



APPROVING PAYMENTS AT PARISH COUNCIL POLICY

SAFEGUARDING PUBLIC FUNDS

November 2020

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Spaldington Parish Council shall hereinafter to referred to in this document as *“the Council”*.

1. INTRODUCTION

- i. This Policy is for the guidance of how to ensure that public money, of which the Council controls, is spent in the right way through an acceptable set of procedures under the rights set of controls.

2. PARISH COUNCIL LEGAL AND MORAL OBLIGATIONS

- ii. The Council fully recognises that it has a legal and moral duty to ensure that it uses all resources under its control are used within statutory rules, public expenditure and procurement guidelines and crucially in the public interest.
- iii. The Council must have in place safe and efficient arrangements to safeguard public money; where doubt exists over what constitutes money, it must presume that it falls within the scope of this policy.
- iv. All Councillors recognise they have a legal duty to ensure that all payments made or future promises to pay in regard to contractual liabilities are done with full knowledge of why the payment was made (or promised), what the Council or community will be receiving (or have received) and that general members of the public would consider it a good use of public funds.
- v. The Council will ensure that it follows the Procurement and Contracts Policy in regard to any contractual propositions in respect of future contractual liabilities.

3. COUNCIL CONTROLS

- i. The Council recognises that there are several types of payments including cash payments, cheque payments, payments through banking transfers and refunding Officer or Councillor expenditure.
- ii. The Council must:
 - a) Review monthly the effectiveness of its arrangements to protect money.
 - b) Arrange for the proper administration of its financial affairs (committee) and that the Responsible Financial Officer has responsibility for those affairs



- c) Identify and protect income and expenditure and the money represented by each and ensure controls over money are embedded in Standing Orders and Financial Regulations. This should include all assets fixed and variable.
- d) Not relinquish the 'two member signatures' control over cheques and other orders for payment.
- e) Approve the setting up of and any changes to accounts with banks or other financial institutions.
- f) Approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
- g) Approve the risk assessment and internal controls which must focus on the safety of the Council's assets, particularly money and agree with auditor.
- h) Provide those with direct responsibility for money appropriate training.

4. DEFINITIONS AND LEGALITY OF PAYMENTS

- i. Regulation 4(1) of the Accounts and Audit (England) Regulations 2011 requires Local Councils to ensure that financial management of the Council is adequate and effective.
- ii. The Regulations also require Councils to have a sound system of internal control which facilitates the effective exercise of its functions.
- iii. This includes arrangements for the management of risk as nowhere is this more important than when considering how Councils manage money.
- iv. The specific guidance in these regulations define and state:

- defines 'money'

This includes cash and anything easily converted into cash including physical cash, unclaimed receipts, imprest accounts, unpaid debts that are likely to be paid, signed and unsigned cheques, drafts and other orders for payment, deposits in bank accounts and overdraft or borrowing facilities .

- defines 'must', 'should' and 'may' requirements

The word 'must' means there is a specific legal or regulatory requirement affecting Local Councils and is a requirement is the payment is essential.

The word 'should' will identify minimum good practice, but for which there is no specific legal or regulatory requirement. The Council will follow this practice unless there is a good reason not to



The word 'may' identifies practices Councils apply exercising discretion.

- describes the drivers for change from statute and technology
- identifies roles and responsibilities for members
- identifies roles and responsibilities for Responsible Finance Officers
- describes arrangements for monitoring and scrutiny; and
- describes controls for managing risk, error and fraud.

5. ROLES AND RESPONSIBILITIES OF COUNCILLORS

- i. Councils must review regularly the effectiveness of their arrangements to protect money.
- ii. Parish Council members are responsible for putting arrangements in place to safeguard public funds. Councils may delegate the role of protecting money to the Clerk or the RFO, but the legal responsibility always remains with the Council and its members.
- iii. Therefore, arrangements should:
 - a) Demonstrate how the Council meets its responsibilities;
 - b) Be current
 - c) Include specific duties of named individuals. The duties of named individuals may include:
 - Securely managing money
 - Arranging security on and off any premises
 - Identifying internal controls
 - Supervision measures.
- iv. The Council may seek external advice and guidance to enhance internal expertise, skill or knowledge.
- v. Periodic reviews of arrangements may be carried out by members or by Internal Audit. Reviews should rotate and all outcomes reported to Full Council.



