

BISHTON COMMUNITY COUNCIL

CYNGOR CYMUNED TRESEFGOB

FINANCIAL REGULATIONS

These Financial Regulations must be observed in conjunction with Bishton Community Council's (the Council) Financial Regulations and any individual financial regulations relating to contracts.

1. GENERAL

- 1.1 These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial regulations are one of the Council's three governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the Council's Standing Orders and any individual financial regulations relating to contracts.
- 1.2 The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.
- 1.3 The Council's accounting control systems must include measures:
 - for the timely production of accounts;
 - that provide for the safe and efficient safeguarding of public money;
 - to prevent and detect inaccuracy and fraud; and
 - identifying the duties of officers.
- 1.4 These financial regulations demonstrate how the Council meets these responsibilities and requirements.
- 1.5 At least once a year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.6 Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.

1.7 Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute and may represent a breach in the Councillor's Code of Conduct.

1.8 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly.

1.9 The RFO;

- acts under the policy direction of the Council;
- administers the Council's financial affairs in accordance with all Acts, Regulations and proper practices;
- determines on behalf of the Council its accounting records and accounting control systems;
- ensures the accounting control systems are observed;
- maintains the accounting records of the Council up to date in accordance with proper practices;
- assists the Council to secure economy, efficiency and effectiveness in the use of its resources; and
- produces financial management information as required by the Council.

1.10 The accounting records determined by the RFO shall be sufficient to show and explain the Council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments comply with the Accounts and Audit (Wales) Regulations and to prepare additional or management information, as the case may be, to be prepared for the Council from time to time.

1.11 The accounting records determined by the RFO shall in particular contain:

- entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure or receipts and payments account relate;
- a record of the assets and liabilities of the Council; and
- wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.12 The accounting control systems determined by the RFO shall include:

- procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
- procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the Council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

1.13 The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final budget or the precept (Council Tax Requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- addressing recommendations in any report from the internal or external auditors,

shall be a matter for the full Council only.

1.14 In addition, the Council must:

- determine and keep under regular review the bank mandate for all Council bank accounts;
- approve any grant or a single commitment in excess of £1,000; and
- in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant committee in accordance with its terms of reference.

1.15 In these financial regulations, references to the Accounts and Audit (Wales) Regulations or ‘the regulations’ shall mean the regulations issued under the provisions of section 39 of the Public Audit (Wales) Act 2004, or any superseding legislation, and then in force unless otherwise specified.

In these financial regulations the term ‘proper practice’ or ‘proper practices’ shall refer to guidance issued in Governance and Accountability for Local Councils in Wales - A Practitioners’ Guide issued by the Joint Practitioners Advisory Group (JPAG).

2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

- 2.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit (Wales) Regulations, appropriate guidance and proper practices.
- 2.2 The RFO shall complete the annual statement of accounts, annual report, and any related documents of the Council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them and report thereon to the Council within the timescales set by the Accounts and Audit (Wales) Regulations.
- 2.3 The Council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the Council shall make available such documents and records as appear to the Council to be necessary for the purpose of the audit and shall, as directed by the Council, supply the RFO, internal auditor, or external auditor with such information and explanation as the Council considers necessary for that purpose.
- 2.4 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the Council in accordance with proper practices.
- 2.5 The internal auditor shall:
- be competent and independent of the financial operations of the Council;
 - report to Council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;
 - to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
 - have no involvement in the financial decision making, management or control of the Council.

2.6 Internal or external auditors shall not under any circumstances:

- perform any operational duties for the Council;
- initiate or approve accounting transactions; or
- direct the activities of any Council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.

2.7 For the avoidance of doubt, in relation to internal audit the terms ‘independent’ and ‘independence’ shall have the same meaning as is described in proper practices.

2.8 The RFO shall make arrangements for the exercise of electors’ rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Public Audit (Wales) Act 2004, or any superseding legislation, and the Accounts and Audit (Wales) Regulations.

2.9 The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from internal or external auditors.

3. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING

3.1 The RFO must each year, by no later than January, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Finance Working Group and the Council.

3.2 The Council shall consider annual budget proposals in relation to the Council’s annual forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.

