 3.6 Risk assessments are also included as a standard item on all reports to the Council and its Committees and a risk assessment will be undertaken, where necessary, in relation to any new decision made by the Council.

#### ***System of Internal Control***

- 3.7 The Accounts and Audit Regulations require the Council to have in place a 'sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective and includes effective arrangements for the management of risk.
- 3.8 The system of internal control refers to the strategies, policies, management systems and structures, procedures and controls that are in place within the Council which together control the way the Council manages its business, formulates its priorities and objectives, manages risk, and delivers its services in a way that meets those objectives.
- 3.9 The system of internal control is based on a framework of the proper establishment of the Council's priorities and objectives, regular performance management information, financial regulations and standing orders, administrative procedures incorporating appropriate segregation of duties, management supervision, the internal audit plan, and a system of delegation and accountability.
- 3.10 The system of internal control helps to ensure the effective exercise of the Council's functions in compliance with all relevant laws, acts, regulations and proper practices, promotes the economic, efficient and effective use of public resources, safeguards the Council's assets and interests, and puts in place proper arrangements for the management of risk.
- 3.11 The RFO, supported by the Internal Auditor, is responsible for establishing the overall system of internal control, reviewing its effectiveness, and monitoring and ensuring compliance by officers of the Council.
- 3.12 It is the responsibility of service managers to ensure sound internal control arrangements are in place and being followed in relation to their individual

service areas, and that they meet the requirements of the Financial Regulations and supporting financial policies and procedures.

- 3.13 The Accounts and Audit Regulations also require the Council to carry out an annual review of the effectiveness of its system of internal control and report the outcome of this review within the Annual Governance Statement in the Statement of Accounts.
- 3.14 The annual review of the effectiveness of internal control is significantly informed by the work of the Internal Auditor, who is responsible for ensuring all of the major services, systems and processes of the Council are reviewed annually in order to ensure the internal financial controls are operating effectively.
- 3.15 The Internal Auditor will make comments where necessary in relation to identified weaknesses in internal control arrangements during audit reviews and will make recommendations for improvements in audit reports.

#### ***Internal Audit***

- 3.16 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management. Control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.17 The Council's Internal Auditor will achieve this by undertaking audit examinations of all major services, activities, systems and processes and:-
- Reviewing the systems of internal control in place;
  - Ensuring the completeness, accuracy and reliability of financial management information and other records;
  - Ensuring compliance with relevant laws and regulations;
  - Ensuring compliance with the Council's Financial Regulations and other approved Council policies and procedures;
  - Ensuring the protection of Council assets and interests; and
  - Promoting the prevention and detection of fraud.
- 3.18 The Accounts and Audit Regulations also require any officer or Member of the Council to make available any such documents or records, information and explanations as are considered necessary for the purposes of the internal audit.
- 3.19 The Internal Audit function will be competent, objective and independent of the financial operations of the Council and free from any conflicts of interest. The Internal Auditor will have no involvement in the financial decision making, management and control of the Council and will not, under any circumstances, perform any operational duties for the Council, initiate or approve any financial transactions, or direct the activities of any Council employee.
- 3.20 The Internal Auditor will prepare an annual Audit Plan setting out the planned programme of internal audit work for the year and will report progress as well

as the conclusions and recommendations from every audit examination to the Council's Audit Sub Committee on a half yearly basis.

- 3.21 The Council's approved Internal Audit Terms of Reference sets out the detailed framework for the Internal Audit Service including its purpose, powers and objectives, as well as setting out detailed information on the audit planning process, types of audits, audit testing, and reporting of conclusions and recommendations.

### **External Audit**

- 3.22 In accordance with the requirements of the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations the Council will continue to be classified as a "smaller body".
- 3.23 This means that the Council continues to be subject to an intermediate external audit inspection. The external auditors are responsible for auditing, on an annual basis, the Council's Statement of Accounts and Annual Governance Statement and providing assurance on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, which is also known as the value for money conclusion.
- 3.24 The external auditors are required to publicly report their formal audit opinion in an Audit Completion Report and Annual Audit Letter and this is required to be published no later than 30th September each year in order to allow the Council to publish the audited accounts by this date, in accordance with the statutory timetable set out in the Accounts and Audit Regulations.
- 3.25 It is important, in terms of providing assurance to local tax payers, that the Council receives an 'unqualified' opinion in the Audit Completion Report and Annual Audit Letter. An unqualified opinion means that no material issues of concern have been identified by the auditors.
- 3.26 An unqualified audit opinion would mean that the auditors consider that:-
- The Council's Statement of Accounts present fairly its financial position and are free from material error or misstatement;
  - The Council is well managed and governed with sound strategies, policies, procedures, systems and internal controls;
  - The Council's finances are in good order; and
  - The Council secures economy, efficiency and effectiveness in the use of public money and delivers value for money services to the local community.
- 3.28 The Council may also, from time to time, be subject to audit, inspection or investigation by external bodies with statutory rights of access to records and information such as HM Customs and Revenues to undertake a VAT inspection.

### ***Preventing Fraud and Corruption***

- 3.30 The RFO is responsible for developing, maintaining and ensuring compliance with the Council's Anti-Fraud and Corruption Policy which provides the framework for preventing and detecting fraud and corruption and sets out the procedures for reporting, investigation and prosecution in relation to any occurrences of fraud and corruption.
- 3.31 The work of the Internal Auditor provides assurance to the Council that its officers adhere to the requirements of this policy and take a proactive approach to the prevention of fraud, thereby helping to ensure that any occurrence of fraud is detected, properly investigated and reported to Council.

### ***Asset Controls***

- 3.32 The Clerk, with the assistance of all service managers, is responsible for ensuring that all Council assets are properly maintained and securely held.
- 3.33 The Council's Asset Management Register provides the framework for the development of the Council's long term maintenance and capital investment plan for its assets and for the development of the Capital Programme Budgets. See Section 17 – Asset Management of Land and Property for further information.
- 3.34 The Clerk is responsible for ensuring that the Asset Management Register is regularly reviewed and that progress in delivering the annual action plan is reported to the Council's Finance and General Purposes Committee during the year.

### ***Information Technology Controls***

- 3.35 Use of computers, servers, email, social media and other information technology by staff will be in accordance with the Good Practice Guide to the Use of Computers which sets out the Council's policy and procedures on use of information technology, including acceptable and unacceptable use, security, personal use, good practice, and health and safety issues.
- 3.36 Access to all Council computers and servers will be monitored and controlled via the use of user names and passwords.
- 3.37 Access to the RBS Financial Management System will also be restricted to authorised users and the permissions allocated to individual users will be managed and controlled by the RFO. Access to the system will be via a user name and password set up by The Clerk or the Deputy Clerk.
- 3.38 Access to and use of the internet banking facility will be in accordance with the provisions of Financial Regulation 9.

