

Llanvaches Community Council

Financial Regulations

Adopted by Full Council on 17.2.26

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1. General

- 1.1. These Financial Regulations govern the financial management of the council and may only be amended or varied by resolution of the council. They are one of the council's governing documents and shall be observed in conjunction with the council's Standing Orders.
- 1.2. Councillors are expected to follow these regulations and not to entice employees to breach them. Failure to follow these regulations brings the office of councillor into disrepute.
- 1.3. Wilful breach of these regulations by an employee may result in disciplinary proceedings.

1.4. In these Financial Regulations:

- 'Accounts and Audit Regulations' means the regulations issued under Section 39 of the Public Audit (Wales) Act 2004, or any superseding legislation, and then in force, unless otherwise specified.
- "Approve" refers to an online action, allowing an electronic transaction to take place.
- "Authorise" refers to a decision by the council, or a committee or an officer, to allow something to happen.
- 'Proper practices' means those set out in *The Practitioners' Guide*
- *Practitioners' Guide* the Governance and Accountability for Local Councils in Wales – A Practitioners Guide jointly published by One Voice Wales and the Society of Local Council Clerks in Wales.
- 'Must' and **bold text** refer to a statutory obligation the council cannot change.
- 'Shall' refers to a non-statutory instruction by the council to its members and staff.

- 1.5. The Responsible Financial Officer (RFO) holds a statutory office, appointed by the council. The Clerk has been appointed as RFO and these regulations apply accordingly.

The Clerk/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 control systems;
- ensures the accounting control systems are observed;
- ensures the accounting records are kept up to date;
- seeks economy, efficiency and effectiveness in the use of council resources; and
- produces financial management information as required by the council.

1.6. **The council must not delegate any decision regarding:**

- **setting the final budget or the precept (council tax requirement);**
- **the outcome of a review of the effectiveness of its internal controls**
- **approving accounting statements;**
- **approving an annual governance statement;**
- **borrowing;**
- **declaring eligibility for the General Power of Competence; and**
- **addressing recommendations from the internal or external auditors.**

1.7. In addition, the council shall:

- determine and regularly review the bank mandate for all council bank accounts.

2. Risk management and internal control

2.1. **The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.**

2.2. The Clerk/RFO shall prepare, a risk management policy covering all activities of the council. This policy and consequential risk management arrangements shall be reviewed by the council at least annually.

2.3. When considering any new activity, the Clerk/RFO shall prepare a draft risk assessment including risk management proposals for consideration by the council.

2.4. **At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.**

2.5. **The accounting control systems determined by the Clerk/RFO must include measures to:**

- **ensure that risk is appropriately managed;**
- **ensure the prompt, accurate recording of financial transactions;**
- **prevent and detect inaccuracy or fraud; and**
- **allow the reconstitution of any lost records;**
- **identify the duties of officers dealing with transactions and**
- **ensure division of responsibilities.**

2.6. Regular back-up copies shall be made of the records and stored on the external hard drive. The council shall put measures in place to ensure that the ability to access any council computer is not lost if an employee leaves or is incapacitated for any reason.

3. Accounts and audit

3.1. All accounting procedures and financial records of the council shall be determined by the Clerk/RFO in accordance with the Accounts and Audit Regulations.

3.2. **The accounting records determined by the Clerk/RFO must be sufficient to explain the council's transactions and to disclose its financial position with reasonable accuracy at any time. In particular, they must contain:**

- **day-to-day entries of all sums of money received and expended by the council (documented in the cash book) and the matters to which they relate;**
- **a record of the assets and liabilities of the council.**

3.3. The accounting records shall be designed to facilitate the efficient preparation of the accounting statements in the Annual Governance and Accountability Return.

3.4. The Clerk/RFO shall complete and certify the annual Accounting Statements of the council contained in the Annual Governance and Accountability Return in accordance with proper practices, as soon as practicable after the end of the financial year. Having certified the Accounting Statements, the Clerk/RFO shall submit them (with any related documents) to the council, within the timescales required by the Accounts and Audit Regulations.