6. ROLES AND RESPONSIBILITIES OF THE RESPONSIBLE FINANCE OFFICER (RFO)

- i. Every Local Council must arrange for the proper administration of its financial affairs and that one of its Officers has responsibility for those affairs. This officer is the Responsible Financial Officer (RFO)
- ii. In all circumstances, even where a Local Council has not made a formal appointment, there is always a Council RFO.
- iii. By default, the RFO is whoever keeps the Council's accounts. The Council should appoint a temporary RFO if the appointed RFO is unavailable through absence or illness and has not nominated a member of staff to act as RFO.
- iv. The RFO should be familiar with statutory duties for financial administration as they apply to Local Councils arising from:
 - Sections 114 and 151 of the Local Government Act 1972
 - The Accounts and Audit Regulations 2011 ('the Regulations')
- v. The responsibilities of the RFO include to advice the Council on its:
 - Corporate financial position
 - Key financial controls necessary to secure sound financial management
 - Treasury (that is cash and investments) management.

7. CORPORATE ARRANGEMENTS FOR MONITORING AND SCRUTINY

- i. Councils must identify and protect income and expenditure and the money represented by each. They must ensure controls over money are embedded in Standing Orders and Financial Regulations.
- ii. Councils must not relinquish the 'two member signatures' control over cheques and other orders for payment until they have put in place safe and efficient arrangements in accordance with this guidance. The 'two member signatures' control is just one of many possible controls. **By itself it does not satisfy the requirement to have in place safe and efficient arrangements for managing money.**
- iii. The Council must approve the setting up of and any changes to accounts with banks or other financial institutions.



- iv. The Council must approve entry into a 'pooling' or 'sweep' arrangement whereby the bank periodically aggregates the Council's various balances via automatic transfers.
- v. Councils should avoid the use credit cards as they are difficult to control and present unnecessary risks to public funds.
- vi. If held, corporate credit card accounts must be set up to operate within defined limits and cleared monthly by direct debit from the main bank account.
- vii. The Council must approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
- viii. Where multiple accounts are held, authorised signatures should not be concentrated for any length of time among just a few members but allocated widely. All Councillors should be authorised signatories.
- ix. Councils should set out clearly in writing the responsibilities of those handling money.
- x. Where Officers are to receive delegated responsibility for collecting money or making payments, their terms and conditions of employment should refer to the relevant Council Standing Orders, Financial Regulations and internal controls.
- xi. Internal controls should include clear arrangements for the temporary holding, transit and storage of cash and clear rules about the frequency of banking. Those handling money and those with responsibilities for controls should be aware of the terms of the Council's insurance cover for money movement and security.

8. CORPORATE CONTROLS TO MANAGE RISK, ERROR AND FRAUD

- i. Risk assessment and internal controls must focus on the safety of the Council's assets, particularly money.
- ii. Wherever possible, Councils should apply and monitor a clear segregation of duties regarding money and its movements.
- iii. Those with direct responsibility for money must undertake appropriate training from time to time.