### **Staffing Controls**

- 3.39 The Clerk is responsible for the maintenance of the approved staffing structure and establishment list of the Council which are the key controls over staffing levels.
- 3.40 Any changes to the approved staffing structure, such as the creation of new posts and changes to grades and hours worked must be reported to and approved by the Council's Personnel Sub Committee.
- 3.41 The Personnel Sub Committee is also responsible for the appointment of permanent additions to the staffing structure and considering any other relevant staffing related matters such as redundancies and early and flexible retirement requests.
- 3.42 The Clerk is responsible for overseeing the overall management of staff and ensuring compliance with all staffing related policies, including health and safety, and for approving annual salary increments.
- 3.43 The Clerk, with assistance where required, from the Council's human resources consultant (NEREO), is responsible for the development and maintenance of all staffing related policies and procedures.
- 3.44 The RFO is responsible for advising the Council of the budget required each year to provide for the approved staffing structure including the payment of all salaries and wages, provision for cover and overtime, as well as training, recruitment, staff insurances, and the cost of the human resources consultant.
- 3.45 Service managers are responsible for controlling total staff numbers within the approved staffing structure and budget for their service area, the proper use of recruitment, personnel and disciplinary procedures, co-ordinating and overseeing all staff training and development requirements, and recommending changes to staffing structures in order to meet changing operational needs.

### **4.0 Accounting Systems, Records, Policies and Procedures**

- 4.1 Sound financial systems, records, policies, and procedures are essential to an effective framework of financial accountability and control.
- 4.2 The RFO Manager is responsible, under the requirements of the Accounts and Audit Regulations, for determining on behalf of the Council its accounting records and financial control systems and ensuring that all accounting records are kept up to date.
- 4.3 The accounting records determined by the RFO must be sufficient to show and explain the Council's day to day transactions including all income, expenditure, assets and liabilities, in order to ensure that the statement of accounts and any other financial statement prepared, complies with the requirements of the Accounts and Audit Regulations.
- 4.4 The financial control systems determined by the RFO must ensure that the financial transactions of the Council are recorded accurately and as soon as

reasonably practicable, include procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct lost records, measures to ensure that risk is appropriately managed, the identification of the duties of officers dealing with financial transactions, and the division of responsibilities of those officers in relation to significant transactions.

- 4.5 The RFO is therefore responsible for the operation of the Council's accounting systems, incorporating the computerised financial management system (RBS Omega), the development and maintenance of financial policies and procedures, the format of the Council's accounts and budget and all other financial records, reports and supporting information.
- 4.6 The RFO is also responsible for determining the Council's accounting policies relating to the preparation of the Statement of Accounts and ensuring that they are applied consistently and in accordance with the Governance and Accountability Practitioners Guide 2016 , as required by the Accounts and Audit Regulations.
- 4.7 Service managers are responsible for the proper operation of financial procedures and processes in respect of their own service areas and for the maintenance of sound financial records. Managers must also ensure that computer and other systems are registered and licenced and comply with legislation such as the Data Protection Act and Freedom of Information Act.

## 5.0 **Statement of Accounts**

- 5.1 The Local Government Act 2003 and Accounts and Audit Regulations 2016, require the Council to prepare, 'in accordance with proper practices', an annual Statement of Accounts.
- 5.2 The RFO is responsible for preparing the Council's Statement of Accounts in accordance with these proper practices and ensuring that appropriate accounting policies are in place to support the figures included in the Accounts and that these policies are consistently applied.
- 5.3 The RFO is also responsible for liaising with and assisting the external auditors in their Annual Audit of the Accounts and making arrangements for the publication of the Accounts in line with the requirements of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2016.
- 5.4 The Account and Audit Regulations 2016 require the RFO to certify and publish the unaudited Statement of Accounts by no later than 30th June each year and for the Council to approve the Statement of Accounts by no later than the 30th September.
- 5.5 The Council is then required to publish the approved and audited Accounts, together with the audit opinion and certificate from the auditor, and notice of the completion of the audit, also by no later than 30th September.

5.6 The RFO must also make arrangements for the exercise of public rights in relation to the inspection of the accounts in line with the requirements of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.

## 6.0 **Financial Planning and Budgeting**

### **Introduction**

6.1 The Council's Finance and General Purposes Committee is responsible for considering and recommending for approval, to Council, the Council's financial planning framework as set out in the Council's Medium Term Financial Plan, Strategic Plan and the annual Revenue and Capital Budgets.

6.2 The Council is responsible for setting the Council's Precept each year in accordance with the requirements of the Local Government Act 2003 and Accounts and Audit Regulations 2016.

6.3 The Council is also responsible for approving requests to make adjustments or variations to the approved budgets following recommendation from the Finance and General Purposes Committee. Section 8 - Virement and Treatment of Year End Budget Balances provides further information on these issues.

6.4 The RFO is responsible for developing and implementing the Council's financial planning framework and for preparing, on an annual basis, the Council's Medium Term Financial Strategy, Budget Framework, Strategic Plan and the annual Revenue and Capital Budgets for approval by the Council.

### ***Medium Term Financial Strategy***

6.5 The Medium Term Financial Strategy sets out the Council's financial strategy and aims to put in place a strategic approach to the Council's financial planning.

6.6 The Strategy also helps to put in place clear links between the Council's strategic aims and targets and the priorities of the local community as set out in the Strategic Plan, and the Council's financial planning process. This helps to ensure that resources are made available and allocated to services in a way that supports the delivery and achievement of these aims and priorities.

6.7 The Plan sets out the Council's financial principles and strategy, the national and local context within which financial planning will be undertaken taking into account community priorities and key financial influences.

6.8 The RFO is responsible for updating the Medium Term Financial Strategy on an annual basis and the Strategy will be approved by the Council annually.

### ***Strategic Plan***

6.9 The Plan sets out the allocation of the key financial priorities of the council over a five year period, over and above day to day financial; operational running costs of the Council and sets out how these will be allocated between service

areas, thereby projecting the Council's Revenue and Capital Budgets, balance sheet and balances and reserves over the five year period.

- 6.10 The RFO is responsible for updating the Strategic Plan on an annual basis and the Plan will be approved by the Council annually.
- 6.11 All expenditure prioritised will be in accordance with the Strategic Plan. Additional projects or initiatives identified throughout the course of the year will not be considered unless existing Strategic Plan projects and their budgets are deprioritised.

