



Spaldington Parish Council



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# Financial Management and Budgeting Policy

January 2021

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**Spaldington Parish Council will hereinto be known in this policy as ‘the Council’**

## 1. INTRODUCTION

- i. A Responsible Financial Officer (RFO) shall be appointed by the Council under the terms of Section 151 of the Local Government Act of 1972.
- ii. These financial management policy details govern the conduct of the financial management of the Council and may only be amended or varied by resolution of the Council.
- iii. Financial management policy must be observed in conjunction with the council’s standing orders and the Procurement & Contracts Policy
- iv. 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.
- v. 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

## 2. IDENTIFYING THE DUTIES OF OFFICERS

- i. These financial regulations demonstrate how the council meets the responsibilities and requirements described below
- ii. 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.
- iii. A deliberate breach of these regulations by an employee is gross misconduct.
- iv. Members of the 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.
- v. The Responsible Financial Officer:
  - 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 practices
  - Assists the council to secure economy, efficiency and effectiveness on the use of its resources
  - Produces financial management information as required
- vi. 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 record of receipts and payments and additional information, as the case may be, or management information prepared for the council from time to time comply with the Accounts and Audit Regulations.
- vii. 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 or receipts and payments 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.
- viii. The accounting control systems determined by the RFO shall include:
- Procedures to ensure that the financial transactions of the council are recorded as soon as reasonably practical 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
  - Identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions
  - Procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records
  - Measures to ensure that risk is properly managed
- ix. 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 (Council Tax requirement)
  - approving accounting statements
  - borrowing



- writing off bad debts
  - declaring eligibility for the General Power of Competency
  - addressing recommendations in any report from the internal or external auditors shall be a matter for the full council only.
- x. In addition, the council must:
- Determine and keep under regular review the bank mandate for all council bank accounts
  - Approve any grant or a single commitment in excess of £5,000
  - In respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant Committee in accordance with its terms of reference.
- xi. In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation and then in force unless otherwise specified.
- xii. In the 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 the Joint Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society of Local Council Clerks (SLCC).

### **3. DUTIES OF THE RESPONSIBLE FINANCE OFFICER**

- i. To prepare financial reports for the Council.
- ii. Reports will normally be made to the Committee by written report and presented to the Full Council Meeting
- iii. In extreme circumstances where specific deadlines require, the RFO may submit report/s for reading and digestion by Councillors during the lay time between meetings and receive comments. This will need to be agreed by the Chair and then fully presented at the next Full Parish Meeting
- iv. These reports will cover budget monitoring, fund balances, receipts to date, payroll summary, payment of accounts and other relevant current matters.
- v. To prepare draft budget estimates. When approved by Council these will form the basis for annual budget monitoring during that financial year.
- vi. To submit the precept to the District Council and supply any breakdown requested.



- vii. To ensure that all money received by the Council is banked regularly, as soon as possible after receipt.
- viii. To ensure that all money due to the Council is billed and collected promptly.
- ix. To manage cash flow and control investments and bank transfers.
- x. To control payments by cheque or on-line.
- xi. To handle the overall management of payroll (or management of the designated bureau), including the Local Government Pension Scheme (if applicable).
- xii. To ensure prompt monthly payment of tax and national insurance to the collector of taxes.
- xiii. To ensure prompt payment of sums due to the pension authority (if applicable)
- xiv. To take overall responsibility for submission of VAT returns and to deal with VAT inspections.
- xv. To prepare and balance final accounts in accordance with the regulations and report thereon to Council.
- xvi. To produce accounts and records for external audit in accordance with the regulations.
- xvii. To arrange for an inspection of internal audit materials of all aspects of the Council's financial affairs in accordance with the regulations.
- xviii. To arrange for an independent (internal) audit to take place annually and prepare the relevant documents for approval by the Council.
- xix. To report the recommendations of the independent (internal) audit to the Council and make necessary arrangements for their implementation.
- xx. To monitor compliance with the Council's financial regulations and to ensure correct financial systems are in place.
- xxi. To manage insurance risk to ensure that claims are processed as necessary.
- xxii. To report annually to Council on insurance risk covered. To ensure that fidelity guarantee insurance is provided.
- xxiii. To maintain the Council's register of property and assets.



## 4. BUDGET TIMETABLE

- i. October / November: The RFO to start analysing the current budget v actual for the current year and discuss informally with the Chair their thoughts for the income and expenditure for the following year
- ii. November: Draft budget prepared by the RFO and Clerk, in further consultation with the Chair
- iii. December: Budget & Precept agreed by Council and precept submitted to Borough Council.
- iv. The approved annual budget shall form the basis of financial control for the ensuing year.

