

Essex Association of Local Councils

*Supporting local town and parish councils within
Essex*

Financial Regulations



9th January 2024



TABLE OF CONTENTS

| | |
|---|-----------|
| GENERAL | 2 |
| ACCOUNTING AND AUDIT..... | 4 |
| BUDGETS | 6 |
| BUDGETARY CONTROL AND AUTHORITY TO SPEND | 7 |
| BANKING ARRANGEMENTS..... | 8 |
| INSTRUCTIONS FOR THE MAKING OF PAYMENTS | 8 |
| PAYMENT OF SALARIES & EXPENSES..... | 10 |
| LOANS AND INVESTMENTS | 11 |
| INCOME..... | 12 |
| ORDERS FOR WORK, GOODS AND SERVICES | 12 |
| CONTRACTS | 13 |
| STORES AND EQUIPMENT | 13 |
| ASSETS, PROPERTIES AND ESTATES..... | 14 |
| INSURANCE..... | 14 |
| RISK MANAGEMENT | 15 |
| SUSPENSION AND REVISION OF FINANCIAL REGULATIONS | 15 |
| MANAGEMENT OF THIRD PARTY CLIENT FUNDING STREAMS | 16 |
| CLIENT/ THIRD PARTY FUNDS | 18 |
| VAT..... | 18 |

These Financial Regulations were adopted by the EALC Executive Committee at its Meeting held on (21st March 2023).

1.1. These financial regulations govern the conduct of financial management by the EALC and EA (2013) Ltd and may only be amended or varied by resolution of the EALC Executive. These Financial Regulations apply equally to both the finances of the EALC and EA (2013) Ltd. From here forward 'EALC or the Association' will refer to both EALC and EA (2013) Ltd.

1.2. Financial regulations are one of the EALC's three governing policy documents providing procedural guidance for members and officers. Financial regulations must be observed in conjunction with the EALC's Standing Orders and Constitution. They are supported by the Treasury Management Policy.

1.3. The Executive Committee shall ensure that proper accounts are kept of the Association's Income and Expenditure. The control of the Accounts of the Association shall be monitored in accordance with the terms of the Financial Regulations, Treasury Management Policy and within the Terms of Reference of the Finance Sub-Committee. The Financial Controller, under the policy direction of the Finance Committee, shall be responsible for the proper administration of the Association's affairs and advising the Executive in how to meet their responsibilities.

1.4. The EALC's accounting control systems must include measures:

- for the timely production of accounts;**
- that they provide for the safe and efficient safeguarding of the EALC Members money; the safeguarding of money held on behalf of Essex County Council is not the responsibility of the EALC except in relation to the behaviour of EALC staff.**
- to prevent and detect inaccuracy and fraud; and**
- identifying the duties of Officers.**
- provide the framework for the reporting of EA (2013) Ltd in line with current legislation.**

1.5. At least once a year a review of the effectiveness of the Associations system of internal control will be carried out.

1.6. Executive Members of the EALC are expected to follow the instructions within these Regulations and not to entice employees to breach them.

1.7. The EALC will appoint a Financial Controller to undertake the management of the accounts, the systems and the production of the end of year accounts; and additionally, follow the legal requirements of the reporting of EA (2013) Ltd.

1.8. The EALC will appoint a Finance Sub-committee to monitor the Finances on behalf of the EALC Executive.

1.9. The EALC Executive committee will appoint a Chair of the Finance Sub-committee . The Chair of the Finance Sub-committee will chair the Finance Sub-committee and will report annually to the Annual General Meeting (AGM) of the EALC.

1.10. The EALC Finance Sub-committee;

- acts under the policy direction of the EALC Executive
- ensures the accounting control systems are observed;
- assists the EALC to secure economy, efficiency and effectiveness in the use of its resources; and

1.11 The Financial controller;

- Determines on behalf of the EALC its accounting records and accounting control systems;
- Maintains the accounting records of the EALC up to date;
- Produces financial management information as required by EALC

1.12. The accounting records determined by the FC shall in particular contain:

- entries from day to day of all sums of money received and expended by the EALC and the matters to which the income and expenditure account relate;
- to include a record of the assets and liabilities of the EALC. To be verified by an Internal or External Auditor.