***Budget Framework and Timetable***

- 6.12 The RFO Manager is responsible for the development of the annual Budget Framework and Timetable each year, which will set out the proposed guidelines and timescale for the setting of the annual Revenue and Capital Budget based on the financial strategy set out in the Medium Term Financial Strategy and Strategic Plan.

The Budget Framework and Timetable will be reported to and approved each year by the Budget Sub-Committee and, subsequently, the Council.

***Budget Preparation and Approval***

- 6.13 The RFO is responsible for ensuring that the Revenue and Capital Budget is prepared each year in accordance with the Budget Framework, and that the Council Precept is presented to the Council in time to be set in line with the Durham County Council deadline.
- 6.14 The Budget Sub-Committee is responsible for considering the draft service revenue and capital budgets in respect of the Council.
- 6.15 Full Council are responsible for the setting of the Council Precept and the level of Parish Council Tax as well as considering information on the robustness of the budget and the adequacy of the Council's balances and reserves in accordance with Section 25 of the Local Government Act 2003.
- 6.16 The Precept Form is signed by the Chairman of the Council and RFO and forwarded to Durham County Council as the council tax billing authority usually by no later than the end of January each year.
- 6.17 The draft budgets will be prepared in full consultation with service managers to enable the budgets reflect the strategic aims of the Council. Detailed budget guidance notes, supported by training as necessary, will be provided to managers to help them understand their responsibilities in relation to budget preparation.
- 6.18 Detailed estimates of income and expenditure will be prepared for all revenue budgets, supported by budget working papers wherever possible. All changes to the budgets in respect of inflation, unavoidable budget growth, investment in services, efficiency savings and changes in income will be clearly identified, fully evidenced, and retained on a budget working paper file.

Previous and current year's actual expenditure and income levels will be clearly identified in the budget information reported to Committees in order to enable Members' to make comparison with actual spending and income levels in considering the budget proposals.

- 6.19 Any requests for additional investment in existing or new services in the Revenue Budget, not already approved by the Council, will be clearly identified and explained in budget reports to ensure that they are subject to proper consideration prior to recommendation by the Budget Sub-Committee and approval by the Full Council.
- 6.20 The Strategic Plan Budget will be developed with priority given to those projects that contribute to the delivery of the Council's Asset Management Register. Any other capital budget requests will be clearly identified and explained in budget reports to ensure that they are subject to proper consideration prior to recommendation by the Budget Sub-Committee and approval by the Full Council.
- 6.21 The RFO will prepare the Council's Budget Document each year, make this available for public inspection, and supply each Member and senior officer of the Council with a copy.
- 6.22 The approved Revenue and Capital Budgets will form the basis of financial and budgetary control of the Council's spending and income for the following year.

***Budget Format***

- 6.23 The general format of the budget will be determined by the RFO and agreed by the Full Council at the time the annual Revenue and Capital Budget is approved.
- 6.24 The budget format will be based around and take into account any statutory or recommended accounting formats in place at the time.
- 6.25 The format of the budget will detail the allocation of resources to individual service areas, break down income and expenditure into specific classes and categories and include prior year spending and income figures. It will also include an explanation of the proposed precept and council tax and the levels and proposed use of Council balances and reserves.

***Robustness of Budget Estimates and Adequacy of Reserves***

- 6.26 It is the responsibility of the RFO to provide assurance to the Council each year on the robustness of the annual budget and the adequacy of the Council's balances and reserves in accordance with Section 25 of the Local Government Act 2003.

## 7.0 **Budget Monitoring and Budgetary Control**

- 7.1 It is the responsibility of service managers to monitor and control income and expenditure within the approved budgets for their service areas. Every effort should be made to ensure that expenditure and income are managed and controlled within the approved totals included in each service revenue budget.
- 7.2 However it is acknowledged that in some cases expenditure and income are not directly controllable by service managers and that it may not always be possible to control income and expenditure within budget, for example maintenance costs, gas, electricity and water costs etc.
- 7.3 The RFO should be notified of any other potential budget over spends as soon as possible and controllable expenditure over and above the amounts included in the appropriate service revenue budgets should only be incurred in consultation with and with the agreement of the RFO.
- 7.4 Any transfers of unspent resources between service revenue budgets and financial years must be made in line with the rules set out in Section 8 of the Financial Regulations - Virement and Treatment of Year End Balances.
- 7.5 It is the responsibility of the RFO to provide clear, timely and understandable financial information to managers on a regular basis and to provide financial advice and training as required to allow managers to carry out their budget monitoring and budgetary control responsibilities.
- 7.6 The RFO is also responsible for reporting budgetary control to Members and will report to Finance and General Purposes Committee on a monthly basis, including explanations of any material variances.
- 7.7 The Clerk may incur unbudgeted expenditure on behalf of the Council which is of an emergency nature e.g. where it is necessary to carry out a repair or other work which is of such urgency that it must be undertaken immediately.
- 7.8 This is subject to a financial limit of £4,000, and thereafter the procurement must be made in line with the Standing Orders for Contracts and Procurement.
- 7.9 The Clerk will then need to report the action to the Finance and General Purposes Committee as soon as practicable thereafter.

## 8.0 **Virement and Treatment of Year End Budget Balances**

### ***Virement***

- 8.1 Virement relates to the transfer of unspent budget resources from one budget head to another or one service budget to another.
- 8.2 Any virement of budgets must be approved by the Finance and General Purposes Committee.

### ***Treatment of Year End Budget Balances***

- 8.3 The RFO is responsible for agreeing the procedures for the carry forward of savings on approved budgets and also for the treatment of any overspending on approved budgets.
- 8.4 Where a service overspends its approved budget, the overspend will be taken into account in conjunction with the overall year end budget position of the council. Should the overall year end budget position of the council be overspent, the overspend will be taken from the General Reserve.
- 8.5 Where a service achieves a saving on its approved budget, and where there is a proven commitment in the following year for which no budget provision is already available, no carry forward of the unspent resources may be permitted.
- 8.6 Any unspent Revenue Budget resources that have not been requested and approved to be carried forward to the following year, will be transferred to the Council's General Reserve and re-allocated to the Council's Earmarked Reserves as part of the year-end closedown process.

