FAIR OAK & HORTON HEATH PARISH COUNCIL
2 Knowle Park Lane, Fair Oak, Eastleigh, SO50 7GL
(023) 8069 2403 enquiries@fairoak-pc.gov.uk
www.fairoak-pc.gov.uk @fairoakandhortonheathparishcouncil

CHAPTER 3 FINANCIAL REGULATIONS

ADOPTED BY FINANCE COMMITTEE

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FAIR OAK AND HORTON HEATH PARISH COUNCIL FINANCIAL REGULATIONS

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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 to be observed in conjunction with the Council's Standing Orders and any individual financial regulations relating to contracts.

1.2. Councillors must follow these regulations and not entice employees to breach them. Failure to do so brings the office of councillor into disrepute.

1.3. Wilful breach of these regulations by an employee may result in disciplinary proceedings.

1.4. Definitions:

- 'Accounts and Audit Regulations' refers to regulations under Sections 32, 43(2) and 46 of the Local Audit and Accountability Act 2014, or any superseding legislation.
- "Approve" means an online action allowing an electronic transaction to take place.
- "Authorise" means a decision by the council, committee, or officer to allow something to happen.
- 'Proper practices' means those set out in The Practitioners' Guide issued by the Joint Panel on Accountability and Governance (JPAG).
- 'Must' and bold text indicate statutory obligations; 'Shall' refers to non-statutory instructions.

1.5. The Responsible Financial Officer (RFO) is a statutory office appointed by the Council and:

- Acts under Council policy direction
- Administers financial affairs in accordance with all relevant Acts, Regulations, and proper practices;
- Determines accounting records and control systems;
- Ensures their observation and accuracy,
- Seeks economy and efficiency, and produces required financial management information.

1.6. The Council must not delegate decisions regarding:

- **Setting the final budget or precept (council tax requirement)**
- **Reviewing the effectiveness of internal controls**
- **Approving accounting statements and annual governance statements**
- **Borrowing**
- **Declaring eligibility for the General Power of Competence**
- **Addressing recommendations from internal or external auditors**

1.7. Additionally, the Council shall:

- Regularly review the bank mandate for all council bank accounts
- Authorise any grant or single commitment in excess of £5,000
- Approve any decision regarding writing off bad debts

2. RISK MANAGEMENT AND INTERNAL CONTROL

2.1. The Council must ensure a sound system of internal control for effective financial, operational, and risk management.

2.2. The Executive Officer and RFO shall prepare a risk management assessment covering all council activities for approval by the Finance Committee, reviewed at least annually.

2.3. For new activities, a draft risk assessment and risk management proposals must be prepared for Council consideration.

2.4. The Council must annually review the effectiveness of its internal control system before approving the Annual Governance Statement.

2.5. The RFO's accounting control systems must include measures to:

- **Manage risk;**
- **Ensure prompt and accurate recording of transactions;**
- **Prevent and detect inaccuracy or fraud;**
- **Allow reconstitution of lost records;**
- **Identify officer duties, and;**
- **Ensure division of responsibilities.**

2.6. At least quarterly and at each financial year end, a member (not the Chair or a bank signatory) shall verify bank reconciliations for all accounts, sign and date reconciliations and original bank statements, and report to the Council.

3. ACCOUNTS AND AUDIT

3.1. All accounting procedures and financial records are determined by the RFO in accordance with the Accounts and Audit Regulations and proper practices.

3.2. Records must explain the Council's transactions and financial position at any time, including:

- **Day-to-day entries of all sums received and expended and their purposes**
- **Records of assets and liabilities**
- Records of income and expenditure in relation to claims for contributions, grants, or subsidies

3.3. The RFO shall complete and certify the annual Accounting Statements in the Annual Governance and Accountability Return (AGAR) as soon as practicable after the financial year end and submit them to the Council within statutory timescales.

3.4. The Council must ensure an adequate and effective system of internal audit.

3.5. Officers and members must make available documents and records as required by auditors and supply information and explanations as necessary.

3.6. The internal auditor must be competent and independent, report in writing at least annually, and have no involvement in council management or control.

