

SHEPSHED TOWN COUNCIL FINANCIAL REGULATIONS

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SHEPSHED TOWN COUNCIL

FINANCIAL REGULATIONS

These Financial Regulations were reviewed by the Risk & Governance Subcommittee on 6th March 2024 & approved by Finance & General Purposes Committee on 20th March 2024.

GENERAL

1.1 These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial regulations are one of the Council's three governing policy documents providing procedural guidance for Members and Officers. Financial regulations must be observed in conjunction with the Council's standing orders and any individual financial regulations relating to contracts.

1.2 The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.

1.3 The Council's accounting control systems must include measures:

- for the timely production of accounts
- that provide for the safe and efficient safeguarding of public money
- to prevent and detect inaccuracy and fraud and
- identifying the duties of officers

1.4 These financial regulations demonstrate how the Council meets these responsibilities and requirements.

1.5 At least once a year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.6 A breach of these Regulations by an employee is gross misconduct

1.7 Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute.

1.8 The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council.

1.9 The 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 accounting control systems
- ensures the accounting control systems are observed
- maintains the accounting records of the Council up to date in accordance with proper practice
- assists the Council to secure economy, efficiency and effectiveness in the use of its resources and
- produces financial management information as required by the Council

1.10 The accounting records determined by the RFO shall be sufficient to show and explain the Council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances or management information prepared for the Council from time to time comply with the Accounts and Audit Regulations.

1.11 The accounting records determined by the RFO shall in particular contain:

- entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure account relate
- a record of the assets and liabilities of the Council
- wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy

1.12 The accounting control system determined by the RFO shall include:

- procedures to ensure that the financial transactions for the Council 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 accounts, including any bad debts are not submitted to the Council for approval to be written off

except with the approval of the Clerk and that the approvals are shown in the accounting records

- measures to ensure that risk is properly managed

1.13 The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding

- setting the final budget or the precept
- approving accounting statements
- approving an annual governance statement
- borrowing
- writing off bad debts
- addressing recommendations in any report from the internal or external auditors

shall be a matter for the Full Council only

1.14 In addition the Council must:

- determine and keep under regular review the bank mandate for all Council bank accounts
- approve any grant
- ensure wages & salaries are paid in accordance with the recommendations of the NJC for Local Government Services

1.15 In these financial regulations, reference to the Accounts and Audit Regulation or “the regulations” shall mean the regulations issued under the provisions of Section 27 of the Audit Committee Act 1998, or any superseding legislation, and then in force unless otherwise specified

In these financial regulations the term “proper practice” or “proper practices” shall refer to guidance issued in Governance and Accountability for Local Councils – a Practitioners’ Guide (England) issued by NALC & SLCC.

2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

2.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations, appropriate Guidance and proper practices.

2.2 On a regular basis, at least once a quarter and at each financial year end, a Member other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations for all accounts produced by the RFO. The member shall sign

the reconciliations and the original bank statements as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Council. This will be performed by the Chairman and Vice Chairman of the Finance & General Purposes Committee.

2.3 The RFO shall complete the annual statement of accounts, annual report and any related documents of the Council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year.

Having certified the accounts shall submit them and report thereon to the Council within the timescale set by the Accounts and Audit Regulations.

2.4 The Council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any Officer or Member of the Council shall make available such documents and records as appear to the Council to be necessary for the purpose of the audit and shall, as directed by the Council, supply the RFO, internal auditor or external auditor with such information and explanation as the Council considers necessary for that purpose.

2.5 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the Council in accordance with proper practices.

2.6 The internal auditor shall:

- be competent and independent of the financial operations of the Council
- report to Council in writing, or in person, 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 Council

2.7 Internal or external auditors may not under any circumstances:

- perform any operational duties for the Council;
- initiate or approve accounting 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

2.8 The 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 statements of account required by Audit Commission Act 1998 or any superseding legislation, and the Accounts and Audit Regulations. Reasonable notice of the intentions must be provided which must be not less than 1 day before the date of commencing. Following this, by arrangement the public have 30 working days to inspect with copies of the accounting records and supporting documents.

2.9 The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from internal or external auditors.

3. ANNUAL ESTIMATES

3.1 The RFO must each year prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Council.

3.2 The Council shall fix the precept and relevant basic amount of Council Tax to be levied for the ensuing financial year. The RFO shall issue the precept to the Borough Council and shall supply each member with a copy of the approved annual budget.

3.3 The approved annual budget shall form the basis of financial control for the ensuing year.

4. BUDGET CONTROL & 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.

4.2 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the Council or duly delegated committee. During the budget year and with the approval of Council, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate. This practice will be governed by Shepshed Town Council Reserve Policy.