### **9.0 Banking and Investment Arrangements**

- 9.1 The Council's banking arrangements, including the authorised bank mandate, will be made by the RFO and approved by the Council. Banking arrangements will be reviewed periodically to ensure they continue to meet the Council's requirements and provide security and value for money.
- 9.2 (i) One current account is currently maintained at the Council's bank, and is used to account for all payments made by the Council for goods and services and staff salaries and wages
- (ii) One public sector account is currently maintained to hold the Precept Payment and LCTSS grant.
- 9.3 All cheques and BACS payments drawn on the general bank account, and any transfers between bank accounts or to and from investments must be signed and then electronically authorised by two of the authorised signatories on the Council's bank mandate.
- 9.4 The two following officers are currently authorised on the bank mandate:-
- Clerk to the Council.
  - Deputy Clerk.
- 9.5 Authorised officers use an internet banking facility to undertake many of the day to day banking functions including checking balances, making payments by BACS.

Transfers between the public sector account and the current account is completed by a bank authorised "sweep" which will transfer the requisite funds into the imprest account, should balances be below the expenditure required.

- 9.6 Each of the two authorised officers has their own smart card and personal identification number (PIN) and will access the internet banking function using a card reader machine issued by the Council's bank.
- 9.7 The Clerk and the Deputy Clerk have system administrator permissions to authorise payments and make bank transfers, in accordance with the Council's bank mandate.
- 9.8 The Finance and Administration Officer has limited access which allows payments and transfers to be imported and bank accounts to be viewed, but which does not allow authorisation of payments or other system administrator permissions.
- 9.9 However, there may be occasions where both system administrators are not present e.g. when one member of staff is on holiday, and in such cases the remaining member of staff is permitted to undertake both elements of the approval using the other system administrator's smart card and PIN.
- 9.10 However, this is subject to the requirements set out elsewhere in these Financial Regulations that the payment or bank transfer has been signed and authorised by two officers from the bank mandate.
- 9.11 The smart cards and the card reader machine are securely held in the parish council office whilst the PIN's are known only to authorised members and are held in a sealed envelope in the office safe.
- 9.12 A monthly bank reconciliation will be undertaken by the RFO agreeing all entries on the bank statements to payments, receipts and bank transfers for the month as recorded in the Council's financial management system. Copies of the bank reconciliation and all bank statements received from the Council's bank will be held on file in the parish council office.
- 9.13 A summary of invoices for payment from the Council's current bank account and transfers made between accounts for each month will be prepared by the RFO and reported to each meeting of the Finance and General Purposes Committee.
- 9.14 The Council does not have or require an authorised overdraft limit and the RFO will ensure that the current account does not become overdrawn.
- 9.15 Short term surplus cash flow resources are currently held the Public Sector Account, both of which offer high security and instant access to the money, whilst providing a small interest return to the Council.

## 10.0 **Purchase Ordering and Payments for Goods and Services**

### ***General***

- 10.1 All procurement undertaken by the Council will be made in accordance with the Public Contracts Regulations 2015 and the Council's own Standing Orders for Contracts and Procurement which set out the specific requirements and procedures to be undertaken by officers prior to undertaking procurement activity, as well as the rules for contracts and tendering.
- 10.2 This section of the Financial Regulations therefore focusses on the requirements and procedures relating to the actual process of ordering and making payments for goods and services. It should be noted that the Council's Purchase Ordering and Payments for Goods and Services Policy provides more detailed procedures in respect of this area of the Financial Regulations.

### ***Public Contracts Regulations 2015***

- 10.3 The Public Contracts Regulations 2015 set out the rules for the procurement of goods, services and works, above certain thresholds, by public authorities.
- 10.4 A public contract regulated by the Public Contracts Regulations 2015 with an estimated value in excess of £181,302 for a public service or supply contract or in excess of £4,551,413 for a public works contract (or other thresholds determined by the European Commission every two years and published in the Official Journal of the European Union (OJEU)) shall comply with the relevant procurement procedures and other requirements in the Public Contracts Regulations 2015 which include advertising the contract opportunity on the Contracts Finder website and in OJEU
- 10.5 A public contract regulated by the Public Contracts Regulations 2015 with an estimated value in excess of £181,302 for a public service or supply contract or in excess of £4,551,413 for a public works contract (or other thresholds determined by the European Commission every two years and published in the Official Journal of the European Union (OJEU)) shall comply with the relevant procurement procedures and other requirements in the Public Contracts Regulations 2015 which include advertising the contract opportunity on the Contracts Finder website and in OJEU.

- 10.6 The Council's Standing Orders for Contracts and Procurement provide further details of the specific requirements of Public Contracts Regulations in relation to the above.

***Responsibilities and Separation of Duties***

- 10.7 The Members' and Officers' Codes of Conduct require all Members and senior officers to make declarations of interests. This includes any relationships or interests with a supplier of the Council and any offers of gifts or hospitality by a supplier. Members and senior officers are responsible for declaring any such interests in order to ensure that no special favour is shown to businesses run by family or friends.
- 10.8 The key principle of separation of duties will be observed, as far as is practicable within the staffing resources available, throughout the process of purchase ordering and payments for goods and services.
- 10.9 Responsibility for raising orders for goods and services and receiving those goods and services lies with those officers who are authorised to do so within each service area of the Council.
- 10.10 Responsibility for the authorisation for payment of invoices received from suppliers in respect of goods and services may only be undertaken by a senior officer of the Council.
- 10.11 Responsibility for the actual payment of all invoices for goods, services and works provided to the Council and for recording and reconciling expenditure in the Council's financial management system lies with the Administration Section.
- 10.12 As a minimum, the duties of checking, paying and recording sums payable by the Council by Administration staff will be separated completely from the duties of ordering and receiving goods, and the certifying and authorising expenditure by authorised officers of the Council.

***Purchase Orders***

- 10.13 All requests for goods and services will be made using a purchase order, with the exception of the following payments:-
- Payments made by direct debit or standing order;
  - Petty cash purchases.
- 10.14 In order to comply with the minimum expected level of internal control and to help ensure value for money, the duties of placing the purchase order, receiving the goods or services and certifying the purchase order for payment following receipt of the goods and services, must be separated as far as possible.
- 10.15 Officers authorised to raise and certify purchase orders are set out in the Council's Approved List of Authorised Signatories which is attached to the Financial Regulations as Appendix 1. Members cannot issue orders.