1.13. The accounting control systems determined by the FC shall include:

- **procedures to ensure that the financial transactions of the EALC 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;**
- **procedures to ensure that uncollectable amounts, including any bad debts are written off only with the approval of the CEO;**
- **measures to ensure that risk is properly managed.**

1.14. In addition, the EALC must:

- **determine and keep under regular review the bank mandate for all EALC bank accounts;**
- **in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the Personnel Committee in accordance with its terms of reference.**

1.15 Deliberate or wilful breach of these regulations by an employee may give rise to disciplinary proceedings.

1.16 The FC will manage the processes required by HMRC and Companies House in respect of EA (2013) Ltd. The Annual return shall be submitted for EA (2013) Ltd by the FC by 26th June each year. Corporation Tax must be filed on line by 31st December each year.

ACCOUNTING AND AUDIT

2.1 On a regular basis the FC shall prepare the bank reconciliations, and ensure that the CEO checks the reconciliation. This regulation should be carried out on a monthly basis.

2.2. The Annual Accounts for both the EALC and the EA (2013) Ltd shall be prepared as separate accounts by the FC, checked by the CEO, audited by the Auditor appointed by the EALC AGM and then approved by the Finance Sub-Committee/ EALC Executive.

2.3. The Chair of the Finance Sub-committee will present the Accounts to the EALC Executive for approval. EA (2013) Ltd will be approved and signed as per the regulations relating to a company.

2.4. The Chair of the Finance Sub-committee, once the accounts are approved by the EALC Executive, shall present the accounts to the Annual General Meeting (AGM) of the EALC for approval by the Membership. EA (2013) Ltd Accounts will be included in the Finance Annual Report to the Membership.

2.5. The EALC shall ensure that there is an adequate and effective system of internal audit accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the EALC shall make available such documents and records as appear to be necessary for the purpose of the audit and shall, as directed by the EALC, supply the Chair of the Finance Sub-committee, CEO or Auditor with such information and explanation as the EALC considers necessary for that purpose.

2.6 The Auditor shall be appointed by the AGM and shall carryout the work in relation to the internal controls required by the EALC. The Auditor shall audit the accounts of EA (2013) Ltd and ensure that the regulations relating to the accounts are applied.

2.7. The Auditor shall:

- **be competent and independent of the financial operations of the EALC;**
- **report to EALC in writing, 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 EALC.**
- **Check that the legal requirements relating to EA (2013) Ltd have been completed.**

2.8. Auditors may not under any circumstances:

- perform any operational duties for the EALC;
- initiate or approve accounting transactions; or
- direct the activities of any EALC employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.
- The FC shall, without undue delay, bring to the attention of the Chair of the Finance Sub-committee and Finance Sub-Committee any correspondence or report made by the Auditors.

BUDGETS

3.1. Detailed actual and estimated income and expenditure, including the use of reserves and all sources of funding, for the current year, together with a proposed budget for the next year, shall be prepared by the FC in the form of a budget in consultation with the CEO, Chair of the Finance Sub-committee and the Finance Sub-committee

3.2 The Finance Sub-Committee shall review the proposals and recommend a budget to the Executive Committee in each year and shall recommend the Annual Fees to be levied for the next but one Financial Year. The FC shall supply each Executive Member with a copy of the proposed budget.

3.3 The Executive Committee shall review and approve the proposed budget.

3.4. The Annual Budgets shall form the basis of financial control for the ensuing year.

3.5. The Executive Committee advised by the FC and the Finance Sub-committee shall consider the need for, and shall have regard to, a two-year forecast of Revenue and Capital Receipts and Payments which may be prepared at the same time as the Annual Budget and recommendations for the following years Annual Fees.

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 EALC Finance Sub-committee for all items over £5,000;**
- **the CEO/FC for all items below £5,000 within budget;**
- **Additional expenditure outside of the budget must be authorised by the EALC Finance Sub-committee or the Chair of the Finance Sub-committee for items up to £5000 and by the Executive Committee for items over £5000.**

Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.2 During the budget year and with the approval of Finance Sub-committee having considered fully the implications for services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

4.3 The salary budgets are to be reviewed at least annually by the Personnel Committee and alteration, amendment or adjustment must be presented to the Finance Sub-committee for approval.

4.4 In cases of extreme risk to the delivery of services, the CEO/FC may authorise revenue expenditure on behalf of the EALC when in the FC's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000. The CEO/FC shall report such action to the Chair of the Finance Sub-committee as soon as possible and to the Finance Sub-committee as soon as practicable thereafter.