- iv. Members should keep themselves informed about known risks and threats to money. Councils may engage with police and local anti-fraud and corruption networks to keep up to date with risks and security threats.
- v. Fidelity Guarantee insurance or any other form of security is not by itself sufficient protection over threats to money or other assets. Risk assessed insurance should, however, always cover maximum exposure to loss of money.
- vi. Monthly bank reconciliations should be performed and available for inspection by any Councillors. In the event of bank reconciliation discrepancy, explanations should be checked and verified. The Clerk should explain any failure to produce bank reconciliation.
- vii. Payments approved by Full Council should be issued and sent out as promptly as possible. Unissued cheques are vulnerable to fraud and may create a false impression of the Council's available financial resources.
- viii. If transfers between bank accounts are excluded from bank reconciliation, a listing of 'pooled' or 'swept' inter account transfers should be kept up to date and made available to any member on request.
- ix. A listing of all accounts held, their current authorised signatures and their current balances should be kept up to date and made available for any member on request.
- x. Payments in respect of trade credit arrangements with local suppliers should meet government targets on proper payments. Internal audit should review and report on controls over money annually.

9. HOW ARE PAYMENTS ACTUALLY MADE?

- i. The Council holds bank a bank account from which cheques can be drawn or electronic payments (or bank transfers) can be processed
- ii. The Council will make payments on the following items:
 - a) Proper invoices presented to the Clerk / RFO or any Councillor
 - b) Contractual liabilities detailed in contracts
 - c) Expense claims from Officers of the Council or Councillors
 - d) Making a grant payment authorised under specific grant schemes previously agreed
 - e) Council donations which are fully agreed at Council Meetings



- iii. The Council will usually not make payments for services or items before the item or service has been delivered unless there is no other option. This is to ensure that the retrospective use of funds is better protected and reduces the risk of fraud in regard to contractors or suppliers not fulfilling a contractor, delivering a service or item
- iv. The Council does recognise that there are occasions when a prepayment is required in order to get a service or goods to be delivered. This includes items purchased online. For any payments that are required before goods and services are delivered, the Council must be absolutely confident that it has done its best due diligence to minimise fraud.

10. PROCESS FOR PREPAYMENTS - the process to follow

- i. The required payment is detailed on the agenda for a full council meeting or EGM
- ii. The RFO must provide to the Councillors a clear and appropriate 'demand for payment' invoice showing all the pertinent details expected in a proper format
- iii. The Council must discuss the reason for the expenditure, what controls and due diligence has been done to ensure the goods or service will be delivered
- iv. The Chair must ask for a motion to be proposed, seconded and then approved (by at least a majority of Councillors present as long as the meeting is quorate)
- v. The decision to approve the payment must be clearly minuted and show who the payee is, what the service or goods the payment is for and how much the payment is for. The minutes must also show the manner in which the payment will be made - i.e. cheque or bank transfer
- vi. **For cheque payments:** The RFO must ensure the cheque payee matches the invoice demand for payment in regard to name and payment amount. The cheque stub must be fully completed. They must then ensure that two Councillors with authority through the bank mandate sign the cheque.

The Councillors must check the details are correct before they sign for authorisation for payment.



For payments through bank transfers: The RFO must ensure that the bank payee details are clear and that the bank account to where the payment is made is in a United Kingdom bank. They must then input the details on the bank payment processing system and await the two Councillors to whom have delegated authority to agree payments through the online banking system.

The Councillors must check the details are correct before they digitally sign for authorisation for payment.

- vii. The RFO must ensure that the payment (through whatever method) is included in the cashbook and is shown in the bank reconciliations.
- viii. The bank reconciliations must show if any cheque payment has been cashed or if it is awaiting payment process.
- ix. The RFO must ensure that a receipt for payment is received to then marry up to any cheque stubs or bank statements.
- x. Any VAT paid must be clearly recorded on the financial records so a VAT reclaim can be made from HMRC.
- xi. No payment for any prepayment demand can be made unless the following:
 - a) The payment has been fully detailed in an agenda (and has been published as required by statute) and then agreed at a meeting of a quorate Council
 - b) The payment has been agreed by the Clerk through their delegated authority as detailed in *Procurement and Contracts Policy (point 9.1)*. Payments made under this delegated authority must be clearly marked on the agenda and minutes of the next meeting with the Clerk providing a detailed note of why it was required urgently and not delayed to the next meeting of the Council
 - c) The Clerk designates that there is an emergency payment required and has discussed this with the Chair – this should be used in only the most extreme circumstances and must be clearly noted in the meeting minutes with a full explanation of why the payment was made.