- 10.16 All officers are responsible for ensuring value for money at all times. An officer issuing an official order must ensure, as far as reasonable and practicable, that the best available terms have been obtained in respect of each transaction.
- 10.17 Completed purchase orders must include enough detail on the order, including the price of goods or services, to enable proper checks to take place when the order is being matched to the subsequent invoice prior to payment. If multiple orders are being placed, each individual item or set of items must be shown on a separate line.
- 10.18 Purchase orders must be coded to the appropriate account code and cost centre using the Council's Approved Code List thereby ensuring that the expenditure is charged against the correct budget. Authorised officers must ensure that only codes relating to their own responsible budget areas are used unless otherwise directed by the Clerk.
- 10.19 Service Managers must appropriately code purchase orders in line with their budgets. Incomplete purchase orders will be returned to the manager to complete before re-submission.
- 10.20 Purchase orders should be placed with a supplier included on the Council's list of suppliers, where possible. If a new supplier is required to be added to the supplier list, this must be requested and approved by the Clerk.
- 10.21 Verbal orders must not be placed, except in emergency circumstances.
- 10.22 The Council's approved Standing Orders for Contracts and Procurement require that any procurement over the value of £4,000 is subject to the obtaining of three competitive quotes, unless an exemption from the requirements of the Standing Orders applies. Please refer to the Standing Orders for further details.
- 10.23 Officers receiving delivery of goods should examine them at the point of delivery, checking all items against the delivery note or original order, and then sign, whether this is manually or electronically, only for those items present. The officer must then ensure that the goods are stored in a secure area. Signed delivery notes should be retained in order to enable the proper certification of purchase orders when the invoice is subsequently received.
- 10.24 Purchase orders must be certified by an authorised officer following the receipt of the goods and services to confirm that they have been received as per the original order and to an acceptable standard and quality. Certifying a purchase order means that responsibility is taken for the subsequent expenditure.
- 10.25 Wherever possible, certification of purchase orders should be made by reference to the signed delivery note, or other proof that the works, goods or services have been received.
- 10.26 When invoices are subsequently received for payment, the Deputy Clerk will cross check the invoice back to the appropriate purchase order, check the

invoice for reasonableness, arithmetical accuracy, coding and treatment of VAT before passing the invoice onto the relevant service area for authorisation.

- 10.27 Invoices should then be checked by an authorised officer particularly in relation to the price and coding, and authorised for payment.
- 10.28 The invoice will then passed back to the Administration and Finance Officer for processing in line with Financial Regulations 10.58 to 10.67.
- 10.29 In no circumstances should the same officer raise a purchase order, receive the goods and services, certify the order and authorise the invoice for payment.
- 10.30 Where possible only a senior officer of the Council should authorise invoices for payment. Senior officers are the Clerk, Deputy Clerk, SWC Manager and Parks and Cemetery Manager.

#### ***Regular Payment Invoices***

- 10.31 Regular payment invoices relate to those payments which are received on a regular basis e.g. once a year, quarterly or monthly. Examples include machine rentals, service agreements, Insurance premiums, subscriptions etc.
- 10.32 Purchase orders are required to be raised for regular payments.
- 10.33 Invoices should be checked by an authorised officer particularly in relation to whether the goods or service are still required, the price, and the coding, then authorised for payment and passed back to the Administration and Finance Officer for processing in line with Financial Regulations 10.58 to 10.67.

#### ***Direct Debits and Standing Orders***

- 10.34 A direct debit or standing order may also be set up to make a regular payment where this is cost effective i.e. to achieve a lower price or avoid charges for paper billing, or where this is required by the supplier as a condition of the sale. Examples include gas and electricity bills, fuel costs, business rates, loan repayments, bank charges and telephone bills.
- 10.35 Direct debit instructions must only be set up by an authorised officer.
- 10.36 Invoices received in respect of direct debits or standing orders will be checked by the Deputy Clerk for reasonableness, arithmetical accuracy and VAT and coded before being authorised for processing in line with Financial Regulations 10.58 to 10.67.
- 10.37 Direct debit invoices will be filed on a direct debit file and reconciled to the bank account when the payment is taken, via the cash book and bank reconciliations.

#### ***Cheque Requisitions***

- 10.38 Service managers may need to request that a manual cheque is raised.
- 10.39 Cheque requisitions will be required where the council's weekly BACS limit may be exceeded.

- 10.40 Cheque requisitions are also used where 'cash' is required e.g. to top up a petty cash float or to make a Chairman's Allowance payment.
- 10.41 Other payments made by cheque requisition include,
- (i) Council donations.
  - (ii) PAYE
  - (iii) Pension Contributions.
  - (iv) Attachments of earnings.

### ***Council Debit Card***

- 10.42 On rare occasions, service managers may need to request the use of a Council debit card for the purchase of goods or services.
- 10.43 Examples of occasions where the Council debit card would be used would be purchases made over the telephone or internet, train or hotel bookings, and emergency purchases where the supplier will not accept a purchase order.
- 10.44 The Council may hold one debit card, and will be kept in the safe in the SWC at all times until required for use. This is administered by the Deputy Clerk who will make and record all debit card purchases.
- 10.45 This arrangement allows separation of duties between requests to use the card by service managers, its actual use by the Deputy Clerk, and the checking, coding and payment of the debit card bills will be undertaken by the Clerk in addition to any pre-existing audit arrangements.
- 10.46 All purchases required to be made using the debit card must be made via the Deputy Clerk who will seek approval from the Clerk. All purchases will be logged in a 'debit card purchases record', which is held in the parish office.
- 10.47 Debit card purchases are paid by direct debit. Invoices are received by the Deputy Clerk and checked for reasonableness and accuracy. The invoice is then passed to the Administration and Finance Officer, who will reconcile it to the debit card purchases record, and code up all purchases to the appropriate budget.
- 10.48 Debit card invoices are then passed to the Clerk for authorisation and passed back to the Deputy Clerk for processing in line with Financial Regulations 10.55 to 10.67.
- 10.49 Personal credit or debit cards must not be used under any circumstances.
- 10.50 The council's debit card will be locked in the safe in the parish offices at all times and only be retrieved for use. Under no circumstances should it leave the parish offices.

### ***Petty Cash Floats***

- 10.51 All service areas may be provided with a small petty cash float if required.

10.52 Petty cash floats allow responsible officers to purchase small sundry or one-off items that may be required immediately to meet operational needs, without the need to raise a purchase order.