3.3 The Council shall fix the precept (Council tax requirement), and relevant basic amount of Council tax to be levied for the ensuing financial year not later than the date requested by Newport City Council each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

3.4 The approved annual budget shall form the basis of financial control for the ensuing year.

4. BUDGETARY CONTROL AND AUTHORITY TO SPEND

- 4.1 The following budgetary controls and authority to spend within this Section 4 must be observed in conjunction with the Council's Standing Orders and any individual financial regulations relating to contracts.
- 4.2 Anyone placing an order on behalf of the Council will ensure that good value and appropriate terms are obtained for the transaction. The following expenditure limits will apply -
- i. Orders with a value of £30 and over must be conducted using a Bishton CC debit card;
 - ii. The Chair can approve non-emergency discretionary expenditure up to the value of £100;
 - iii. The Clerk is authorised for all reasonable expenditure regarding the administration of Council business;
 - iv. Orders for values £500 to £2,000 will require a minimum of two quotations;
 - v. Orders for values above £2,000 will require three quotations;
 - vi. Contracts exceeding £50,000 require additional safeguards and will follow proper practice. All estimates will be subject to approval by full Council though while the Council is not obliged to accept the lowest quotation, the reasons for accepting the quotation will be recorded;
 - vii. Emergency expenditure is set to a maximum of £1,000;
 - viii. The Chair can approve emergency expenditure up to £500; and
 - ix. The Chair and Vice Chair together can approve emergency expenditure up to £1,000.
- 4.3 Contracts may not be disaggregated to avoid controls imposed by these regulations.
- 4.4 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the Council.
- 4.5 Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 4.6 The salary budgets are to be reviewed at least annually.
- 4.7 No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available.

- 4.8 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.
- 4.9 The RFO shall regularly provide the Council with a monthly statement of receipts and payments.

5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS

- 5.1 The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency.
- 5.2 All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Council.
- 5.3 The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading.
- 5.4 Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable or other interest, unless a dispensation has been granted.

6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS

- 6.1 The Council will make safe and efficient arrangements for the making of its payments.
- 6.2 Following authorisation under Financial Regulation 5 above, the RFO shall give instruction that a payment shall be made.
- 6.3 All payments shall be effected by cheque or other instructions to the Council's bankers, or otherwise, in accordance with a resolution of Council or Finance Working Group.

- 6.4 Where practicable, the RFO will ensure payment of all correct and valid invoices within 5 working days of receipt for BACS payments, and within 10 working days for other payments.
- 6.5 Cheques or orders for payment drawn on the bank account shall be signed by two signatories. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.
- 6.6 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 6.7 Cheques or orders for payment shall not normally be presented for signature other than at a Council or committee meeting (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.
- 6.8 If thought appropriate by the Council, payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit.
- 6.9 If thought appropriate by the Council, payment for certain items may be made by BACS methods and reported to Council at monthly meetings via monthly statements.
- 6.10 Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the Council's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Chairman of Council in a sealed dated envelope. This envelope may not be opened other than in the presence of two other Councillors. After the envelope has been opened, in any circumstances, the PIN and / or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all members immediately and formally to the next available meeting of the Council. This will not be required for a member's personal computer used only for remote authorisation of bank payments.
- 6.11 No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council or a duly delegated committee.

- 6.12 Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- 6.13 The Council, and any members using computers for the Council's financial business, shall ensure that anti-virus, anti-spyware and firewall, software with automatic updates, together with a high level of security, is used.
- 6.14 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate approved by the Council shall identify a number of Councillors who will be authorised to approve transactions on those accounts.
- 6.15 Access to any internet banking accounts will be directly to the access page (which may be saved under "favourites"), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for Council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.
- 6.16 Any Debit Card issued for use will be specifically restricted to the RFO, Chair and one other Councillor and will also be restricted to a single transaction maximum value of £500 unless authorised by Council or Finance Working Group in writing.
- 6.17 The Council will not maintain any form of cash float.

7. PAYMENT OF SALARIES

- 7.1 As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by Council, or duly delegated committee.
- 7.2 Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts.
- 7.3 No changes shall be made to any employee's annual salary, emoluments, or terms and conditions of employment without the prior consent of the Council.