- 3.5. **The council must ensure that there is an adequate and effective system of internal audit of its accounting records and internal control system in accordance with proper practices.**
- 3.6. **Any officer or member of the council must make available such documents and records as the internal or external auditor considers necessary for the purpose of the audit** and shall, as directed by the council, supply the Clerk/RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary.
- 3.7. The internal auditor shall be appointed by the council and shall carry out their work to evaluate the effectiveness of the council's risk management, control and governance processes in accordance with proper practices specified in the Practitioners' Guide.
- 3.8. The council shall ensure that the internal auditor:
- is competent and independent of the financial operations of the council;
 - reports to council in writing, on a bi-annual basis during each financial year.
 - can demonstrate competence, objectivity and independence, free from any actual or perceived conflicts of interest, including those arising from family relationships; and
 - has no involvement in the management or control of the council.
- 3.9. Internal Auditors may not under any circumstances:
- perform any operational duties for the council;
 - initiate or approve accounting transactions;
 - provide financial, legal or other advice including in relation to any future 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.
- 3.10. For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as described in The Practitioners Guide.
- 3.11. The Clerk/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 documents required by Accounts and Audit (Wales) Regulations.
- 3.12. The Clerk/RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

4. Budget and precept

- 4.1. No later than December each year, the Clerk/RFO shall prepare a draft budget with detailed estimates of all income and expenditure for the following financial year, taking account of the lifespan of assets and cost implications of repair or replacement.
- 4.2. Unspent budgets for completed projects shall not be carried forward to a subsequent year. Unspent funds for partially completed projects may only be carried forward (by placing them in an earmarked reserve) with the formal approval of the full council.
- 4.3. The draft budget shall be considered by the Council.
- 4.4. Having considered the proposed budget, the council shall determine its budget requirement by setting a budget. The council shall set a precept for this amount no later than the end of January for the ensuing financial year.

- 4.5. **Any member with council tax unpaid for more than two months is prohibited from voting on the budget or precept by Section 106 of the Local Government Finance Act 1992 and must disclose at the start of the meeting that Section 106 applies to them.**
- 4.6. The Clerk/RFO shall **issue the precept to the billing authority no later than the end of February.**
- 4.7. The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned.
- 4.8. Any addition to, or withdrawal from, any earmarked reserve shall be agreed by the council.

5. Procurement

- 5.1. **Members and officers are responsible for obtaining value for money at all times.** Any officer procuring goods, services or works should ensure, as far as practicable, that the best available terms are obtained, usually by obtaining prices from several suppliers.
- 5.2. The Clerk/RFO should verify the lawful nature of any proposed purchase before it is made and in the case of new or infrequent purchases, should ensure that the legal power being used is reported to the meeting at which the order is authorised and also recorded in the minutes.
- 5.3. Every contract shall comply with the council's Standing Orders and these Financial Regulations, and no exceptions shall be made, except in an emergency.
- 5.4. **For a contract for the supply of goods, services or works where the estimated value will exceed the thresholds set by Parliament, the full requirements of The Procurement Act 2023 and the Procurement (Wales) Regulations 2024 or any superseding legislation ("the Legislation"), must be followed in respect of the tendering, award and notification of that contract.**
- 5.5. Where the estimated value is below the Government threshold, the council shall (with the exception of items listed in paragraph (5.12), obtain prices as follows:
- 5.6. For contracts estimated to exceed £3,000 including VAT, the Clerk shall advertise an open invitation for tenders in compliance with any relevant provisions of the Legislation. Tenders shall be invited in accordance with Appendix 1.
- 5.7. **For contracts estimated to be over £30,000 including VAT, the council must comply with any requirements of the Legislation¹ regarding the publication of invitations and notices about the award of contracts.**
- 5.8. For contracts greater than £3,000 excluding VAT the Clerk/RFO shall seek at least 3 fixed-price quotes.
- 5.9. Where the value is between £35 and £3,000 excluding VAT, the Clerk/RFO shall try to obtain 3 estimates which might include evidence of online prices, or recent prices from regular suppliers.
- 5.10. For smaller purchases, all members and staff shall seek to achieve value for money.
- 5.11. **Contracts must not be split to avoid compliance with these rules.**

¹ The Regulations require councils to use the Sell2 Wales website if they advertise contract opportunities and also to publicise the award of contracts over £30,000 including VAT, regardless of whether they were advertised.