10.53 Petty cash floats are currently authorised for the Council Offices for £700.

10.54 The general rules to be applied to petty cash are as follows:-

- (a) There is a petty cash float limit of £700
- (b) Receipts must be retained for payments made from petty cash to substantiate the payment and VAT receipts should be requested for all purchases to which VAT applies.
- (c) Claims to reimburse petty cash floats must be made to the Administration and Finance Officer as and when required via a Petty Cash Claim Form accompanied by receipts for all payments claimed for;
- (d) In no circumstances should any income received by the service area be paid into the petty cash float. Income must be separately banked, as set out elsewhere in these Regulations;
- (e) Payments to reimburse Petty Cash Floats will be made by the Finance and General Purposes Committee and drawn against the Council's current bank account.
- (f) The Administration and Finance Officer will keep records of all petty cash top ups;
- (g) Petty cash will be posted up and reconciled on a regular basis by the Deputy Clerk.
- (h) The Chairman of the Finance and General Purposes Committee independently checks petty cash balances on a quarterly basis.

#### **Payment of Invoices by Cheque and BACs**

10.55 The process of invoice payment and the subsequent accounting for expenditure relating to debtor payments on the RBS Omega Financial Management System is the responsibility of the Administration and Finance Officer and is therefore completely separated from the purchase ordering process.

10.56 Authorised invoices are filed on an 'invoices awaiting payment' file and a schedule of payments list will be presented to the Finance and General Purposes Committee for approval.

10.57 The Deputy Clerk will take all possible steps to settle all invoices which are in order and on which there is no dispute, within the supplier's payment terms.

10.58 Where a supplier requests immediate payment or payment in advance, the Clerk may authorise a cheque payment, in consultation with the Chairman of the Finance and General Purposes Committee; which will be checked and signed by two cheque signatories. The Clerk will then report the authorised payment at the next ordinary meeting of the Finance and General Purposes Committee

- 10.59 Payments to creditors are made by cheque or BACS transfer and the Council actively encourages suppliers to accept payment by BACS transfer as this is a quicker and cheaper method of payment.
- 10.60 Only the individuals named on the Council's approved bank mandate are authorised to sign cheques and approve BACS payments.
- 10.61 The Deputy Clerk is responsible for undertaking a final check of the invoices due for payment, including querying any invoices or payments which look unusual, and then authorising the payment run to go ahead.
- 10.62 For cheque payments, the required number of cheques will be signed out of the stock of cheques held in the office safe. The cheques will then be printed off and signed by two of the Members from the bank mandate, before being sent to the supplier.
- 10.63 Any changes to supplier records, and in particular bank details, must only be actioned following receipt of a formal notification from a supplier.
- 10.64 All BACS, direct debit, debit card payments and invoices for payment shall be presented to the Finance and General Purposes Committee on a monthly standing item on the agenda for payments to be authorised by Members.

***Checking, Recording and Reporting Payments for Goods and Services***

- 10.65 All payments to creditors for goods and services will be recorded in the Council's RBS Omega Financial Management System and the creditor's account will be reconciled on a monthly basis.
- 10.66 All creditors' expenditure will also be checked and verified independently to supplier statements, invoices, and via the cash book and bank reconciliations on a quarterly basis by the Chairman of the Finance and General Purposes Committee.
- 10.67 Internal audit checks will also be undertaken twice yearly on the purchase order system and creditors' payments.

***Openness of Local Government Regulations 2014***

- 10.68 The Openness of Local Government Regulations 2014 requires the Council to publish on its website details of any officer decision to award a contract or incur expenditure which materially affects the Council's financial position.
- 10.69 In accordance with the Standing Orders for Contracts and Procurement the Council has determined that any expenditure over the value of £4,000 will be deemed 'material', and therefore a written record of any officer decision to incur expenditure over the value of £4,000 must be published on the Council website.
- 10.70 In many cases, the relevant decisions made by officers will have already been reported to the Council or a Committee as a matter of course e.g. in the case of capital expenditure and major contracts.

10.71 However, it must be ensured that any decisions not reported to the Council or a Committee e.g. in the case of revenue expenditure, are recorded on a 'Record of Officer Decision to Award a Contract or Expenditure Over the Value of £4,000' form and published on the Council website.

### ***Local Government Transparency Code 2015***

10.72 The Local Government Transparency Code 2015 constitutes recommended practice for town and parish councils and one of the key requirements of this Code is the publication of all items of expenditure over £500.

10.73 The Council publishes all expenditure over the value of £500, on a monthly basis, on the Council website.

## **11.0 Payment of Salaries and Members' Allowances**

11.1 The Council must make payments of salaries, wages, and members' allowances in accordance with the statutory requirements placed on all employers by current PAYE and National Insurance legislation issued by HM Revenues and Customs, as well as all other relevant legislation such as pension regulations and statutory sickness, maternity and paternity pay rules.

11.2 All employee related payments will also need to be made in accordance with the National Joint Council for Local Government Services (NJC) National Agreement on Pay (otherwise known as 'the Green Book'), the requirements of the Durham County Pension Fund, the Council's approved staffing establishment, the terms and conditions set out in individual contracts of employment, and the approved Members and Officers' Allowances Scheme.

11.3 The Clerk is paid in accordance with the National Agreement on Pay and Conditions of Service for Clerks as recommended by the National Association of Councils (NALC) and Society for Local Council Clerks (SLCC).

11.4 The Clerk is responsible for ensuring that all relevant legislation, Council policies and other requirements relating to the payment of salaries and wages are complied with.

11.5 No changes will be made to any officer's pay or terms and conditions of employment without the approval of the Council's Personnel Sub Committee. The Personnel Sub Committee will also be responsible for approving any redundancy or termination payments, and any early and flexible retirement requests.

11.6 Timesheets are required to be completed for all weekly paid staff and for any member of staff claiming overtime or working outside of normal working hours. All timesheets must be certified for accuracy and completeness by the relevant service manager or another authorised officer.

11.7 Claims for car mileage, subsistence and other expenses such as train fares and parking charges, must be made on an official claim form, supported by receipts or

other evidence and duly authorised by the appropriate manager. Payments will be made in accordance with the Council's approved Members and Officers' Allowances Scheme.

- 11.8 Payments of Members' Allowances and any claims for subsistence and mileage expenses by members will be made in accordance with the Council's approved Members and Officers Scheme.
- 11.9 Employers' and employees' pension contributions in respect of staff who are members of the Local Government Pension Scheme will be calculated in accordance with relevant pension regulations, automatic enrolment requirements and the rules and requirements of the Durham County Pension Fund.
- 11.10 The payment of all salaries and wages to staff and Members' Allowances will be made by the Deputy Clerk or other authorised officer from the Council's current bank account. The weekly timesheets and payrolls will be checked for accuracy and signed off by the Clerk, prior to payments being made.
- 11.11 Weekly payroll related payments made by cheque to HM Revenues and Customs in respect of Income Tax and National Insurance Contributions, Durham County Council in respect of pension contributions, as well as trade union contributions, will also be checked and signed off by the Deputy Clerk prior to being paid.
- 11.12 All employee related payments including salaries, wages, allowances, income tax, national insurance and pension contributions will be recorded on the Current Bank Account analysis referred to in paragraph 9.15 and reported to each meeting of the Finance and General Purposes Committee.

