DYFFRYN CLYDACH COMMUNITY COUNCIL
CYNGOR CYMUNED DYFFRYN CLYDACH

Financial Regulations

Adopted:

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1. GENERAL

1.1. The Financial Regulations govern the conduct of financial management by the Community Council and may only be amended or varied by resolution of the Council. Financial Regulations provide procedural guidance for the RFO and Members. Financial Regulations <u>must</u> be observed in conjunction with the Council's Standing Orders.

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 that facilitates the effective exercise of the Council's functions, including arrangements for the management of financial 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 monies
- To prevent and detect inaccuracy and fraud; and
- Identify the duties of officers

1.4. The Financial Regulations demonstrate how the Council meets these responsibilities and requirements.

1.5. On an annual basis, the Council <u>must</u> review the effectiveness of its internal control systems which will be undertaken in accordance with proper practices.

1.6. Deliberate or wilful breach of these Regulations by any employee may potentially result in disciplinary proceedings being brought against them.

1.7. Members of the Council are expected to follow the instructions within these Regulations and not to entice any employee to breach them. Failure to follow instruction 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 Responsible Financial Officer:

- 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 in accordance with proper practices.
- Assists the Council to ensure economic 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 will be sufficient to show and explain the Council's transactions and to enable the RFO to ensure that any income and expenditure account, statement of balances, and management information to be occasionally prepared for the Council.

1.11. The accounting records determined by the RFO will 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 account relate; and
- A record of the assets and liabilities of the Council

1.12. The accounting control systems determined by the RFO will include:

- Procedures to ensure that the financial transactions of the Council are recorded accurately and in a timely manner
- Procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records
- Procedures to ensure that uncollectable amounts, including any bad debts are submitted to the Council for approval to be written off and that the approvals are shown in the minutes of full Council and accounting records; and
- Measures to ensure financial risk is properly managed

1.13. The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions; particularly 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 provided by the internal or external auditors will be a matter for the full Council only

1.14. In addition, the Council must:

- Determine and regularly review the bank mandate for all Council bank accounts.
- Approve any grant in excess of £5,000.

1.15. In these financial regulations, references to the Accounts and Audit (Wales) Regulations or 'the regulations' will 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' will refer to guidance issued in Governance and Accountability for Local Councils in Wales - A Practitioners' Guide issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of One Voice Wales (OVW) and SLCC as appropriate.

2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

2.1 All accounting procedures and financial records of the Council will be determined by the RFO in accordance with the Accounts and Audit (Wales) Regulations, appropriate guidance and proper practices.

2.2 On a regular basis, and at least on a quarterly basis, the Chair will verify bank reconciliations (for all accounts) produced by the RFO. The member will sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity will be reported to and noted by the Council's Finance Committee.

2.3 The RFO will 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, will submit and report thereon to the full Council within timescales set by the Accounts and Audit (Wales) Regulations.

2.4 The Council will ensure the provision of 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 will make available such documents and records as appear to the Council to be necessary for the purpose of the audit and will, as directed by the Council, provide the internal or external auditor with requested information and a satisfactory explanation as the Council considers necessary for that purpose.

2.5 The internal auditor will be appointed by full Council and will undertake work in relation to internal controls required by the Council in accordance with proper practices.

2.6 The internal auditor will:

- Be competent and independent of the financial operations of the Council
- Report to Council in writing, or in person, 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

2.7 Internal or external auditors will not, under any circumstances:

- Perform any operational duties on behalf of the Council
- Initiate or approve any accounting transaction; or
- Direct the activities of any Council employee, unless they have been specifically assigned to undertake this task

2.8 For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' will have the same meaning as is described in proper practices.

2.9 The RFO will 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.

2.10 The RFO will without undue delay, bring any correspondence or report from internal or external auditor to the attention of all Councillors.

3. ANNUAL BUDGET

3.1 The RFO must each year, by no later than January, prepare detailed estimates of all income and expenditure 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 Council.

3.2 The Council will consider annual budget proposals in relation to revenue and capital income and expenditure including recommendations for the use of reserves and sources of funding.