11. PROCESS FOR PAYMENTS AFTER SERVICE OR GOODS DELIVERED - the process to follow

- i. If any goods or service is required, the Clerk must ensure that the Council follows the *Procurement and Contract Policy* in regard to the process for seeking suppliers, quotes, tenders or full tender negotiations.
- ii. If any quotes or tenders are required, the Clerk shall ensure that the applicable documents and pieces of information are supplied to the Councillors before a meeting to allow them to consider the Clerk's recommendations.
- iii. The Clerk must ensure that need for the service or goods has been clearly marked on the agenda, fully agreed at a Council meeting and clearly minuted.
- iv. Once the service or goods have been delivered (or the Contract has been completed), the Clerk must receive an appropriate invoice demand for payment to which they should ensure is for the expected amount, for the expected payee, is in an appropriate format and includes an VAT reference (and VAT amount) if applicable.
- v. The required payment is detailed on the agenda for a full council meeting or EGM
- vi. The RFO must provide to the Councillors a clear and appropriate invoice payment showing all the pertinent details expected in a proper format
- vii. The Council must discuss the reason for the expenditure, what controls and due diligence has been done to ensure the goods or service have been delivered
- viii. The Chair must ask for a motion to be proposed, seconded and then approved (by at least a majority of Councillors present as long as the meeting is quorate)
- ix. The decision to approve the payment must be clearly minuted and show who the payee is, what the service or goods the payment is for and how much the payment is for. The minutes must also show the manner in which the payment will be made - i.e. cheque or bank transfer
- x. **For cheque payments:** The RFO must ensure the cheque payee matches the invoice demand for payment in regard to name and payment amount. The cheque stub must be fully completed. They must then ensure that two Councillors with authority through the bank mandate sign the cheque.



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- xii. The RFO must ensure that the payment (through whatever method) is included in the cashbook and is shown in the bank reconciliations.
- xiii. The bank reconciliations must show if any cheque payment has been cashed or if it is awaiting payment process.
- xiv. The RFO must ensure that a receipt for payment is received to then marry up to any cheque stubs or bank statements.
- xv. Any VAT paid must be clearly recorded on the financial records so a VAT reclaim can be made from HMRC.
- xvi. No payment for any invoice payment demand can be made unless the following:
 - d) The payment has been fully detailed in an agenda (and has been published as required by statute) and then agreed at a meeting of a quorate Council
 - e) The payment has been agreed by the Clerk through their delegated authority as detailed in *Procurement and Contracts Policy (point 9.1)*. Payments made under this delegated authority must be clearly marked on the agenda and minutes of the next meeting with the Clerk providing a detailed note of why it was required urgently and not delayed to the next meeting of the Council
 - f) The Clerk designates that there is an emergency payment required and has discussed this with the Chair - this should be used in only the most extreme circumstances and must be clearly noted in the meeting minutes with a full explanation of why the payment was made.



12. EXPENSE CLAIMS BY OFFICERS OR COUNCILLOR

- i. Any claims must only be for items that were required during the intervening period between meetings and considered urgent. Anything that could wait for formal approval at the next Council meeting should not be purchased before permission has been sought and received by the Council at a full meeting or EGM.
- ii. Unless considered critical for Council business, unforeseen or for emergency provisions, no claim from Officers or Councillors should be in excess of £25.
- iii. Any expense claim by either an Officer or Councillor must be made on the prescribed Council Expense Claim Form (see ANNEX A)
- iv. **Any claim must include a receipt or proof of payment.** Only in exceptional cases should a claim be made that is not supported by a receipt or proof of payment – and in these cases the reason should be clearly noted by the person making the claim. In these cases the Council is not obliged to pay any claims that are not supported by a receipt or payment but will consider each claim individually.
- v. Any claim for payment must be clearly noted on the Meeting Agenda.
- vi. The decision to approve the payment must be clearly minuted and show who the payee is, what the service or goods the payment is for and how much the payment is for. The minutes must also show the manner in which the payment will be made – i.e. cheque or bank transfer
- vii. **For cheque payments:** The RFO must ensure the cheque payee matches the claim for payment in regard to name and payment amount. The cheque stub must be fully completed. They must then ensure that two Councillors with authority through the bank mandate sign the cheque.