3.7. Internal or external auditors must not perform operational duties, approve transactions, provide advice on future transactions, or direct council employees, except as assigned for audit assistance.

3.8. The RFO shall arrange for the exercise of electors' rights regarding the accounts, including inspection opportunities and required notices.

3.9. Any auditor correspondence or reports must be promptly brought to the attention of all councillors.

4. BUDGET AND PRECEPT

4.1. Before setting a precept, the Council must calculate its council tax requirement by preparing and approving a budget in accordance with the Local Government Finance Act 1992 or succeeding legislation.

4.2. The Finance Committee reviews yearly forecasts and submits proposals for the following year to the Council by November, including any revisions.

4.3. The RFO must prepare detailed estimates of all receipts and payments, including reserves and funding sources, by November for Finance Committee consideration.

4.4. Unspent budgets for completed projects are not carried forward; partially completed project funds may only be carried forward with full Council approval via earmarked reserves.

4.5. Salaries and wages budgets, including employer contributions, must be reviewed annually in October and signed by the Executive Officer and Chair.

4.6. The draft budget and recommendations for reserves are considered by the Finance Committee and recommended to the Council, which then sets the council tax requirement and precept.

4.7. Members with unpaid council tax for over two months are prohibited from voting on the budget or precept and must disclose this at the meeting's start.

4.8. The RFO **issues the precept to the billing authority by January** and supplies each member with the agreed annual budget.

4.9. The agreed budget is the basis for monitoring progress, comparing actual spending and income to the plan.

4.10. Changes in earmarked reserves must be approved by the Council as part of budgetary control.

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 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 these 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 Public Contracts Regulations 2015 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 6.12) obtain prices as follows:

5.6. For contracts estimated to exceed [£60,000] including VAT, the Clerk shall seek formal tenders from at least three suppliers agreed by the council OR 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 Legislation[1] regarding the advertising of contract opportunities and the publication of notices about the award of contracts.**

5.8. For contracts greater than £10,000 excluding VAT the Clerk shall seek at least 3 fixed-price quotes;

5.9. where the value is between £1,000 and £10,000 excluding VAT, the Clerk shall request 3 estimates which might include evidence of online prices, or recent prices from regular suppliers.

5.10. For smaller purchases, the Clerk shall seek to achieve value for money.

5.11. Contracts must not be split into smaller lots to avoid compliance with these rules.

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

- specialist services, such as legal professionals acting in disputes;
- repairs to, or parts for, existing machinery or equipment;
- works, goods or services that constitute an extension of an existing contract;
- 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. 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 Executive Officer, under delegated authority, for any items below £1,000 excluding VAT.
- the Executive Officer, in consultation with the Chair of the Council or a duly delegated committee Chairman for items of expenditure within its delegated budgets, for any items below £3,000 excluding VAT.
- a duly delegated committee of the council for all items of expenditure within its delegated budgets for items under £5,000 excluding VAT
- the Council for all items over £5,000.
- in respect of grants, a duly authorised committee within any limits set by council and in accordance with any policy statement agreed by the council.

Such authorisation must be supported by a minute (in the case of council or committee decisions) 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 other than by resolution of the council or a duly delegated committee acting within its Terms of Reference except in an emergency.

5.18. In cases of emergency (fire, flood, risk of loss of services or interrupted use of facilities) the Clerk will refer to the Chairman of the council or the Chairman of FHRC for authority incur emergency expenditure of up to £5,000 excluding VAT on repair, replacement or other work that in their judgement is necessary, whether or not there is any budget for such expenditure. If either of the aforesaid Chairmen are unavailable the Clerk will seek authority for the expenditure from the Vice Chairman of the council or the vice chairman of the FHRC. The Clerk shall report such action to council as soon as practicable thereafter.

5.19. 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, Government borrowing approval has been obtained first.

5.20. Official orders/letters must be issued for all work, goods, and services unless a formal contract is prepared or inappropriate.