In the absence of the CEO or FC other staff member should consult with the Chair of the Finance Sub-committee or the Chairman of the EALC.

4.5 The FC shall regularly provide the EALC Finance Sub-committee with a full budget report at each meeting when available.

4.6 Changes in EALC earmarked reserves shall be approved by EALC Executive Committee as part of the budgetary control process/end of year accounting procedure.

BANKING ARRANGEMENTS

5.1 The EALC's banking arrangements, including the bank mandate, shall be made by the FC and approved by the EALC Finance Sub-committee and the Executive Committee will be advised. They shall be regularly reviewed for safety and efficiency.

5.2 Bank accounts will be maintained in line with the Treasury Management Policy so as to ensure funds are protected under the FSCS. The EA (2013) Ltd will hold its own on-line account.

5.3 The EALC will have a credit card to enable online purchases and where immediate payment is required. The credit card will be authorised for payments of goods and services, when required.

The monthly limit shall be £2,000 and this shall be paid in full when the amount becomes due.

5.4 The FC will ensure that the credit card is held safely and the pin number held separately, according to the current process in place.

5.5 The FC to have access to view only statements on line, to download such statements or to speak to the Association's Bankers on the business of the EALC.

5.6 The FC may move funds from EALC accounts to other EALC and EA (2013) Ltd Accounts to allow for the business of the Association to be transacted and in line with obligations under the Treasury Management Policy under advice to the CEO.

INSTRUCTIONS FOR THE MAKING OF PAYMENTS

6.1 The authority for use of the internet bank accounts will be the same as for cheque signing arrangements.

6.2. The Association's creditors will be paid by cheque, bank transfer/ on line payments or other order drawn on the Association's bankers.

6.3. All invoices for payment shall be examined, verified and certified by the FC. Before certifying an invoice, the FC shall be satisfied that the work, goods or services to which the invoice relates have been received, carried out, examined and approved. Such invoices must be matched to a previously authorised Purchase Order.

6.4. Duly certified invoices with a Purchase Order shall be passed to the FC, who shall examine them in relation to arithmetical accuracy and authorisation, prepare the payment and code them to the appropriate expenditure head. The FC shall take all possible steps to settle invoices submitted, which are in order, within 30 days of their receipt.

6.5. The CEO/FC shall be authorised to sign payments up to £5,000. Either the CEO or the FCF will prepare the payments (either on internet banking or by cheque), and the other CEO/FC will sign the cheques or authorise the payment.

6.6. Payments over this amount will require the additional signature of the Chair of the Finance Sub-committee

Or, if unavailable, one of the nominated signatories.

6.7 The Association shall appoint 2 additional signatures to make the total 5. The additional signatures will be allowed to sign in the absence of the CEO or Chair of the Finance Sub-committee.

6.8. If thought appropriate by the Association, payment for supplies may be made by variable Direct Debit.

6.9. Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the EALC's records on that computer, a note shall be made of the PIN and Passwords and retained safely by the authorised individual. These details must not be disclosed to anyone. Passwords etc must be changed every three months and notification must be made to the CEO on completion of the process.

6.10. All computer records are stored securely in the Cloud under the management of Lodge Information Systems (ICE)

6.11. The EALC, and any members using computers for the EALC'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.

6.12. 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 EALC banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.

6.13. 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 the FC shall instigate the change and the CEO shall authorise the change.

6.14. The Association will approve all fees and charges, following a review and report by the CEO. The CEO will make appropriate charges to non-member Councils and members of the public for services provided.

PAYMENT OF SALARIES & EXPENSES

7.1 As an employer, the EALC shall make arrangements to fully meet 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 EALC, or duly delegated committee. The monthly payroll will be uploaded to the payroll provider via an online portal managed by the FC and the payroll provider.

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 other appropriate dates stipulated in employment contracts. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the EALC Personnel Committee and the Finance Sub-committee.

7.3 Any termination payments shall be supported by a clear business case and reported to the EALC Personnel Sub-committee and the EALC Finance Sub-committee. Termination payments shall only be authorised by Finance Sub-committee.

7.4 Before employing interim staff the EALC Personnel Sub-committee and the Finance Sub-committee must consider a full business case, unless the revenue budget is not exceeded.