It is not good practice for any Councillor to sign a cheque for any expense claim they are personally making (This should only be done in extreme circumstances). In these cases Councillors not making a claim should authorise the cheque.

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- viii. The RFO must ensure that the payment (through whatever method) is included in the cashbook and is shown in the bank reconciliations.
- ix. The bank reconciliations must show if any cheque payment has been cashed or if it is awaiting payment process.

13. SALARY, OFFICE ALLOWANCE AND TRAVEL CLAIMS BY OFFICER

- i. The amount due to an Officer to whom any salary is made, should be clearly detailed in the Contract of Employment between the Officer and the Council (as a legal entity).
- ii. Any office allowance should be clear on the letter of offer of employment or in the Contract of Employment. The Council and Officer should be aware that any claims above £26 per month for an Office Allowance would face a tax obligation.
- iii. Any payment for travel mileage should be in line with HMRC recommended mileage amount and be clearly marked in the Contract Of Employment. Claims for travel should not be included in any pay slip.
- iv. Any claims for expenses by an Officer should be treat in line with Section 12 of this Policy and not included in any payslip.
- v. The Officer should ensure that each month the Chair (or Vice Chair in their absence) receives a Notification of Salary and Office Allowance that shows the hours worked (in line with the Contract of Employment), any overtime and the office allowance that is clearly noted in the Contract of Employment. The actual amount claimed should be detailed.
- vi. The salary claim should be noted on the Agenda for a Meeting but the actual amounts can be redacted on any published agenda as the amount of salary is considered confidential (and thus be covered by GDPR legislation).



vii. At the meeting, the Chair shall confirm that they have seen the Salary and Allowance Claim and they are content that everything is as per the Contract of Employment and can assure the Council the claim is verified.

viii. The decision to approve the payment must be clearly minuted but the amount of the claim must not be minuted as it is confidential. The minutes must also show the manner in which the payment will be made – i.e. cheque or bank transfer

ix. **For cheque payments:** The RFO must ensure the cheque payee matches the claim for payment in regard to name and payment amount. The cheque stub must be fully completed. They must then ensure that two Councillors with authority through the bank mandate sign the cheque.

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x. The RFO must ensure that the payment (through whatever method) is included in the cashbook and is shown in the bank reconciliations.

xi. The bank reconciliations must show if any cheque payment has been cashed or if it is awaiting payment process.

It is the Clerks / RFO and the Chair's responsibility to ensure that for any payment proposed for authorisation, the process has been followed. Unless covered by the above criteria, no payment should be authorised.



.....at the heart of the Community, for the benefit of the Community.....

EXPENSES CLAIM FORM

1. PERSONAL DETAILS

Name: Date of claim:

2. MILEAGE CLAIM

(Mileage rate is £0.45 per mile)

Date	From	To	Miles	Amount	Reason for Journey

MILEAGE CLAIM TOTAL

£

3. GENERAL EXPENSES CLAIM

Date	Expense Detail	Receipt (y/n*)	Receipt No.	Amount	Reason for Expense

GENERAL EXPENSES TOTAL

£

TOTAL CLAIM

£

5. CONFIRMATION AND AUTHORISATION

I hereby confirm that the above claim is correct and incurred while undertaking work for Spaldington Parish Council. I understand that making a false claim could result in disciplinary and / or legal action.

Signature Date:

Authorisation (by the Chair on behalf of the Spaldington Parish Council)

Signature Date:

FINANCE USE ONLY

Payment issued:

Payment Date:

Cheque No.

BACS Reference: