

Seaton Valley Council

A Community Council

FINANCIAL REGULATIONS

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FINANCIAL REGULATIONS

Approved by Council on 24 Jan 2018
Review date – September 2019

1. GENERAL

- 1.1 The Clerk is the Proper Officer of the Council for the purpose of Section 112 of the Local Government Act 1972, and is also the Responsible Financial Officer (RFO) for the purpose of Section 151 of the same Act.
- 1.2 In the event that the Clerk is unable to fulfil these responsibilities owing to illness or other cause, the Council shall determine how the responsibilities imposed on the Council by the Act shall be met.
- 1.3 In these Financial Regulations any reference to the “Responsible Officer acting on behalf of the Council” shall mean any specialist support which may be required to support the activities of the Council in particular circumstances e.g. an architect on capital works.

2. INTRODUCTION

- 2.1 These Financial Regulations govern the conduct of financial management of the Council and may only be amended or varied by resolution of the Council. 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 financial control which facilitates the effective exercise of its functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. These Financial Regulations are designed to demonstrate how the Council meets these responsibilities.
- 2.2 It is the duty of members and officers to be aware of the content of these Financial Regulations and to comply with their requirements.
- 2.3 The Clerk shall act as financial adviser to the Council and shall be responsible for the proper financial administration of the Council’s affairs.
- 2.4 The Clerk shall be responsible for the production of regular financial management information.
- 2.5 It shall be the duty of the Finance & General Purposes Committee to regulate and control the finances of the Council. The Committee shall also be responsible for ensuring that members and officers have due regard to the duties and responsibilities placed on the Council by relevant legislation in relation to financial matters.

- 2.6 The Clerk shall be consulted before any other member of staff enters into any commitment which is likely to affect the finances of the Council.
- 2.7 It is illegal for a Member to enter into any financial commitment on behalf of the Council (Section 101 of the Local Government Act 1972).
- 2.8 At least once a year, prior to approving the Statement of Accounts and Annual Return, the Council shall conduct a review of the effectiveness of its system of internal control which shall be in accordance with proper practices.

3. ANNUAL ESTIMATES (BUDGET)

- 3.1 Estimates of both revenue and capital income and expenditure for the following year, including the use of reserves and sources of funding, shall be prepared by the Clerk and submitted to the Council, by no later than its November meeting. The Clerks report will also include details relating to the financial position of the current year's budget, and the financial implications for the following year.
- 3.2 The Council shall review the estimates and at its meeting in January and after taking into account any new proposals for increases or reductions in expenditure, shall approve its following year's budget and set the precept to be levied for the following financial year. The Clerk shall issue the precept to the billing authority by the due date.
- 3.3 The Clerk shall provide each member with a copy of the approved budget.
- 3.4 The approved budget shall form the basis of financial control for the following year.
- 3.5 The Council shall consider the need for and have regard to a three year forecast of revenue and capital income and expenditure, which should be prepared at the same time as the annual budget.

4. SUPPLEMENTARY ESTIMATES

- 4.1 Where it appears that expenditure may be incurred which is not provided for within the approved budget, and virement is not possible (see section 7 below), the Clerk shall submit to the Council, before the expenditure is incurred, a request for a supplementary estimate. The request shall be accompanied by a detailed statement in support of the proposed expenditure giving reasons why the expenditure cannot be found by economies in other budgets.

5. CAPITAL PROGRAMME

- 5.1 When appropriate a capital programme shall be considered annually by the Council.
- 5.2 Programmes shall be prepared by the Clerk and submitted to the Council for consideration as part of the estimates process. The programme shall be supported by a written report detailing the nature of the schemes to be undertaken and the financial resources available, including grants, to fund the programme.

- 5.3 Generally, only capital schemes within the approved capital programme may be undertaken in any financial year. However, in the event of a situation arising which warrants a capital scheme not already in the programme, (for example, the availability of significant funding) then a report may be submitted to Members recommending approval of the scheme.
- 5.4 For the purpose of these Regulations only expenditure which complies with the prescribed definition of capital, and with a value of £2,000 and above, shall be classed as capital.

6. BUDGETARY CONTROL

- 6.1 Expenditure on revenue items may be incurred up to the amounts included in the approved budget.
- 6.2 No expenditure may be incurred that will exceed the amount provided in the revenue budgets, unless this can be accommodated by savings in other budget areas and subject to virement rules (see section 7 below).
- 6.3 The Clerk shall ensure that performance against the approved revenue budget and capital programme is monitored throughout the year, and that the overall budget is not overspent.
- 6.4 At least quarterly, the Clerk shall submit to members a report detailing income and expenditure to date against the approved budget and highlighting any issues of concern of which members should be aware. However, in the event of a situation arising which has the potential for a significant adverse financial impact on the Council, the Clerk shall submit a report to members as soon as possible detailing the nature of the situation and possible means for addressing it.
- 6.5 Reasonable expenditure may be incurred by the Clerk to deal with an emergency situation, irrespective of whether there is budget provision (see section 14.3 below).
- 6.6 Unspent provisions in the revenue budget at the year end shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.

7. VIREMENT (agreed transfer of money from one budget heading to another)

- 7.1 The Clerk may authorise a virement proposal up to a maximum of £2,000 where no change in Council policy is involved. A proposal for virement in excess of £2,000, or where there is a change in Council policy, shall only be authorised by the Council.

8. ACCOUNTING RECORDS AND CONTROL SYSTEMS

- 8.1 All accounting procedures and financial records of the Council shall be determined by the Clerk in accordance with the provisions of the Accounts and Audit Regulations in effect at the time.

- 8.2 The Clerk shall be responsible for ensuring the completion of the Annual Return in accordance with the provisions of the Accounts and Audit Regulations in effect at the time.
- 8.3 The Clerk shall be responsible for submitting the annual statement of accounts to the Council for approval in accordance with the timescale set by the Accounts and Audit Regulations in effect at the time.
- 8.4 The Clerk shall make arrangements for the opportunity for inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required by Audit Commission Act 1998 and the Accounts and Audit Regulations in effect at the time.

9. INTERNAL AUDIT

- 9.1 The Clerk shall be responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices and the provisions of the Accounts and Audit Regulations in effect at the time.
- 9.2 The Internal Auditor shall be appointed on an annual basis at the Annual Meeting of the Council and shall carry out the work required by the Council in accordance with proper practices. The Internal Auditor shall be competent and independent of the operations of the Council. He/she shall report to the Council in writing or in person with a minimum of one annual written report in respect of each financial year. In order to demonstrate objectivity and independence the Internal Auditor shall be free from any conflicts of interest and have no involvement in the financial decision-making, management or control of the Council.
- 9.3 Any officer or member of the Council must make available at any reasonable time such documents and any other records that appear necessary for the purpose of the audit, and shall supply such information and explanation as is required for the purpose of the audit.
- 9.4 The Clerk shall, as soon as practicable, bring to the attention of all members any correspondence or report from the Internal or External Auditor, unless it is of a purely administrative nature.

10. IRREGULARITIES

- 10.1 Any member or officer of the Council who becomes aware of any financial irregularities, or suspected irregularities, shall immediately notify the Clerk who shall take such steps as they consider necessary by way of investigation and report, taking into account the nature of the irregularity.
- 10.2 If it is found that any significant loss has been incurred it shall be the responsibility of the Clerk to inform the Council and the external auditor.

11. BANKING ARRANGEMENTS

- 11.1 The Council's banking arrangements shall be the responsibility of the Clerk. They must be approved by the Council, and shall be reviewed regularly for efficiency.
- 11.2 The Clerk will prepare bank reconciliation statements on at least a quarterly basis and submit these to Council for approval.
- 11.3 The Clerk shall be responsible for the control and issue of cheques and the setting up of internet banking payments.
- 11.4 Three members of the Finance & General Purposes Committee and three members of the Council's staff are authorised to sign cheques and approve internet banking payments. All internet bank payments and cheques must be authorised/signed by two of the above signatories. Where payments exceed £10,000 one of the approved signatories must be a Councillor.