7.5 The payment of all salaries and wages shall be checked by the FC/CEO and the payment made by the FC and authorised by the CEO. Salaries, HMRC and pension payments will be made via the online bank account. In the absence of the CEO the Chair of the Finance Sub-committee or another signatory may authorise the payments

7.6 The EALC may use the services of a specialised payroll provider. The provider will manage the agreed payroll, filing on line each month and completing on line end of year requirements. The RFO shall check the work of the pay roll provider

7.7 All time sheets shall be certified as to their accuracy by the CEO or their representative.

7.8 All expenses claimed by Employee's or Executive Members must be claimed within 8 weeks, and within the Policy in force at the time.

7.9 All staff payslips are accessed by individual staff members, via an online payroll portal, the payroll portal is set up via the payroll provider.

LOANS AND INVESTMENTS

The portal is managed by the FC

with separate log in details. All staff have access to their own data via the online portal, this is to protect data in compliance with GDPR.

8.1 No loans will be raised or granted by the Association in pursuance of its normal functions.

INCOME

8.2 All investments of money under the control of the EALC shall be in the name of the EALC.

8.3. All investment certificates and other documents relating thereto shall be retained in the custody of the FC.

9.1 The collection of all sums due to the EALC shall be the responsibility of, and under the supervision of, the FC.

9.2 The Member Councils of the Association will approve the level of affiliation fees annually, at the AGM.

9.3. Any sums found to be irrecoverable and any bad debts shall be reported to the EALC Finance Sub-committee and shall be written off in the year.

9.4. All sums received on behalf of the EALC shall be banked intact as directed by

ORDERS FOR WORK, GOODS AND SERVICES the FC.

In all cases, all receipts shall be deposited with the EALC's bankers with such frequency as the FC considers necessary.

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

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

10.1 A purchase order shall be issued for all work, goods and services. Copies of orders shall be retained with the invoices when payment is due as part of the audit trail.

10.2 Purchase order numbers shall be controlled by the FC.

10.3 All members and Officers are responsible for obtaining value for money at all times. An officer issuing a purchase order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each

CONTRACTS

transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11 (I) below.

10.4 An Executive member may not issue a purchase order or make any contract on be-half of the EALC.

11.1 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.
- b. 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 Finance Sub-committee.
- c. Such invitation to tender shall state the general nature of the intended contract and the FC shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the FC in the ordinary course of post. 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.

STORES AND EQUIPMENT

- d. When the Association enters into a contract of less than [£60,000] 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 as are excepted as set out in paragraph (a)The FC shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £1,000 or FC shall strive to obtain 3 estimates.
- e. The EALC shall not be obliged to accept the lowest or any tender, quote or estimate.

ASSETS, PROPERTIES AND ESTATES

12.1 The officer in charge of each section

shall be responsible for the care and custody of stores and equipment in that section.

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

INSURANCE

12.3 Stocks shall be kept at the minimum levels consistent with operational requirements.

12.4 The FC shall be responsible for periodic checks of stocks and stores at least annually.

13.1 The FC shall 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 shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

14.1. Following the annual risk assessment, the FC shall effect all insurances and negotiate all claims on the EALC's insurers. The FC shall review insurance of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

14.2. The FC shall keep a record of all insurances effected by the EALC and the property and risks covered thereby and annually review it.

14.3. The FC shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Chair of the Finance Sub-committee and Finance Sub-committee at the next available opportunity.

14.4. All appropriate members and employees of the EALC shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the EALC, or duly delegated committee.

SUSPENSION AND REVISION OF FINANCIAL REGULATIONS

15.1. The EALC is responsible for putting in place arrangements for the management of risk. The FC shall prepare, for approval by the Finance Sub-Committee, risk management policy statements in respect of all activities of the EALC. Risk policy statements and consequential risk management arrangements shall be reviewed by the Finance Sub-Committee at least annually.

15.2. When considering any new activity, the FC shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the EALC, subsequent to the approval of the Finance Sub-committee and the Executive committee.

16.1. It shall be the duty of the EALC to review the Financial Regulations of the EALC annually. The FC shall make arrangements to monitor changes in legislation or proper practices and shall advise the EALC of any requirement for a consequential amendment to these financial regulations.

RISK MANAGEMENT

16.2. The EALC may, by resolution of the EALC duly notified prior to the relevant meeting of EALC, 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 EALC.

CIF Panel:

17.1 There will first be an application form necessary for the Applicants to complete. This is then submitted to EALC for processing.