5.12. The requirement to obtain competitive prices in these regulations need not apply to contracts that relate to items (i) to (iv) below:

- i. specialist services, such as legal professionals acting in disputes, i.e. solicitors, accountants, surveyors and planning consultants;
- ii. repairs to, or parts for, existing machinery or equipment;
- iii. works, goods or services that constitute an extension of an existing contract;
- iv. goods or services that are only available from one supplier or are sold at a fixed price.

5.13. When applications are made to waive this financial regulation to enable a price to be negotiated without competition, the reason should be set out in a recommendation to the council or relevant committee. Avoidance of competition is not a valid reason.

5.14. The council shall not be obliged to accept the lowest or any tender, quote or estimate.

5.15. Individual purchases within an agreed budget for that type of expenditure may be authorised by:

- the Clerk/RFO, for any operational items up to £35 in any month without prior authorisation from Council. It is expected that this will cover office supplies and small item purchase. The payments will be presented for Councillors' consideration at the meeting at least every 6-months under the Payment of Accounts heading.
- In emergencies between meetings, payments or commitments to expenditure of not more than £400 can be approved provided that at least four Councillors register their agreement via email and that the Chair is among the four. The relevant facts must be reported and recorded at the next Council meeting. Any payment made will be confirmed under Payment of Accounts on the agenda.

Such authorisation must be supported by a minute or other auditable evidence trail.

5.16. No individual member, or informal group of members may issue an official order unless instructed to do so in advance by a resolution of the council or make any contract on behalf of the council.

5.17. No expenditure may be authorised that will exceed the budget for that type of expenditure. During the budget year and with the approval of Council, unspent and available amounts may be vired to other budget headings or to an earmarked reserve as appropriate and subject to Council resolution. .

5.18. No expenditure shall be authorised, no contract entered into or tender accepted in relation to any major project, unless the council is satisfied that the necessary funds are available and that where a loan is required, Welsh Government borrowing approval has been obtained first.

5.19. A purchase order or email 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, along with evidence of receipt of goods.

5.20. Any ordering system can be misused and access to them shall be controlled by the Clerk/RFO.

6. Banking and payments

6.1. The council's banking arrangements, including the bank mandate, shall be made by the Clerk/RFO and authorised by the council. They shall be reviewed every two years. The council has resolved to bank with NatWest Bank.

- 6.2. The council must have safe and efficient arrangements for making payments, to safeguard against the possibility of fraud or error.
- 6.3. All invoices for payment should be examined for arithmetical accuracy, analysed to the appropriate expenditure heading and verified to confirm that the work, goods or services were received, checked and represent expenditure previously authorised by the council, and certified by the Clerk/RFO.
- 6.4. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of employment) may be summarised to avoid disclosing any personal information.
- 6.5. All payments shall be made by cheque or PayPal (following Council approval). Salaries will be paid by standing order.
- 6.6. Cheques drawn on the bank account in accordance with the schedule referred to in paragraph 6.10 below shall be signed by two members of Council authorised on the bank mandate.
- 6.7. All invoices will be initialled by two councillors prior to payment and will detail spending power and minute reference (if applicable). The two councillors initialling will be those authorised on the bank mandate.
- 6.8. Authorised councillors, prior to initialling invoices, are to satisfy themselves with the authenticity of the invoice / amount / payee etc.
- 6.9. The Clerk/RFO shall have delegated authority to process the payment of all items once the invoices have been initialled by two councillors.
- 6.10. The Clerk/RFO shall present a schedule of receipts and payments forming part of the agenda for the meeting, to the council. The council shall review the schedule for compliance and, having satisfied itself, shall approve the payments by resolution. A detailed list of all payments shall be disclosed within the minutes of that meeting. The following must also be shown:
 - 6.10.1.1. the Proposer and Secunder of the motion to approve / accept
 - 6.10.1.2. any Councillor proposing the motion or abstaining from voting
 - 6.10.1.3. any Councillor who has declared an interest and withdrawn.
- 6.11. There shall be no cash withdrawals from the Council's bank accounts.
- 6.12. Any payments made in cash by the Clerk or a Councillor (for example postage or minor stationary items, or plants for the village green) shall be refunded by cheque and refunded on a regular basis.