## 5. BUDGETARY CONTROL

- i. Expenditure may be incurred up to the amounts included in the approved budget and in accordance with the Procurement and Contracts Policy
- ii. No expenditure may be incurred which will exceed the amount provided in the appropriate budget section unless a virement has been approved by the Council.
- iii. 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 against that planned.
- iv. The Clerk or RFO may incur expenditure on behalf of the Council which is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £2,500. The Clerk shall report the action to the Council as soon as practicable thereafter.
- v. The Council shall determine, at the end of each financial year, what unspent provisions may be carried forward into existing budgets and which shall be added to Council contingency funds.
- vi. No expenditure shall be incurred 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, or the requisite borrowing approval has been obtained.
- vii. All capital works shall be administered in accordance with the Council's standing orders and the details provided in the Procurement and Contracts Policy
- viii. The salary budgets are to be reviewed at least annually in October for the following financial year and such reviews shall be evidenced by a hard copy schedule signed by the Clerk and the Chairman of the Council



- ix. The RFO will inform the Council of any changes impacting on their budget requirements for the coming year in good time.
- x. Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

## 6. ACCOUNTING & AUDIT (INTERNAL & EXTERNAL)

- i. All accounting procedures and financial records of the Council shall be determined by the RFO as required by the Accounts and Audit Regulations, appropriate Guidance and proper practices.
- ii. 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 and having certified the accounts shall submit them and report thereon to the council within the timescales set by the Accounts and Audit Regulations.
- iii. 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.
- iv. 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.
- v. 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.
- vi. 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.
- vii. 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
  - Have no involvements in the financial decision making, management or control of the council.





- viii. Internal or external auditors may not under any circumstances
  - Perform any operational duties for the council
  - Initiate or approve accounting transactions
  - Direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.
- ix. The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Independent Internal or External Auditor, unless the correspondence is of a purely administrative matter.
- x. The Chairman of Council shall take responsibility for internal audit of the Council's accounts. The internal audit shall be carried out on a minimum of a sixth monthly (preferably quarterly) basis and the Chairman shall report to Council annually.
- xi. For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as is described in proper practices.

## **7. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

- i. The Council's banking arrangements shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- ii. Schedules of all direct debit payments made shall be presented to the Council for retrospective approval.
- iii. Cheque payments drawn on the bank account in accordance with the agreed budget shall be signed by two members of Council with designated authority and are on the bank mandate
- iv. The RFO will ensure that any detail of Cheque Payments are clearly marked on the Cheque Stub with sufficient detail to indicate the payee
- v. The RFO will ensure that any cheques that are damaged or not used because of an error of detail, are destroyed thoroughly and marked in the cheque record stub.

## **8. PAYMENT OF ACCOUNTS**

- i. All payments shall be affected by cheque, other order drawn on the Council's bankers or by any authorised online banking method process previously agreed by the Council
- ii. All invoices for payment shall be examined, verified and certified by the RFO.



- iii. The RFO shall satisfy them self that the work, goods or services to which the invoice relates shall have been received, carried out, examined and represents expenditure previously approved by the Council.
- iv. The RFO shall examine invoices in relation to arithmetic accuracy and shall analyse them to the appropriate expenditure heading. The RFO shall take all steps to settle all invoices submitted and which are in order, at the next available Council meeting.
- v. The Clerk and RFO shall have delegated authority to authorise the payments of items only 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 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 shall be submitted to the next appropriate meeting of Council meeting.
- vi. For each financial year the Clerk and RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively, salaries, PAYE, and NI, Superannuation Fund and regular maintenance contracts and the like), for which council may authorise payment for the year provided that that requirements of Budgetary Controls are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of the Council
- vii. A record of regular payments made as described above shall be drawn up and be signed by two members on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised.
- viii. In respect of grants a duly authorised committee shall approve expenditure within any limits set by council and in accordance with any policy statement approved by council.
- ix. Any Revenue or Capital grant in excess of £5,000 shall before payment, be subject to ratification by resolution of the council.
- x. 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 may have a disclosable pecuniary or other interest, unless a dispensation has been granted.
- xi. The council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time.