4.3 Unspent provisions in the revenue or capital budgets may only be carried forward to a subsequent year by resolution of the Council. *This practice will be governed by Shepshed Town Council Reserve Policy.*

4.4 The salary budgets are to be reviewed annually for the following financial year.

4.5 The Clerk may authorise revenue expenditure on behalf of the Council, if it is felt necessary in the delivery of Council services. Such expenditure includes repair, replacement or other work whether or not there is any budgetary provision for the expenditure, subject to a limit of £1000. In cases of extreme risk the Clerk may authorise expenditure over this amount after consultation with the Chairman and Chairman of Finance. The Clerk shall report such action to the Council as soon as practicable.

4.6 No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available and if applicable, the requisite borrowing approval has been obtained.

4.7 All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.

4.8 The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate budget. These statements are to be prepared at the end of each financial quarter and shall show explanations of material variances.

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

5. BANKING ARRANGEMENTS & AUTHORISATION OF PAYMENTS

5.1 The Council's banking arrangements, including the bank mandate, shall be made by the Clerk and approved by the Council. They shall be regularly reviewed for safety and efficiency.

5.2 The RFO shall ensure that the current account does not become over drawn and shall arrange for sufficient funds to be transferred from the Council's reserve account by authorisation of two of the four authorised signatories.

5.2 The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the meeting and, together with the relevant invoices, present the schedule to Council. The Council shall review the schedule for

compliance and having satisfied itself shall authorise payment by a resolution of the Council. A detailed list of all payments shall be disclosed within the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

5.3 All invoices for payment shall be examined, verified and certified by the Clerk to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Council.

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

5.5 The Clerk and RFO shall have delegated authority to authorise the payment of items in the following circumstances:-

a) If a payment is necessary to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998 and the due date for payment is before the next scheduled meeting of the Council, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments is submitted to the next appropriate meeting of Council.

b) An expenditure item (continuing contracts, statutory duty and obligations), such as Salaries, PAYE, NI, Superannuation and regular maintenance contracts, provided that a list of such payments is submitted to the next appropriate meeting of Council.

5.6 In respect of grants, a duly authorised committee shall approve expenditure within any limits set by Council.

5.7 Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.

6. INSTRUCTION FOR THE MAKING OF PAYMENTS

6.1 The Council will make safe and efficient arrangements for the making of its payments.

- 6.2 Following authorisation under Financial Regulation 5 above, the Council shall give instruction that a payment shall be made
- 6.3 All payment shall be effected by cheque/Bacs or other instructions to the Council's bankers, or otherwise, in accordance with a resolution of Council
- 6.4 Cheques or orders for payment drawn on the bank accounts in accordance with the schedule as presented to Council shall be signed by two of the four authorised signatories, in accordance with a resolution instructing payment. If a member who is also a bank signatory has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which payment is being made, the Councillor shall be required to consider Standing Orders, and thereby, determine whether it appropriate and/or permissible to be a signatory to the transaction in question.
- 6.5 To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 6.6 Cheques or orders for payment shall not normally be presented for signature other than at a Council meeting. Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.
- 6.7 If thought appropriate by the Council, payment for utility supplies (energy, telephone, water etc.) and any National Non-Domestic Rates may be made by variable Direct Debit provided that any payments are reported to the Council.
- 6.8 If thought appropriate by the Council, payment for certain items (principally Salaries) may be made by BACS provided that any payments are reported to Council.
- 6.9 If thought appropriate by the Council, payment for certain items may be made by BACS or CHAPS, provided that the instructions are evidenced by two authorised bank signatories and any payments are reported to Council as made. The approval of the use of BACS or CHAPS shall be reviewed by the Council.
- 6.10 If thought appropriate by the Council, payment for certain items may be made by internet banking transfer provided evidence is retained.
- 6.11 Where a computer requires use of a personal identification number (PIN) or other password, for access to the Council's records on that computer, a note shall be made of the PIN and Passwords and shall be kept in the Office safe.

6.12 No employee shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council.

6.13 Where internet banking arrangements are made with any bank, the Clerk shall be appointed as the Service Administrator. The bank mandate approved by the Council shall identify a number of Councillors who will be authorised to approve transactions on those accounts

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

6.15 The Clerk shall ensure that computers used for the Council's financial business have anti-virus, anti-spyware and firewall, software with automatic updates, together with a high level of security is used.

6.16 Any trade card account opened by the Council will be specifically restricted to authorisation by the Clerk.

6.17 The RFO shall maintain a petty cash float of £200 for the purpose of defraying operational and other expenses e.g. postage. Vouchers for payments shall be kept to substantiate the payment. Payments to maintain the petty cash float shall be shown separately on the schedule for payments presented to Council.

7. PAYMENT OF SALARIES

7.1 As an employer, the Council shall make arrangements to meet fully 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 agreed by the Council.

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 discretionally deductions must be made in accordance with payroll records and on the appropriate dates, provided that each payment is reported to the next appropriate Council meeting.

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

7.4 Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionally deductions shall be recorded in a separate confidential wages book. The record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- a) by any Councillor who can demonstrate a need to know
- b) by the internal auditor
- c) by the external auditor
- d) by any person authorised under Audit Commission Act 1998, or any superseding legislation

7.5 The total of such payments shall be reported with all other payments to the Council at the appropriate meeting

8. LOANS & INVESTMENTS

8.1 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing shall be approved by Council as to terms and purpose. The application for Borrowing Approval and subsequent arrangements for the Loan shall only be approved by Full Council.