12. LOANS AND INVESTMENTS

- 12.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.
- 12.2 The council shall consider the need for an Investment Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any Policy shall be reviewed at least annually.
- 12.3 All investments of money under the control of the Council shall be in the name of the Council.
- 12.4 All borrowings shall be affected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The terms and conditions of borrowings shall be reviewed at least annually.
- 12.5 All investment certificates and other documents relating thereto shall be retained in the custody of the Clerk.

13. ORDERS FOR WORK, GOODS AND SERVICES

- 13.1 An official order, or letter if appropriate, shall be issued for all work, services and goods unless a formal contract is to be prepared or an official order would be inappropriate. Copies of all orders, letters and contracts shall be retained by the Clerk.
- 13.2 All members and officers shall be responsible for obtaining value for money at all times. An officer issuing an official order shall ensure, as far as is reasonable and practicable, that the best available terms are obtained in respect of each transaction. This shall be achieved by obtaining at least two quotations where the value of the order is expected to be between £1,000 and £5,000, and three quotations for orders expected to be between £5,000 and £60,000. Formal open tender exercises should be followed where the cost of the works/services is likely to exceed £60,000.

- 13.3 In the event of it not being possible to secure two or three quotations, the Clerk may proceed on the basis of one quotation received, having discussed the situation with the Chair of the Finance & General Purposes Committee.
- 13.4 The procedure detailed in 13.2 may be inappropriate when it is necessary for the Council to acquire work, services or goods of a specialist nature. In this case the Clerk shall consult with the Chair of the Finance & General Purposes Committee and agree the firms to be invited to tender. All firms invited to tender must satisfy the Clerk of their technical ability, financial standing and any other legislative requirements, e.g. regarding health and safety, before any contract is awarded.
- 13.5 The Clerk shall verify the lawful nature of any proposed purchase before the issue of any order. In the case of new or infrequent purchases or payments, the Clerk shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the members can record the power being used.
- 13.6 Subject to the requirements of this Regulation, quotations should first be sought from businesses and individuals trading within the area of Seaton Valley Council followed by nearby locations such as South East Northumberland and North Tyneside.

14. CONTROL OF EXPENDITURE

- 14.1 No expenditure shall be incurred unless it is in accordance with the expressed policy and the requirements of the Financial Regulations of the Council, and is provided for in the annual estimates or any supplementary estimates approved by the Council.
- 14.2 All payments shall be made by cheque, credit card or via the internet bank payment system (as per 14.3 below). However, if considered appropriate by the Council, payment for utility supplies (energy, telephone and water), other regular payments and non-domestic rates may be made by direct debit. Direct debit mandates shall be signed by at least two authorised signatories one of which must be a Councillor.
- 14.3 The Clerk is authorised to use the Council's credit card within the financial limits set by the credit card provider and so long as the expenditure can be contained within approved budgets.
- 14.4 Where expenditure is required to pay for emergency works i.e. in the case of health and safety issues, the Clerk is authorised to incur such reasonable expenditure as he/she considers appropriate in the circumstances.
- 14.5 All invoices and claims for expenses shall be checked to ensure that they relate to the works, services or goods ordered and provided that the amount is correct, that VAT is included where appropriate, that they are arithmetically correct and that they are not copies. Following examination and authorisation by the Clerk, processing for payment will be carried out in accordance with agreed procedures.
- 14.6 No payment shall be made on the basis of a copy invoice unless the copy is clearly marked as such by the supplier, and checks are carried out to ensure that payment has not already been made.
- 14.7 A schedule of payments made in excess of £250 shall be posted on the Council's website on a monthly basis.