3.3 The Council will fix the precept, and relevant basic amount of Council tax to be levied for the ensuing financial year no later than by the end of January each year. The RFO will issue the precept to the billing authority.

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

4. BUDGETARY CONTROL AND AUTHORITY TO SPEND

4.1 Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

- The Full Council for all items over £2,500
- The Clerk & Chair for items between £1,500 - £2,500
- The Clerk, for any items below £1,500 Contracts may not be disaggregated to avoid controls imposed by these regulations

4.2 During the budget year and with the approval of Council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.

4.3 Unspent provisions in the revenue or capital budgets for completed projects will not be carried forward to a subsequent year.

4.4 In cases of risk to the delivery of Council services, the RFO may authorise revenue expenditure on behalf of the Council which in the clerk's judgement is necessary to be undertaken. Such expenditure includes repairs, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,500.

4.5 No expenditure will be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless this has been considered by full Council and they are satisfied that necessary funds are available and the requisite borrowing approval has been obtained.

4.6 All capital works will be administered in accordance with the Council's Standing Orders and Financial Regulations relating to contracts.

4.7 The RFO will provide the Council with a report of receipts and payments to date under each section of the budget, comparing actual expenditure to the planned budget. These statements are to be prepared by at least the end of each financial quarter and will show explanations of material variances within 15% of the budget.

4.8 Changes in earmarked reserves will be approved by Council as part of the budgetary control process.

5. BANKING ARRAGEMENTS AND AUTHORISATION OF PAYMENTS

5.1 The Council's banking arrangements, including the bank mandate, will be managed and updated by the RFO and approved by the Council; banking arrangements may not be delegated to a committee.

5.2 The RFO will prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to Council. The Council will review the schedule for compliance and, having satisfied itself will authorise payment by a resolution of the Council. The approved schedule will be signed by two cheque signatories. A detailed list of all payments will be presented at the meeting by the RFO during the meeting at which the payment was authorised. Personal payments including salaries, and any payment made in relation to the termination of a contract of employment would be summarised to remove public access to any personal information.

5.3 All invoices for payment will be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received or carried out.

5.4 The RFO will examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO will take all steps to pay all invoices submitted, and which are in order, at the next available Council meeting.

5.5 The RFO will hold Delegated Authority to authorise payment of items only in the following circumstances:

- If a payment is necessary to avoid a charge for interest or late payment fees, or the due date for payment is before the next scheduled Meeting of Council, where the RFO can certify that there is no dispute or other reason to delay, provided that a list of such payments will be submitted to the next appropriate meeting of Council

5.6 For each financial year the RFO will draw up a list of payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively, Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which Council may authorise payment for the year. These items will be approved as part of the Budget setting process.

5.7 In respect of grants the Council will approve expenditure within any limits set by Council and in accordance with any policy statement approved by Council. Any Revenue or Capital Grant of a sum exceeding £5,000 will, prior to payment, be subject to ratification by resolution of the Council.

5.8 Members are subject to the Code of Conduct that has been adopted by the Council and will 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 Council or RFO if so delegated, will give instruction that a payment is made.

6.3 All payments will be affected by cheque, BACS, CHAPS, Direct Debit, Standing Order or other instructions to the Council's bankers, or otherwise in accordance with a resolution of Council.

6.4 Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to Council will be signed by two members. 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.

6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil, the signatories will also initial the cheque counterfoil.

6.6 Cheques or orders for payment will not normally be presented for signature other than at a Council Meeting

6.7 If considered appropriate by Council, the payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit.

6.8 If considered appropriate by Council, the payment for certain items may be made by BACS or CHAPS methods provided that the payment schedule for each of the payments are signed by two authorised bank signatories at the Council Meeting approving the payment.

6.9 If considered appropriate by Council, the payment for certain items may be made by online banking transfer provided evidence is appropriately retained.

6.10 No employee or Councillor will disclose any PIN or password relevant to the working of the Council or its bank accounts to any person.

6.11 Regular back-up copies of the records on any computer will be made and will be stored securely away from the computer in question, and preferably offsite.

6.12 The Council and any members using computers for the Council's financial business, will ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security is used.