7.4 Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be confidential. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- i. to Councillors to enable financial management;
- ii. by the internal auditor;
- iii. by the external auditor;
- iv. or by any person authorised under Public Audit (Wales) Act 2004, or any superseding legislation.

7.5 The payment for additional hours during any month must be authorised by the Chair.

7.6 The total of such payments in each calendar month shall be reported with all other payments as made as may be required under these Financial Regulations, to ensure that only payments due for the period have actually been paid.

8. INCOME

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

8.2 All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.

8.3 The origin of each receipt shall be entered on the paying-in slip.

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

8.5 The RFO shall promptly complete any VAT Return that is required. Any repayment claims due in accordance with VAT Act 1994 section 33 shall be made at least annually.

8.6 Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

9. ORDERS FOR WORK, GOODS AND SERVICES

- 9.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 9.2 Order books shall be controlled by the RFO.
- 9.3 All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 4.1 above.
- 9.4 A member may not issue an official order or make any contract on behalf of the Council.

10. CONTRACTS

10.1 Procedures as to contracts are laid down as follows:

- a. Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that this regulation need not apply to contracts which relate to items (i) to (v) below:
- i. for the supply of gas, electricity, water, sewerage and telephone services;
 - ii. for specialist services such as are provided by legal professionals acting in disputes;
 - iii. for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
 - iv. for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
 - v. for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
- b. The full requirements of The Public Contracts Regulations 2015 (“the Regulations”), as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU.

- c. When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.
 - d. Subject to the Standing Orders and Financial Regulations of the Council, the tender process for contracts for the supply of goods, materials, services or the execution of works shall include, as a minimum, the following steps:
 - i. a specification for the goods, materials, services or the execution of works shall be drawn up;
 - ii. an invitation to tender shall be drawn up to confirm:
 - the Council's specification;
 - the time, date and address for the submission of tenders;
 - the date of the Council's written response to the tenders; and
 - the prohibition on prospective contactors contacting Councillors to encourage or support their tender outside the prescribed process.
 - iii. each tendering firm must respond with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.
 - iv. all sealed tenders shall be opened at the same time after the deadline for submission has passed by the RFO in the presence of at least one member of Council.
 - v. Tenders are to be reported to and considered by the appropriate meeting of the Council or committee with delegated responsibility.
 - e. Neither the Council, nor a committee with delegated responsibility for considering tenders, is bound to accept the lowest of any tender, quote or estimate.
 - f. Should it occur that the Council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the Council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.
- 10.2 Council members should not, so far as is practicable, be involved in the award of orders and/or contracts with organisations or individuals in respect of which a personal interest exists, whether declared or not.

10.3 Members and senior staff should not, so far as is practicable, be involved in the making or authorising payments in respect of orders and/or contracts with organisations or individuals in respect of which a personal interest exists, whether declared or not.

11. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

11.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon receipt of agreed invoices authorised by the Council, or duly delegated committee supervising the contract (subject to any percentage withholding as may be agreed in the particular contract).

11.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

11.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council, or duly delegated committee and the RFO shall confirm to the contractor in writing. The Council must be informed where the final cost is likely to exceed the financial provision.

12. FIXED ASSETS

12.1 The RFO shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council. The RFO shall ensure a record is maintained of all properties held by the Council.

12.2 No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the Council, together with any other consents required by law.

12.3 No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law. In each case a report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).

12.4 No real property (interests in land) shall be purchased or acquired without the authority of the full Council. In each case a report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).

12.5 No tangible moveable property shall be purchased or acquired without the authority of the full Council. In each case a report in writing shall be provided to Council with a full business case.

12.6 The RFO shall ensure that an appropriate and accurate Register of Fixed Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a review of insurance requirements.

13. INSURANCE

13.1 The Council shall review annually the level of insurance cover and ensure it is adequate and appropriate for the activities of the Council. Minimum cover will include Public and Employer's Liability.

13.2 The RFO shall give prompt notification to the Council of all new risks which require to be insured and of any alterations affecting existing insurances.

13.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby.

13.4 The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.

14. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

14.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The RFO shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.

14.2 The Council may, by resolution of the Council duly notified prior to the relevant meeting of Council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of Council.

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