8.2 Any financial arrangement which does not require formal Borrowing Approval from the Secretary of State (such as Hire Purchase or Leasing of tangible assets) shall be subjected to approval by the Full Council. In each case a report in writing shall be provided to Council in respect of value for money for the proposed transaction.

8.3 All loans and investments shall be negotiated by the Clerk and shall be for a set period of term in accordance with Council policy.

8.4 All investments of money under the control of the Council shall be in the name of the Council.

8.5 Transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

9 INCOME

9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.

9.2 The Council will review all fees and charges regularly.

9.3 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.

9.4 All sums received on behalf of the Council shall be banked intact. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO 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.

9.7 The RFO shall complete the VAT return on a monthly basis. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made promptly.

9.8 Where any significant sums of cash are received by the Council, the RFO shall take such steps to ensure that more than one person is present when the cash is counted and receipted and that appropriate care is taken in the security and safety of individuals banking such cash.

10 ORDERS FOR WORK, GOODS & SERVICES

10.1 An official order or letter shall be issued for all work, goods and services unless a formal contract would be inappropriate.

10.2 Officers are responsible for obtaining value for money at all times. The Clerk shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, subject to any de minimis provisions in Regulation 11

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

11 CONTRACTS

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 provided that this regulation need not apply to contracts which relate to items (i) to (vi) below:

(i) for the supply of gas, electricity, water, sewerage and telephone services

(ii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants

(iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant

(iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council

(v) for additional audit work of the External Auditor or up to an estimated value of £500 (in excess of this sum the Clerk and RFO shall act after consultation with the Chairman and Vice-Chairman of Council)

(vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price

b) Where it is intended to enter into a contract exceeding £30,000 (*according to s135 of the Local Government Act 197 and the Public Contracts Regulations 2015*) in value for the supply of goods or materials or for the execution for works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms.

Where the Council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (the Regulations) which is valued at £30,000 or more, the Council shall comply with the relevant requirements of the Regulations

The Regulations require Councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts.

c) 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 Council

d) Such 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. Tenders are to be sent in a sealed marked envelope addressed to the Clerk by the stated date and time.

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

f) If less than three tenders are received for contracts above £30,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works

g) When it is to enter into a contract of less than £30,000 for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as set out in paragraph (a) the Clerk or RFO shall strive to obtain 3 estimates otherwise Regulation 10.2 shall apply

h) The Council shall not be obliged to accept the lowest or any tender, quote or estimate

i) Should the Council not accept any tender, quote or estimate and the Council requires further pricing, provided that the specification does not change, 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

j) The full requirement of the Regulation, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceeds thresholds in The Regulation set by the Public Contracts Directive 2014/24/EU (which may change from time to time).

Thresholds currently applicable are:

a) For public supply and public service contracts £213,477

b) For public works contracts £5,336,937

(Amendment made *according to Procurement Policy Note Dec 2021*)

12 PAYMENT UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS

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

12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council

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

12.4 Until a contract has been snagged and completed a penalty clause withholding a percentage of the final payment is to be included as part of the contractual conditions.

13 STORES & EQUIPMENT

13.1 Delivery notes shall be obtained in respect of all goods received and must be checked as to order and quality at the time of delivery

13.2 Stocks should be kept at the minimum levels consistent with operational requirements

14 ASSETS, PROPERTIES & ESTATES

14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council. The RFO shall ensure a record is maintained of all properties held by the Council, recording the location, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations

14.2 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, save where the estimated value of any one item of tangible movable property does not exceed £250

14.3 No real property shall be sold or purchased, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law.

In each case a report in writing shall be provided to Council in respect of valuation and surveyed condition of the property (including such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the electorate).

14.4 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date.

15 INSURANCE

15.1 Following the annual risk assessment (per Financial Regulation 17), the Clerk shall effect all insurances and negotiate all claims on the Council's insurers

15.2 The Clerk shall notify the insures of all new risks, properties, equipment which require to be insured and of any alterations affecting existing insurances

15.3 The Clerk shall note any loss, liability or damage or of any event likely to lead to a claim and shall report these to Council at the next available meeting

15.4 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 by the Council or duly delegated committee

16 CHARITIES

16.1 Where the Council is sole managing trustees of a charitable body the Clerk and RFO 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.

17 RISK MANAGEMENT

17.1 The Council is responsible for putting in place arrangements for the management of risk. The Clerk with the RFO shall prepare, for approval by the Council, risk management policy statements in respect of all activities by the Council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Council at least annually

17.2 When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council

18 SUSPENSION & REVISION OF FINANCIAL REGULATIONS

18.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The Clerk and RFO shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.

18.2 The Council may, by resolution of the Council duly notified prior to the relevant meeting of Council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of Council