## 12.0 **Collection and Banking of Income**

### ***Responsibilities and Separation of Duties***

- 12.1 The principle of separation of duties shall be observed in connection with collection and banking of income, as far as is practicable within the staffing resources available. As a minimum, separation of duties must be observed in respect of the following areas:-
- (a) The duty of collection and preparation for banking of income, and the duty of checking, recording and reconciling that income;
  - (b) The duty of requesting a sales invoice or calculating an amount due to the Council, and the process of raising a sales invoice and recording and reconciling the subsequent income.
- 12.2 The Clerk supported by the Deputy Clerk and Administration and Finance Officer, is ultimately responsible for the collection of all monies due to the Council, and the raising of all invoices for work carried out, services rendered, or goods supplied by the Council.
- 12.3 The Deputy Clerk is responsible for the following income collection procedures:-

- setting up customers on the computerised sales ledger;
  - checking the calculation of the amount due or charge levied;
  - setting the payment terms;
  - ensuring the correct VAT treatment;
  - ensuring the correct coding;
  - raising the invoice;
  - sending out reminder letters; and
  - co-ordinating recovery action.
- 12.4 The Council's Budget Sub-Committee will consider all fees and charges for goods provided and services rendered by the Council, annually, and make recommendations to the Council around the time that the Council Budget is set.
- 12.5 Outstanding debts will be reported to the Finance and General Purposes Committee on a monthly basis. The Deputy Clerk is responsible for the recovery of all outstanding debts. Any requests for the write off any irrecoverable debts will be reported to and approved by the Finance and General Purposes Committee.
- 12.6 The detailed systems and procedures for the collection and banking of all sums due to the Council are set out in the Income Collection and Debt Recovery Policy.
- Raising of Sales Invoices, Monitoring of Debt and Recovery Action**
- 12.7 All requests to raise a sales invoice for income due to the Council must be made on an official sales order requisition, from the responsible officer within the relevant service area, authorised by the appropriate service manager, and forwarded to the Deputy Clerk.
- 12.8 All sales order requisitions should be priced, wherever possible using the Council's approved fees and charges schedule.
- 12.9 Sales order invoices will be raised and sent out by the Deputy Clerk as soon as possible following receipt of a sales order requisition and will show the following information:-
- Name and address of the Council;
  - Name and address of the customer;
  - Invoice date;
  - Description of the goods / services provided;
  - Invoice value including any VAT chargeable;
  - Payment terms; and
  - The Council's bank details.
- 12.10 There are currently three forms of payment available which are cash, cheque and BACS, and the Council's bank details are stated on the invoice.

- 12.11 At the end of each month a debtors list is produced showing outstanding debtors and the age of the debt. A statement is then sent out for those debtors, which are outside of the payment terms, stating that the amount is overdue and needs paying as soon as possible.
- 12.12 Reminder letters will be sent with threat of further recovery action if outstanding debts are not paid, followed up with a telephone call to the debtor.
- 12.13 If the debt has not been cleared, a final notice will be sent informing the debtor that the debt may now be passed to a collection agency or small claims court for recovery. The debt will also be referred back to the originating service manager for appropriate action e.g. withdrawal of use of parish council facilities. Refer to the councils approved Debtors Policy for further details.
- 12.14 If the payment is still not forthcoming, a judgement will then be made by Clerk, as to whether the debt should be referred for legal action. The materiality of the debt will need to be taken into account as taking legal action would incur solicitor and court costs which would need to be added to the debt.
- 12.15 If the debt is considered uncollectable or immaterial, it would be referred to the Council's Finance and General Purposes Committee to consider write off.

#### **Collection of Income**

- 12.16 All cash and cheques received at the Council Offices will be logged by authorised officers and then forwarded to the Deputy Clerk. Examples of income received at the Council Offices include football pitch charges, dog bag sales and payments in respect of sales invoices raised.
- 12.17 Each cash or cheque payment will be receipted using an official Council receipt book. There are currently three separate receipt books, one for cemeteries receipts, one for SWC receipts and one for administration receipts. A separate receipt book for Horden Recreation Ground income is part of the charity accounts and not included in Council income.
- 12.18 Once receipted, all cash and cheque received will be held in a cash box in the parish office safe prior to banking, usually on a weekly basis, by the Deputy Clerk. Prior to banking, all receipts will be individually recorded on a weekly banking sheet and a bank paying in slip will be completed and retained for all banking.
- 12.19 Income in respect of the SWC bar will be cashed up and reconciled to the till at the end of each shift by the SWC Manager or other authorised member of staff. All income will then be checked, recorded and prepared for banking, on a weekly basis, and signed off by the Deputy Clerk or Administration and Finance Officer.
- 12.20 The Deputy Clerk will independently check all SWC collections and banking to actual till readings to ensure their accuracy, prior to posting the income to the SWC bar income budget. Valid explanations will be required for any over or under banking.

- 12.21 The Council's insurance policy provides cover for cash held in safes and in the custody of Council staff e.g. when being prepared for banking or taken to the bank. The Clerk will review this insurance regularly and ensure that the level of cover remains appropriate.
- 12.22 All banking are recorded on banking sheets and reconciled to the Council's bank accounts on a weekly basis via the cash book reconciliation.
- 12.23 In no circumstances will personal cheques be cashed out of money held on behalf of the Council.
- 12.24 Change floats and one-off temporary change floats will be provided to the offices, SWC and cemetery as required, and will have a limit of £700.

#### **Payments Received via Credit and Debit Card**

- 12.25 The Council do not currently accept payments by credit and debit card.

#### **Receipt of the Precept, Grants and Other Funding**

- 12.28 The Clerk is responsible for ensuring that all grants and other funding provided by external bodies including the Precept from Durham County council, Council Tax Support Grant and other applicable grants are properly claimed, received promptly, checked for accuracy, properly recorded in the Council's Accounts, and only used for the purposes for which they were awarded.