17.2 This will require the necessary checks to be carried out, to comply with the Third Party funding criteria. Once the application is checked and meets the criteria it will then be submitted to the Panel for approval, where a final decision will be made.

17.3 After due consideration by the Panel the Chairman will authorise and sign the selected application. Essex County Council or Approved Third Party will have given prior authorisation for the selected applicants to receive the grant funding.

17.4 A final list of approved applicants will be collected with a total fund amount.

17.5 The total figure for the funding will be submitted to Essex Council County or approved Third Party for release to EALC, to then distribute the approved grants.

17.6 The FC will be responsible for carrying out the necessary checks to ensure that full authorisation has been made for the applicant to receive such allocated funds.

17.7 The management of the Third Party Client Funds is for the process of making a financial transaction between ECC, Approved Third Party and the

MANAGEMENT OF THIRD PARTY CLIENT FUNDING STREAMS

Applicant only. There will be no excess funds held by EALC.

Non CIF funding streams

17.8 The Chairman and the Chair of the Finance Sub-committee of the EALC will delegate authority to the CEO and RFO to implement the 'Steps of Internal Control' document for the purpose of managing grant funding streams on behalf of Essex County Council and approved Third Parties when emergency funding streams are required to be administered in a short timeframe in line with the agreed Service Level Agreement.

17.9 Internal Controls implemented will ensure there are three levels of internal control for payment processing with a clear audit trail from authorisation at Essex County Council or Approved Third Party to the final payment to approved applicant.

17.10 The Steps of Internal Control for Management of Grant Funding Streams on behalf of Essex County Council and other 'Approved Partners':

- 1. Funding is received from ECC and or other 'Approved Partners', the funds are allocated to the correct earmarked code.**
- 2. Funding Officer receives and processes applications.**
- 3. Funding Officer seeks approval from ECC /Funding provider to pay the organisations.**
- 4. Funding Officer produces a summary of payments to be made and sends the report to the FC to input the payments on the Unity Foodbank Account.**
- 5. The FC will check the audit trail from the point of authorisation through to payment by checking the following documents:**
 - ECC/Funding provider Approved spreadsheet (original source)**
 - Application forms and the bank details (original source)**
 - Print out of the transactions on Unity Foodbank Account awaiting authorisation (original source)**
 - FC will instruct the CEO to authorise the payments on the bank. The CEO will check the audit trail and authorise the payments to be released from the Unity Foodbank Account.**
- 6. Appropriate Accounting arrangements will be made within Sage to enable Sage reports for the individual funding streams to be produced.**

Monthly reports will be produced by the funding officer for Essex County Council/Funding provider, and the EALC. The FC will reconcile these reports to the Sage reports.

CLIENT/ THIRD PARTY FUNDS

The Sage Accounts will be the primary formal records for Grant Funding, any records kept by the Funding Officer or Essex County Council will be subsidiary records.

7. Monthly Bank Reconciliations of the Funding Unity Bank Account with the balances on the individual funding stream codes.

17.11 Any re-imburement for the management of the funding streams will be accounted for in the main EALC accounts.

17.12 Any funds remaining after the funding stream has closed will be returned to ECC or Approved Third Party as soon as is possible.

18.1 Third Party Funds will be held in the Unity Trust account ending 671. The EALC will make it clear to the Third Party that they accept no responsibility for any financial loss arising as a result of the failure of Unity Trust Bank. The FSCS limit of £85,000 shall first be applied to EALC funds held and any excess will then be **VAT applied to Third Party Funds.**

18.2 Third Party Funds are used for appropriate purposes only, Client funds are for the use of the Third Party matters only.

18.3 Detailed accounting records are kept by the FC to show accurately the position with regard to the money held for each Third Party / Client.

18.4 EALC will co-operate with Third Party / Client inspection checking compliance with their requirements.

18.5 The FC will account appropriately for any interest accumulated on other people's money.

18.6 The FC will prepare Annual Financial Reports as required by Third Party and EALC.

19.1 In line with HMRC regulations and making tax digital, the FC must ensure to submit quarterly VAT returns within the making tax digital requirements.

19.2 The FC must ensure the correct amount of VAT to be charged to the members for services provided.

19.3 The FC must ensure to reclaim or pay over the correct amount of VAT to HMRC in accordance with the relevant VAT notices.

19.4 The VAT payment to be made via a direct debit set up or transfer in a timely manner to avoid any surcharge.