6.13 Where internet banking arrangements are made, the RFO will be appointed as the Service Administrator. The bank mandate approved by the Council will identify three (3) Councillors who will be authorised to approve transactions on those accounts.

6.14 Access to any internet banking accounts will be directly via the desktop app.

6.15 Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by the authority for change signed by the RFO.

6.16 Any Debit Card/Value Wales Credit Card issued for staff use will be specifically restricted to organisational requirements. These cards will be restricted to a single transaction maximum value of £1,000.

6.17 A pre-paid debit card may be issued to the RFO/Clerk with varying limits. These limits will be set by the Council. Transactions and purchases made will be reported to the Council and authority for adding funds will be at the discretion of the Council.

6.18 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Receipts for payments made will be provided to the RFO with a claim.

6.19 The RFO will maintain a petty cash float of £100 for the purpose of defraying operational and other expenses. All receipts for payments made using petty cash will be kept evidencing the payment.

6.20 Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.

6.21 Payments to maintain the petty cash float will be shown separately on the schedule of payments presented to Council under 5.2 above.

7. PAYMENT OF SALARIES

7.1 As an employer, the Council will ensure arrangements are in place to fully meet the statutory requirements placed on all employers in relation to PAYE and National Insurance. The payment of all salaries will be made in accordance with payroll records and in line with current rules of PAYE and National Insurance legislation and salary rates will be paid in accordance with National Agreements and any additional payments agreed by the Council.

7.2 Payments of salaries and/or deductions from a salary as may be required regarding tax, national insurance, pension contributions or similar statutory or discretionary deductions, <u>must</u> be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts.

7.3 No changes will be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.

7.4 All payments to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions, will be recorded in a separate, confidential record. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

a) by the internal auditor
b) by the external auditor
c) by any person authorised under Audit Commission Act 1998 or any superseding legislation.

7.5 The total of payments in each calendar quarter will be reported with all other payments in the Quarterly Budget Report, to ensure that only payments due for the period have actually been paid.

7.6 Any termination payments will be supported by a clear business case and reported to the Council. Termination payments can only be authorised by full Council.

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8. LOANS AND INVESTMENTS

8.1 All borrowings will be affected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval will be approved by Council as to terms and purpose. The application for borrowing approval and subsequent arrangements for the loan, will only be approved by full Council.

8.2 Any financial arrangement which does not require formal borrowing approval from the Welsh Government (such as Hire Purchase or Leasing of tangible assets) will be subject to approval by the full Council.

8.3 All loans and investments will be negotiated in the name of the Council and will be for a set period in accordance with Council policy.

8.4 The Council will produce an Investment Strategy which will be in accordance with relevant regulations, proper practices and guidance. Any Investment Strategy will be reviewed by the Council on minimum of annual basis.

8.5 All investments of money under the control of the Council will be in the name of the Council.

8.6 All investment certificates and other relative documents will be retained in the custody of the RFO.

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

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9. INCOME

9.1 The collection of all sums due to the Council will be the responsibility of the RFO.

9.2 The Council will review all fees and charges on a minimum of an annual basis.

9.3 Any sums found to be irrecoverable and/or any bad debts, will be reported to the Council where a resolution will be made to write off at the end of the financial year.

9.4 All sums received on behalf of the Council will be banked intact as directed by the RFO. In all cases, all receipts will be deposited with the Council's bankers at a frequency considered appropriate by the RFO.

9.5 Personal cheques will not be cashed from monies held on behalf of the Council.

9.6 The RFO will promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 will be made at least annually, coinciding with the financial year end.

9.7 Where any significant sums of cash are regularly received by the Council, the RFO will ensure that a reconciliation, ie ticket issues or receipts are issued and, that appropriate care is taken in the security and safety of individuals in banking such cash.

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10. ORDERS FOR WORK, GOODS AND SERVICES

10.1 An official order or letter will 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 will be retained.

10.2 Order books will be controlled by the RFO.

10.3 All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order will ensure 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 as stated in Regulation 11.1.