7. PayPal payments

- 7.1. Where PayPal payments are made the Council will approve the expenditure prior to the payment being processed.
- 7.2. The Clerk/RFO will have sole access to PayPal.
- 7.3. All invoices for PayPal will be initialled by two authorised signatories as per 6.3 and 6.7 above.

8. Cheque payments

- 8.1. Cheques or orders for payment in accordance with a resolution or delegated decision shall be signed by two authorised bank signatories.
- 8.2. A signatory having a family or business relationship with the beneficiary of a payment shall not, under normal circumstances, be a signatory to that payment.
- 8.3. To indicate agreement of the details on the cheque the signatories shall also initial the cheque invoice.
- 8.4. The Clerk/RFO will not be a cheque signatory.

9. Payment of salaries and allowances

- 9.1. **As an employer, the council must make arrangements to comply with the statutory requirements of PAYE legislation.**
- 9.2. **Guidance issued by the Independent Remuneration Panel for Wales in relation to the taxation of councillor allowances must be fully adhered to.**
- 9.3. Salary rates shall be agreed by the council. No changes shall be made to any employee's gross pay, emoluments, or terms and conditions of employment without the prior consent of the Personnel committee.
- 9.4. Payment of salaries shall be made, after deduction of tax, national insurance, pension contributions and any similar statutory or discretionary deductions, on the dates stipulated in employment contracts.
- 9.5. Deductions from salary shall be paid to the relevant bodies within the required timescales, provided that each payment is reported, as set out in these regulations above.
- 9.6. Each payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a payroll control account or other separate confidential record, with the total of such payments each calendar month reported in the cashbook.
- 9.7. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
 - by any Councillor who can demonstrate a need to know;
 - by the internal auditor;
 - by the external auditor; or
 - by any person authorised under Public Audit (Wales) Act 2004, or any superseding legislation.
- 9.8. Any termination payments shall be supported by a report to the council, setting out a clear business case. Termination payments shall only be authorised by the full council.
- 9.9. Before employing interim staff, the council must consider a full business case.

10. Loans and investments

- 10.1. Any application for Welsh Government approval to borrow money and subsequent arrangements for a loan must be authorised by the full council and recorded in the minutes. All borrowing shall be in the name of the council, after obtaining any necessary approval.
- 10.2. Any financial arrangement which does not require formal borrowing approval from the Welsh Government (such as Hire Purchase, Leasing of tangible assets or loans to be repaid within the financial year) must be authorised by the full council, following a written report on the value for money of the proposed transaction.
- 10.3. The council shall consider the requirement for an Investment Strategy and Policy in accordance with Statutory Guidance on Local Government Investments, which must be written be in accordance with relevant regulations, proper practices and guidance. Any Strategy and Policy shall be reviewed by the council at least annually.
- 10.4. All investment of money under the control of the council shall be in the name of the council.
- 10.5. All investment certificates and other documents relating thereto shall be retained in the custody of the Clerk/RFO.
- 10.6. Payments in respect of short term or long-term investments, including transfers between bank accounts held in the same bank, shall be made in accordance with these regulations.