## 9. INSTRUCTIONS FOR THE MAKING OF PAYMENTS

- i. The Council will make safe and efficient arrangements for the making of its payments.
- ii. Following authorisation under regulation above, the Council, a duly delegated committee or, if so delegated, the Clerk or RFO shall give instruction that a payment shall be made.
- iii. Cheques or orders for payment shall not normally be presented for signature other than at a council or committee meeting (including immediately before or after a meeting). Any signatures obtained away from such meetings shall be reported to the Council or P&R committee at the next convenient meeting.
- iv. In exceptional circumstances (such as (but not exclusive to) Councillor mobility incapacitated, movement restrictions, health pandemics) the Chair may decide that cheques can be signed outside the normal meetings.
- v. Payment for utility supplies (energy, telephone and water) and any national non-domestic rates may be made by variable Direct Debt provided that the instructions are signed by two members and any payments are reported to council as made. The approval of the use of a variable Direct Debit shall be renewed by resolution of the council at least every two years.
- vi. Payment for certain items may be made by Bankers Standing Order, BACS or CHAPS provided that the instructions are signed by two members and any payments are reported to council as made.
- vii. The approval of the use of a Bankers' Standing Order, BACS or CHAPS shall be renewed by resolution of the council at least every two years.
- viii. If approved by council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.
- ix. No employee or councillor shall disclose any PIN or password, relevant to the working or the council or its bank accounts, to any person not authorised in writing by the council or a duly delegated committee.
- x. Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- xi. The council, and any members using computers for the council'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.



- xii. Where internet banking arrangements are made with any bank, the Clerk or RFO shall be appointed as the service administrator.
- xiii. The Bank Mandate approved by the council shall identify a number of councillors who will be authorised to approve transactions on these accounts.
- xiv. 8.11 Access to any internet banking accounts will be directly to the access page and not through a search engine or email link. Remembered or saved password 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.
- xv. 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 supported by hard copy authority for change signed by the Clerk or RFO and two Councillors. A programme of regular checks of standing data with suppliers will be followed
- xvi. A pre-paid card may be issued to employees with varying limits. These limits will be set by the council or P&R committee. Transactions and purchases made will be reported to the Council and authority for topping-up shall be at the discretion of the Council
- xvii. Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk and or RFO and shall be subject to automatic payment in full at each month end.

## 10. PAYMENT OF SALARIES

- i. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council, or duly delegated committee.
- ii. Payment of salaries and payment of deductions from salary such as may 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 on the appropriate dates stipulated in employment contracts, and shall be shown as a single payment in the schedule presented to the Council.
- iii. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without prior consent of the Council
- iv. The total of the employment payments in each calendar month shall be reported with all other payments as made as may be required under these regulations, to ensure that only payment due for the period have actually been paid.



- v. An effective system of personal performance management should be maintained for the Council officers.
- vi. Any termination payments shall be supported by a clear business case and reported to the Council. Termination payments shall only be authorised by the Council.
- vii. Before employing interim staff, the Council must consider a full business case.

## 11. LOANS AND INVESTMENTS

- i. All loans and investments shall be negotiated by the Clerk or RFO in the name of the Council and shall be for a set period in accordance with the Council policy or specific Council directive
- ii. 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 subject to approval by the Council. In each case a report in writing shall be provided to Council in respect of value for money for the proposed transaction.
- iii. The Council shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any strategy and policy shall be reviewed by the Council annually.
- iv. All investments of money under the control of the Council shall be in the name of the Council.
- v. 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 application for borrowing approval, and subsequent arrangements for the loan shall only be approved by the Council.
- vi. All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- vii. Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 6 (Authorisation of Payments) and Regulation 7 (Payment of accounts)

## 12. INCOME

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



- ii. Any income received by any Councillors should be either passed to the RFO personally or banked at the earliest possible opportunity
- iii. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed by the Council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- iv. The Council will review all fees and charges annually, following a report of the Clerk.
- v. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- vi. All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- vii. The origin of each receipt shall be entered on the paying-in slip and notified to the RFO.
- viii. Personal cheques shall not be cashed out of money held on behalf of the Council.
- ix. The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made quarterly and coinciding with the financial year end.
- x. Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

### 13. ORDERS FOR WORK, GOODS AND SERVICES

- i. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- ii. Order books shall be controlled by the RFO.
- iii. All members and Officers are responsible for obtaining value for money at all times. An Officer issuing an official order is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers - Procurement and Contracts Policy to be followed for requirements of quotes or tenders.



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- iv. The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the minutes can record the power being used.
- v. A member may not issue an official order or make any contract on behalf of the Council.