15. CONTROL OF INCOME

- 15.1 The Clerk shall ensure that adequate and effective arrangements exist to maximise the income from all sums due to the Council. They shall ensure that proper records are maintained and that control systems are in place in respect of cash handled in all sections of the Council.
- 15.2 All sums received on behalf of the Council shall be banked intact and without delay.
- 15.3 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 15.4 Where the Council regularly receives a significant sum of cash, the Clerk shall take steps to ensure that more than one person is present when the cash is counted.
- 15.5 Where appropriate, cash must be reconciled with some form of control document e.g. till roll, record of ticket sales etc.
- 15.6 The charges made for work undertaken, services provided and goods supplied shall be in accordance with those most recently approved by the Council. Where a charge is to be made which has not been approved by the Council, the Clerk shall determine the appropriate charge and report the amendment to the next meeting of the Council.
- 15.7 All fees and charges shall be reviewed annually by the Council as part of the budget process, based on a report from the Clerk.
- 15.8 All grant claims to Government Departments or other organisations shall be submitted by the Clerk.
- 15.9 All appropriate steps must be taken to recover sums due to the Council. In bankruptcy and liquidation cases, the Clerk may write out of the Council's accounts the full amount of monies due and thereafter pursue the Council's claim in accordance with the statutory process, where he considers it cost effective to do so.
- 15.10 Where the Clerk considers that the recovery process has been exhausted, and where further attempts at recovery would not be cost effective, a report shall be submitted to Members recommending that the debt be written off. The report shall provide full details of the debt and of action taken to recover the amount due. No debt shall be written off without the prior approval of the Council.
- 15.11 The accounts of the Council shall include an appropriate provision for bad debts as and when appropriate
- 15.12 The Clerk shall ensure the prompt completion and submission of any VAT return.

16. PETTY CASH

- 16.1 The Clerk may provide petty cash to officers for the purpose of defraying operational and other expenses.

- 16.2 The Clerk shall maintain a petty cash float of £500 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
- 16.3 Cash income received must **NOT** be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.
- 16.4 Petty cash must be kept in a locked cashbox which is then kept in a secure location or safe.

17. CONTRACTS

- 17.1 Every contract shall comply with these Financial Regulations except in relation to the following:
- a) in an emergency situation;
 - b) for the supply of gas, electricity, water, sewerage and telephone services;
 - c) for work or goods of a specialist nature (see 17.13 below);
 - d) for work to be executed or goods or materials to be supplied which consist or repairs to or parts for existing machinery, equipment or plant;
 - e) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
 - f) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- 17.2 The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- 17.3 Where an organisation or agency outside of the Council acts on behalf of the Council in the letting of contracts, that organisation or agency shall comply with the following requirements in relation to contracts.

Value Up to and Including £5,000

- 17.4 Where it is intended to enter into a contract with a value up to £5,000 for the supply of goods, materials or services, or for the execution of works, such contract shall have been previously agreed by the Council. The Clerk shall invite quotations from two suitably qualified suppliers or contractors. The Clerk shall award the contract to the lowest tenderer, subject to the satisfactory completion of checks regarding their technical ability, financial standing and such other requirements as may be necessary. Details shall be reported by the Clerk to the Council.
- 17.5 Where it is intended that the lowest tender not be accepted, the Clerk shall, before awarding the contract, report to the Council with reasons justifying the rejection of the lowest tender.

Value Over £5,000 and up to and including £60,000

- 17.6 Where it is intended to enter into a contract with a value exceeding £5,000 and up to £60,000 for the supply of goods, materials or services, or for the execution of works, such contract shall have been previously agreed by the Council. The Clerk shall invite quotations from at least three suitably qualified suppliers or contractors. The Clerk shall award the contract to the lowest tenderer, subject to the satisfactory completion of

checks regarding his technical ability, financial standing and such other requirements as may be necessary. Details shall be reported by the Clerk to the Council.

- 17.7 Where the contract value is expected to exceed £25,000 all quotes/tenders shall be forwarded to the Council offices in the envelope provided, which should not show any mark by which the tenderer may be identified. Tenders must be received by the date and time specified in the quote/tender invitation and will be opened by the Clerk in the presence two Councillors.
- 17.8 Where it is intended that the lowest tender is not be accepted, the Clerk shall, before awarding the contract, report to the Council with reasons justifying the rejection of the lowest tender.