10.4 A member may not issue an official order or make any contract on behalf of the Council.

10.5 When it is necessary to place an order for goods, materials, work or services and the cost is likely to be less than £1,500, the RFO will be expected to satisfy themself that the best available terms are obtained as far as is reasonable and practicable. The underlying means of achieving this will be to obtain three (3) verbal estimates beforehand and, unless there are special circumstances, accepting the lowest sum.

10.6 If the RFO feels that they are able to obtain better terms and conditions or price by conducting negotiations, they should contact the Chair or Vice Chair to obtain approval to carry out the necessary negotiations on behalf of the Council.

11. CONTRACTS

11.1 Procedures as to contracts are laid down as follows:

a) Every contract will comply with these financial regulations, and no exceptions will be made otherwise than in an emergency. This regulation need not apply to contracts which relate to the items 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, will 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 Directive 2014/24/EU (which may change from time to time)

c) The Council can waive financial regulations relating to contracts to enable a price to be negotiated without competition if they feel it is appropriate. This will be recorded in the Minutes

d) An invitation to tender will state the general nature of the intended contract and the Clerk will obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation will in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm will be supplied 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

e) All sealed tenders will be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council

f) Any invitation to tender issued under this regulation will be subject to the Council's Standing Orders and will refer to the terms of the Bribery Act 2010

g) When it is to enter into a contract expected to be in value of more than £10,000 for the supply of goods or materials, or for the execution of works or specialist services other than such goods, materials, works or specialist as set out in paragraph 11a(i – v) the RFO will obtain 3 quotations, where the value is below £3,000 the RFO will strive to obtain 3 estimates.

h) If less than three tenders are received for contracts above £10,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

i) When the Council expects a contract to exceed £1,500 but be less than £10,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services set out in paragraph (a), the RFO/Clerk will obtain 3 written quotations. The RFO is authorised to open these tenders/quotations. The Clerk and Mayor can authorise the payment. If the value is less than £1,500, Regulation 10(5) will be followed.

j) The Council will not be obliged to accept the lowest or any tender, quote or estimate.

k) Should it occur that the Council, 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 will be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.

11.2 The Proper Officer will maintain a register of personal interests, in respect of members.

a) 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.

b) Members 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.

c) The RFO should keep a completed register of personal interests on file.

12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

12.1 Payments on account of the contract sum will be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

12.2 Where contracts provide for payment by instalments the RFO will 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 will be submitted to the Council.

12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

13. STORES AND EQUIPMENT

13.1 The officer in charge of each section will be responsible for the care and custody of stores and equipment in that section.

13.2 Delivery notes will be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.

13.3 Stocks will be kept at the minimum levels consistent with operational requirements.

13.4 The Health & Safety Officer will be responsible for periodic checks of stocks and stores at least annually.

14. ASSETS, PROPERTIES AND ESTATES

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

14.2 No tangible moveable property will 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.

14.3 No real property (interests in land) will 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 will be provided in respect of valuation and surveyed condition of the property if requested by the Council.

14.4 No real property (interests in land) will be purchased or acquired without the authority of the full Council. In each case a report will be provided in respect of valuation and surveyed condition of the property if requested by the Council.

14.5 The RFO will ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register will be verified at least annually.

15. INSURANCE

15.1 In accordance with the annual risk assessment (per Financial Regulation 17), the RFO will affect all insurances and negotiate all claims on the Council's insurers.

15.2 The RFO will keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.

15.3 All appropriate members and employees of the Council will be included in a suitable form of security or fidelity guarantee insurance which will cover the maximum risk exposure as determined by the Council.

15.4 The RFO will be notified of any loss liability or damage or any event likely to lead to a claim. Insurance Claims should be reported to the Members at the next available meeting.

16. RISK MANAGEMENT

16.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk will prepare, for approval by the Council, a Policy Risk Schedule in respect of all activities of the Council. The Policy Risk Schedule will be reviewed by the Council annually.

16.2 When considering any new activity, the RFO/Clerk and relevant officer will prepare a risk assessment including risk management proposals.

17. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

17.1 It will be the duty of the Council to review the Financial Regulations of the Council from time to time. The Clerk will ensure regular monitoring to note any changes in legislation or proper practices and will advise the Council of any requirement for a consequential amendment to these financial regulations.

17.2 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.