5.21. Copies of orders shall be retained, along with evidence of receipt of goods.

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

6. BANKING AND PAYMENTS

6.1. The Council's banking arrangements are made by the RFO and authorised by the Council, reviewed regularly for security and efficiency. Banking arrangements shall not be delegated to a committee. The Council has resolved to bank with HSBC Bank. The arrangements shall be reviewed for security and efficiency.

6.2. Safe and efficient payment arrangements must involve more than one person (dual authorisation) for each payment.

6.3. All invoices must be checked for accuracy, coded, and verified before payment, before being certified by the RFO.

6.4. Personal payments (salaries, wages, expenses) may be summarised to avoid disclosing personal information.

6.5. Payments are made by online banking in accordance with a resolution of the Council or Committee or delegated officer decision, unless the Council resolves a different payment method.

6.6. The Executive Officer and RFO may draw up a schedule of regular payments (such as Salaries, PAYE, National Insurance, pension contributions, rent, rates, regular maintenance contracts and similar items), which the council/finance committee may authorise in advance for the year. This will be noted at the next Council meeting.

6.7. The Executive Officer and RFO have delegated authority to authorise payments up to £1,000 (excluding VAT) within budget, and up to £3,000 in cases of serious risk to services or safety.

6.8. The RFO presents a schedule of payments requiring authorisation as part of the meeting agenda; the Council or committee reviews and authorises by resolution.

6.9. During emergencies, all payments are approved at monthly virtual meetings, with details disclosed in or attached to the minutes.

7. ELECTRONIC PAYMENTS

7.1. The Council ensures safe and efficient electronic payment arrangements.

7.2. The RFO is the Service Administrator for internet banking, with at least two authorised councillors involved in online approvals. The RFO may be the authorised signatory, but no signatory may be involved in approving any payment to themselves.

7.3. All authorised signatories shall have access to view the council's bank accounts online.

7.4. No employee or councillor may disclose any PIN or password unless authorised in writing.

7.5. The RFO sets up all payments online, with a full list provided to the Councillors at next Council meeting and appended to the minutes.

7.6. Two councillors who are authorised signatories shall check the payment details against the invoice list before approving each payment.

7.7. In the RFO's prolonged absence, an authorised signatory may set up payments.

7.8. Regular payments (utilities, rates, pensions, HMRC) may be made by variable direct debit; to be reviewed by the Finance Committee every two years.

7.9. Payments by BACS/CHAPS or standing order require Council approval and review every two years.

7.10. Supplier account details may only be changed with written notification and hard copy authority signed by the RFO. Data held should be checked with suppliers every 2 years..

7.11. Computers used for Council financial business must have adequate, regularly updated security software.

7.10. Access to internet banking must be direct to the access page; remembered password facilities should not be used.

8. CHEQUE PAYMENTS

8.1. Cheques/orders for payment must be signed by two members, with signatories not having a family/business relationship with the beneficiary.

8.2. Signatories must initial the cheque counterfoil and invoice to indicate agreement.

8.3. Cheques/orders for payment are normally signed at or immediately before/after a Council meeting; signatures obtained away from meetings are reported at the next meeting.

9. PAYMENT CARDS

9.1. Debit cards are restricted to the Executive Officer, Deputy Executive Officer, Community Development Officer and RFO, with a single transaction limit of £1,000 unless otherwise authorised.

9.2. Pre-paid debit cards may be issued to employees with limits set by the Finance Committee; transactions are reported to Council, and top-ups are at Council discretion.

9.3. Corporate credit/trade cards are restricted to authorised officers, with balances paid in full monthly.

9.4. Fuel cards are restricted to operations staff, each with a monthly limit of £250, reviewed by the RFO.

10. PAYMENT OF SALARIES AND ALLOWANCES

10.1. The Council must comply with statutory PAYE and NI requirements.

10.2. Councillor's allowances (where paid) are also liable to deduction of tax PAYE rule and must be taxed correctly before payment.

10.3. Salary rates are agreed by the Council/Finance Committee; no changes to pay or terms without Council or Finance Committee consent.