11. Income

- 11.1. The collection of all sums due to the council shall be the responsibility of and under the supervision of the Clerk/RFO.
- 11.2. As part of budget setting the council will review all fees and charges for work done, services provided, or goods sold at least annually. This information will be detailed in the budget reports provided by the Clerk/RFO.
- 11.3. Any sums found to be irrecoverable and any bad debts shall be reported to the council and shall be written off in the year. The council's approval shall be shown in the accounting records.
- 11.4. All sums received on behalf of the council shall be deposited intact with the council's bankers, with such frequency as the Clerk/RFO considers necessary. The origin of each receipt shall clearly be recorded on the paying-in slip or other record.
- 11.5. Personal cheques shall not be cashed out of money held on behalf of the council.
- 11.6. The Clerk/RFO shall ensure that VAT is correctly recorded and that any VAT Return required and shall be made at least annually coinciding with the financial year end.

12. Payments under contracts for building or other construction works

- 12.1. Where contracts provide for payment by instalments the Clerk/RFO shall maintain a record of all such payments, which shall be made within the time specified in the contract, based on signed certificates from the architect or other consultant engaged to supervise the works.
- 12.2. Any variation of, addition to or omission from a contract must be authorised by the Clerk/RFO to the contractor in writing, with the council being informed where the final cost is likely to exceed the contract sum by 5% or more, or likely to exceed the budget available.

13. Assets, properties and estates

- 13.1. The Clerk/RFO shall make arrangements for the safe custody of all title deeds and Land Registry Certificates of properties held by the council.
- 13.2. The Clerk/RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date, with a record of all Rights of Way, Byelaws, properties held by the council, their location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held, in accordance with Accounts and Audit (Wales) Regulations.
- 13.3. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.
- 13.4. No interest in land 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. In each case a written report shall be provided to council in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate where required by law).
- 13.5. 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, except where the estimated value of any one item does not exceed £25 and the "written down" value on the Register of Assets is less than £5. In each case a written report shall be provided to council with a full business case.

14. Insurance

- 14.1. The Clerk/RFO shall keep a record of all insurances effected by the council and the property and risks covered, reviewing these annually before the renewal date in conjunction with the council's review of risk management.
- 14.2. The Clerk/RFO shall be notified of any loss, liability, damage or event likely to lead to a claim, and shall report these to the council at the next available meeting
- 14.3. The Clerk/RFO shall negotiate all claims on the council's insurers.
- 14.4. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually by the council, or duly delegated committee.

15. Suspension and revision of Financial Regulations

- 15.1. The council shall review these Financial Regulations annually and following any change of Clerk/RFO. The Clerk/RFO shall monitor changes in legislation or proper practices and advise the council of any need to amend these Financial Regulations.
- 15.2. The council may, by resolution, 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 presented to all members. Suspension does not disapply any legislation or permit the council to act unlawfully.
- 15.3. The council may temporarily amend these Financial Regulations by a duly notified resolution, to cope with periods of absence, local government reorganisation, national restrictions or other exceptional circumstances.

Appendix 1 - Tender process

- 1) Any invitation to tender shall state the general nature of the intended contract and the Clerk/RFO shall obtain the necessary technical assistance to prepare a specification in appropriate cases.
- 2) The invitation shall in addition state that tenders must be addressed to the Clerk/RFO in the ordinary course of post, unless an electronic tendering process has been agreed by the council.
- 3) Where a postal process is used, each tendering firm shall be asked to specifically address the envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract. All sealed tenders shall be opened at the same time on the prescribed date by the Clerk/RFO at a Council meeting.
- 4) Where an electronic tendering process is used, the council shall use a specific email address that will be monitored to ensure that nobody accesses any tender before the expiry of the deadline for submission.
- 5) Any invitation to tender issued under this regulation shall be subject to Standing Order 18d and shall refer to the terms of the Bribery Act 2010.
- 6) Where the council does not accept any tender, quote or estimate, the work is not allocated and the council requires further pricing; 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.