Value Over £60,000

- 17.9 Where it is intended to enter into a contract with a value exceeding £60,000 for the supply of goods, materials or services, or for the execution of works, such contract shall have been previously agreed by the Council. The Clerk shall place an advertisement in a publication appropriate for the nature of the contract inviting tender submissions.
- 17.10 All tenders shall be forwarded to the Council office in the envelope provided, which should not show any mark by which the tenderer may be identified. Tenders must be received by the date and time specified in the advertisement.
- 17.11 Tenders shall be opened by the Clerk in the presence of two Members of the Council.
- 17.12 Details of the tenders received shall be reported to the Council and the contract shall be awarded to the lowest tenderer, subject to the satisfactory completion of checks regarding their technical ability, financial standing and such other requirements as may be necessary.
- 17.13 Where it is intended that the lowest tender not be accepted, the reasons justifying the rejection of the lowest tender must be recorded.
- 17.14 Where the value of a contract is likely to exceed £172,514 (or other threshold specified by the Office of Government Commerce from time to time) the Council must consider whether the Public Contracts Regulations 2006 (SI No.5, as amended) and the Utilities Contracts Regulations 2006 (SI No. 6, as amended) apply to the contract and, if either of those Regulations apply, the Council must comply with EU procurement rules

General

- 17.15 The procedure detailed above may be inappropriate when it is necessary for the Council to acquire work, services or goods of a specialist nature. In this case the Clerk shall consult with the Chair of the Finance & General Purposes Committee and agree the firms to be invited to tender. All firms invited to tender must satisfy the Clerk of their technical ability, financial standing and any other legislative requirements, e.g. regarding health and safety, before any contract is awarded.
- 17.16 If less than three tenders are received for a particular contract, or if all of the tenders

are identical, the Council shall make such arrangements as it thinks fit for procuring the goods, materials or services, or for executing the works.

- 17.17 Every contract entered into by the Council shall be in writing and must specify all information relevant to the work as requested by the notice to tender.
- 17.18 All works carried out by a contractor must comply with relevant Health and Safety regulations.
- 17.19 The Clerk shall keep a register of all construction-related contracts or sub-contracts entered into by the Council.
- 17.20 Every variation to a contract shall be notified to a contractor in writing by the Clerk acting on behalf of the Council.
- 17.21 Payments on account to contractors shall be authorised only on the certificate signed by the Clerk and Chair of the Council, and showing the original amount of the contract, the value of work executed to date, retention money, the total amount certified to date and the amount now certified.
- 17.22 The prior approval of the Council shall be obtained in writing for any variation to a contract involving the Council in an increase in costs above the accepted tender figure of 5% or more. Where such additional expenditure relates to a capital scheme, every effort must be made to meet the costs from within the overall capital programme. If this is not possible a report must be submitted to the Council by the Clerk detailing options.
- 17.23 A final certificate in respect of the completed contract shall not be issued until the contractor or sub-contractor has furnished a detailed statement of account for the whole of the contract supported by vouchers, documents and other relevant information.

18. LEASING

- 18.1 The Clerk shall be responsible for the negotiation and management of all leasing arrangements where expenditure has been authorised by the Council.

19. SALARIES AND WAGES

- 19.1 As an employer, the Council shall make arrangements to comply with the statutory requirements placed on all employers by PAYE and National Insurance legislation.
- 19.2 The Clerk shall be responsible for the payment of salaries and wages to all Council employees and will exercise this responsibility through the use of its payroll agent, Northumberland County Council.
- 19.3 The Clerk shall ensure that all timesheets are certified and processed and passed to the Council's payroll agent in accordance with approved procedures. Similarly the Clerk will ensure that all Contracts of Employments and Statements of Particulars are passed to the Council's payroll agent on a timely basis.