10.4. Salaries are paid after statutory deductions, on contractually stipulated dates.

10.5. Deductions are paid to relevant bodies within required timescales and reported.

10.6. Payments to employees and creditors are recorded in payroll control accounts, with monthly totals reported in the cashbook and reviewed by Council.

10.7. Termination payments require a business case and Council authorisation.

10.8. Interim staff employment requires full business case consideration.

11. LOANS AND INVESTMENTS

11.1. Applications for Government borrowing approval and loan arrangements must be authorised by Full Council and recorded in the minutes. All borrowing should be in the name of the Council, after obtaining necessary approval.

11.2. Financial arrangements not requiring formal borrowing approval the Secretary of State (e.g., hire purchase, leasing, short-term loans) require full Council authorisation after a value-for-money report.

11.3. The Council must consider and review an Investment Strategy and Policy annually in accordance with Statutory Guidance on Local Government Investments.

11.4. All investment certificates and related documents are retained by the RFO.

11.5. Payments for investments, including bank transfers, must comply with these regulations.

12. INCOME

12.1. The RFO is responsible for collecting all sums due to the Council.

12.2. Fees and charges are reviewed annually as part of budget-setting; the RFO ensures correct collection.

12.3. Irrecoverable sums and bad debts are reported by the RFO and written off with Council approval. The Council's approval shall be shown in the accounting records.

12.4. All receipts are deposited intact with the Council's bankers, with the origin recorded.

12.5. Personal cheques must not be cashed from Council funds.

12.6. The RFO ensures correct VAT recording and timely VAT returns.

12.7. For significant cash receipts, at least two people must be present for counting, with reconciliation to control records and security measures in place.

13. PAYMENTS UNDER CONTRACTS FOR BUILDING OR CONSTRUCTION WORKS

13.1. For contracts with instalment payments, the RFO maintains records and ensures payments are made per contract, based on signed certificates from supervising consultants.

13.2. Any contract variation likely to exceed the contract sum by 5% or the available budget must be authorised and reported to Council.

14. STORES AND EQUIPMENT

14.1. Section heads are responsible for the care and custody of stores and equipment.

14.2. Delivery notes must be obtained and goods checked on delivery.

14.3. Stocks are kept at minimum levels consistent with operational needs.

14.4. The Operations Manager (or Executive Officer) is responsible for annual stock checks.

15. ASSETS, PROPERTIES AND ESTATES

15.1. The Executive Officer arranges safe custody of all title deeds and Land Registry Certificates.

15.2. The RFO maintains an accurate Register of Assets and Investments, updated annually, recording all properties, locations, purchase details, and purposes.

15.3. Tangible assets are verified annually.

15.4. No interest in land or tangible property may be acquired, sold, leased, or disposed of without Council authority and required consents, with a written report on valuation, condition, and business case.

15.5. Tangible movable property under £1,000 may be acquired/disposed of without Council authority; otherwise, Council approval and a business case are required.

16. INSURANCE

16.1. The RFO keeps a record of all insurances, reviewing annually before renewal in conjunction with risk management review.

16.2. The Executive Officer/Operations Manager notifies the RFO of new risks, properties, or vehicles requiring insurance or changes affecting existing cover.

16.3. The RFO is notified of any loss, liability, or event likely to lead to a claim and reports to Council at the next meeting; claims are negotiated by the RFO in consultation with the Executive Officer.

16.4. All relevant members and employees are included in suitable security or fidelity guarantee insurance, covering maximum risk as determined annually.

17. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

17.1. The Council reviews these Financial Regulations annually, or following any change of Executive Officer or RFO.

17.2. The Executive Officer monitors changes in legislation or proper practices and advises the Council on amendments.

17.3. The Council may suspend any part of these regulations by duly notified resolution, recording reasons and risk assessment; suspension does not override legislation or permit unlawful action.

17.4. Temporary amendments may be made by resolution to address exceptional circumstances.

Appendix 1 - Tender process

1) Any invitation to tender shall state the general nature of the intended contract and the Clerk 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 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 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. All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of council.
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 [insert reference of the council's relevant standing order] and shall refer to the terms of the Bribery Act 2010.
6) Where 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, 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.