### **13.0 Loans**

- 13.1 Responsibility for the approval of any new external borrowing and any rescheduling of existing borrowing lies with the Council and would be based on advice provided by the Clerk.
- 13.2 Any new loans will be negotiated on behalf of the Council by the Clerk. All borrowings will be taken out in the name of the Council. The Council's approved method of borrowing will be Public Sector Loans Board (PWLB) loans and all borrowing will be made up of fixed interest rate loans so as not to subject the Council to the risks associated with interest rate fluctuation.
- 13.3 The revenue costs of the Council's current outstanding borrowing will be regularly monitored and reviewed by the Clerk. Rescheduling or early repayment of debt will be considered only where it is financially advantageous for the Council to do so. A number of factors would need to be considered including balancing the savings that may be made in interest payable and annual repayment costs, against the reduction in Council balances in order to repay the debt, and the premiums that might be payable in order to do so.
- 13.4 Borrowing for capital projects will only be considered where absolutely necessary i.e. where there is no other funding is available.

13.5 Proper records of loans will be maintained and regularly reconciled to actual repayments made and current balances outstanding.

#### **14.0 Capital Programme Works and Contracts**

14.1 The Council's detailed rules for all procurement relating to capital programme works including the award and management of contracts and tendering processes are set out separately in the Standing Orders for Contracts and Procurement.

#### **15.0 Management of Consumable Stocks**

15.1 The manager in charge of each service area is responsible for the care and custody of any consumable stocks utilised in the provision of that service.

15.2 A stock card system or other method of stock control should be maintained, where appropriate, for all material consumable stocks held by the Council.

15.3 Delivery notes should be retained where available in respect of all goods received into stocks, and all goods must be checked with regard to quantity and quality at the time delivery is made.

15.4 As a general rule, stocks should be maintained at the minimum levels consistent with operational requirements.

15.5 The Internal Auditor is responsible for organising annual checks of all stocks and stores. An external stock taker will be engaged to undertake monthly stock checks in respect of the Council's SWC bar function and to report on profitability.

#### **16.0 Management of Assets and Inventories**

16.1 The manager in charge of each service area is responsible for the care and custody of any assets such as plant, vehicles, machinery and equipment utilised in the provision of that service.

16.2 The Deputy Clerk will maintain a fixed asset register for all major plant, vehicles, machinery and equipment over the value of £100.

16.3 Service managers are responsible for maintaining up to date inventory records for all fixtures, fittings, machinery and equipment utilised in their service areas, in accordance with internal audit requirements.

16.4 The Internal Auditor is responsible for ensuring the periodic checking of inventory records in respect of specific service areas on an annual basis.

16.5 The Deputy Clerk, supported by the relevant service managers, will be responsible for maintaining a schedule of estimated life and replacement costs

for all material plant, vehicles, machinery and equipment in line with the requirements of the Asset Management Register.

## **17.0 Asset Management of Land and Property**

17.1 The Clerk, supported by the relevant service managers is responsible for ensuring that the Council's Asset Management Register is maintained and updated and that the supporting Action Plans are monitored and implemented.

17.2 The Asset Management Register helps to ensure the strategic long-term management of the Council's land and buildings and other assets in order to optimise their utilisation in terms of service benefits and service return, and to identify long term maintenance and capital investment requirements.

17.3 The Clerk will also make appropriate arrangements for the custody of title deeds and Land Registry Certificates of properties and land owned by the Council and ensure that records are maintained recording the location, plans, land registry reference, purchase details, nature of the interest, tenancies, leases or licences granted, rents payable and the purpose for which held.

17.4 The Deputy Clerk will ensure that all land and properties owned by the Council, are included on the Council's Asset Register and that they are revalued as necessary for accounts and insurance purposes.

17.5 No land or property shall be purchased or otherwise acquired, or sold, leased or otherwise disposed of without the authority of the Council and all transactions involving land and property shall be reported to and subject to the approval of Finance and General Purposes Committee.

## **18.0 Insurance Arrangements**

18.1 The Clerk is responsible for managing and arranging the Council's insurance cover and negotiating all claims with the Council's insurers in consultation with the Deputy Clerk or relevant service manager.

18.2 As a minimum, the Council's insurance policy will cover the following areas:-

- Public liability cover of £10 million;
- Employers liability cover of £10 million;
- All risks property damage cover for all Council buildings, plant, machinery, contents and computer equipment (with the exception of play equipment);
- Theft cover for all contents, machinery, and office equipment;
- Motor insurance cover for all Council vehicles;
- Business interruption cover;
- Cover for all cash held in safes and cash in transit;
- Libel and slander cover;
- Legal expenses cover;

- 18.3 The Clerk or service managers, shall give prompt notification to the Deputy Clerk of all new or increased risks from the Council's Corporate Risk Register that require a possible change to the Council's insurance arrangements.
- 18.4 Service managers must also inform the Deputy Clerk of any new purchases or disposals of plant, vehicles, machinery or equipment, which require insurance, and of any other changes to services that may affect existing insurance cover.
- 18.5 The Deputy Clerk will keep a record of all insurance policies held by the Council, including full details of the property, plant, vehicles, machinery and equipment and risks covered by the policies.
- 18.6 The Deputy Clerk will also maintain a comprehensive record of all insurance claims, covering both open and closed claims, and including copies of all correspondence and evidence relating to the claims.
- 18.7 The Council's insurance arrangements will be reviewed every year by the Clerk. The Deputy Clerk will also meet periodically with the Council's insurers to discuss and review the Council's insurance arrangements.
- 18.8 The Deputy Clerk must be promptly notified of any accident, loss, liability, physical damage, or any other event likely to lead to an insurance claim. This is the responsibility of the appropriate service manager.
- 18.9 Service managers must ensure that any potential insurance claims are evidenced as far as possible. Managers may be required to assist or liaise with the Council's insurers in relation to any claims made. A crime reference number must be sought from the police for all claims involving criminal damage or other criminal activity.
- 18.10 All Members and officers of the Council will be covered by personal accident insurance during official duties and fidelity guarantee insurance will be put in place to protect the Council against employee or Member fraud and corruption.
- 19.0 **Taxation**
- 19.1 The Clerk is responsible for advising Members and officers on all taxation issues affecting the Council, maintaining the Council's tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date, and co-operating with any tax inspection visits.
- 19.2 The main taxation issues relevant to the Council are employee related taxes such as PAYE and National Insurance Contributions and VAT which are all payable to HM Customs and Revenues.
- 20.0 **Update of the Financial Regulations**
- 20.1 The Clerk is responsible for ensuring that the Financial Regulations are reviewed on an annual basis, updated where necessary, and that any changes are reported to and approved by the Council.

These Financial Regulations were approved by Horden Parish council at their meeting on: 10<sup>th</sup> May 2018.

Minute Reference: HPC 18/19/007