- 19.4 The Clerk shall ensure that records are kept of salaries and wages, and deductions therefrom and that such payments are in accordance with employee's contracts of employment.
- 19.5 The Clerk shall ensure that all employee and employer pension contributions are paid over to the Council's pension provider (NEST) on a timely basis.
- 19.6 The Clerk shall ensure that records are maintained of employees' absences, overtime, appointments, resignations etc in order to substantiate salaries and wages payroll.
- 19.7 Where appropriate, the payment of Members' Expenses shall be made in accordance with nationally agreed rates, including travel and subsistence.

20. STOCKS AND STORES

- 20.1 The appropriate member of staff shall be responsible for the care and custody of stores and equipment relevant to their areas of operational responsibility.
- 20.2 Delivery notes shall be obtained in respect of all goods received into store, or otherwise delivered, and goods must be checked to ensure compliance with the order in terms of their nature, quantity and quality at the time the delivery is made.
- 20.3 Stocks shall be kept at the minimum level consistent with operational requirements.
- 20.4 An audit of stocks should be undertaken at least annually. Any stock variations or obsolete items of stock identified should be reported to the Clerk who may authorise deficiencies to be written off, subject to a maximum value of £500. Any variations of over £500 must be reported to the Council.
- 20.5 The Council's property shall not be removed, other than in accordance with the ordinary business of the Council, or used other than for Council purposes.

21. ASSETS, PROPERTY AND ESTATES

- 21.1 The Clerk shall make appropriate arrangements for the custody of all title deeds in respect of property owned by the Council. A record shall be maintained recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which the asset is held in accordance with the provisions of the Accounts and Audit Regulations 2003.
- 21.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any consents required by law.
- 21.3 The Clerk shall ensure that an accurate and up to date register of all assets is maintained. The continued existence of tangible assets shown in the register shall be verified at least annually.

22. RISK MANAGEMENT

- 22.1 The Council is responsible for putting into place arrangements for the effective management of risk.
- 22.2 The Clerk shall prepare and promote a risk management policy statement in respect of all of the activities of the Council. The risk management policy and consequent risk management arrangements, including the Council's risk register shall be reviewed at least annually by the Council.
- 22.3 When considering any new activity the Clerk shall prepare a draft risk assessment for the activity and shall submit the draft, together with risk management proposals for the activity, to the Council for consideration and adoption.

23. INSURANCE

- 23.1 The Clerk shall determine, after appropriate consultation, the extent to which identified risks are to be covered by insurance.
- 23.2 The Clerk shall keep a record of all insurances affected by the Council and the property and risks covered thereby.
- 23.3 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance policy, which shall cover the maximum risk exposure as determined by the Council.
- 23.4 The Clerk shall be promptly notified of all new risks, including the acquisition of property, vehicles and other assets and of any alterations in circumstances affecting existing cover.
- 23.5 Appropriate officers must immediately supply the Clerk with full particulars of any occurrence involving actual or potential loss to the Council or, arising out of which, a claim may be made by or against the Council which is covered by insurance. The particulars should include an estimate of the cost of making good any damage.
- 23.6 It shall be the responsibility of the Clerk to submit claims under existing policies promptly to the insurance company.

24. SECURITY

- 24.1 The Clerk shall be responsible for maintaining proper security of all the buildings, stocks, stores, furniture, equipment, cash etc of the Council. He/she shall be consulted where security is considered to be defective or where special security arrangements are thought appropriate.
- 24.2 Maximum limits for cash holdings shall be agreed with the Clerk and these shall not be exceeded without his/her express authority.

25. CHARITIES

- 25.1 Where the Council is sole trustee of a Charitable body the Clerk shall ensure that separate accounts are kept of the funds held on charitable trusts and separate financial reports made in such form as shall be appropriate, in accordance with Charity Law and legislation, or as determined by the Charity Commission. The Clerk shall arrange for any

Audit or Independent Examination as may be required by Charity Law or any Governing Document.

26. REVISION OF FINANCIAL REGULATIONS

- 26.1 It shall be the duty of the Council to amend these Financial Regulations if changes in circumstances, either internally or externally imposed, require it. In any event they should be reviewed periodically and at least every two years.