

# GREAT SHELFORD PARISH COUNCIL



## Financial Procedure and Processes Policy

ADOPTED BY THE PARISH COUNCIL

19<sup>TH</sup> SEPTEMBER 2018

## **1. GENERAL**

- 1.1. This Financial Procedure and Processes Policy identify the financial management of the Parish Council.

The Financial Procedure and Processes Policy is one of the Parish Council's policy documents providing procedural guidance for members and officers.

The Financial Procedure and Processes Policy is observed in conjunction with the Parish Council's standing orders and any other individual financial controls.

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

- 1.3. The Parish Council's accounting control system includes measures as follows

- a) For the timely production of accounts
- b) That provide for the safe and efficient safeguarding of public money
- c) That prevent and detect inaccuracy or fraud
- d) That identifies the duties of respective committees

The Financial Procedure and Processes Policy demonstrate how the Parish Council meets these responsibilities and requirements.

- 1.4. Parish Councillors are expected to observe the Financial Procedure and Processes Policy and not to entice employees to breach them. Failure to follow the Policy Procedures and Processes may bring the Parish Council into disrepute and may result in a Parish Council investigation into any breach of Policy.

- 1.5. The Responsible Financial Officer (RFO) holds a statutory office as appointed by the Parish Council. The Clerk has been appointed as RFO for Great Shelford Parish Council.

## **2. THE RESPONSIBLE FINANCIAL OFFICER (RFO)**

- 2.1 Acts under the policy direction of the Parish Council.

- 2.2 Administers the Parish Council's financial affairs in accordance with all Legal Acts, Regulations, agreed Parish Council practices and policies.

- 2.3 Determines on behalf of the Parish Council its accounting records and accounting control systems.

- 2.4 Ensures the accounting management systems are observed.

- 2.5 Produces and maintains the accounting records of the Parish Council.

- 2.6 Assists the Parish Council to secure economy, efficiency and effectiveness in the use of its resources.

- 2.7 Produces financial management information and the monthly accounts summary for approval by the Parish Council.

- 2.8 The accounting records produced by the RFO shall be presented as follows

At every Parish Council meeting the Monthly Accounts Summary, on a single document for approval, containing the following.

- a) Record of all invoices received by date, Invoice number, supplier, details of the invoice, budget code and Net plus vat value that have been transacted during the month of the meeting
- b) All invoices linked to Cheque number clearing the payment
- c) Total quantity and Value of all Cheques on the summary for Approval

- d) Details of all Direct Debits or Standing orders that have been transacted during the month of the meeting
- e) Details of all Cash payments that have been transacted during the month of the meeting
- f) Record of all funds received by date, received from, details of the payment, budget code and Net plus vat value that have been transacted during the month of the meeting
- g) Details of all VAT paid, to be reclaimed and received during the month of the meeting
- h) Balance of all Bank Accounts or Cash held by individual account and totals within a two day period of the meeting or at last available statement date.

2.10 Additionally at every Parish Council Finance and General Purposes Meeting (6 monthly)

- a) A year to date summary of all expenditure and receipts
- b) A record of all Insurances held and their values
- c) A record of the assets and liabilities of the council
- d) A review of measures in place to ensure that financial risk is properly managed

2.11 The accounting control systems determined by the RFO include the following

- a) All invoices presented for payment accompanying the respective Parish Council meeting Monthly Accounts Summary
- b) Unless specifically authorised all payments are made by agreed bank direct debit, standing order or bank cheque for the principle payments
- c) Petty cash may only be used by the RFO to cover minor or incidental expenditure with all individual item payments recorded on the Monthly Accounts Summary
- d) The Authorised cheque signatory on Bank Mandate are the following Parish Council positions
  - Chair and Deputy Chair
  - Chairs of Highways, Planning, Recreation and Pavilion, Cemetery and Allotment Committees
  - Clerk / Responsible Financial Officer
  - Bank mandate to be updated as soon as practicable on any change of Parish Council positions
- e) All cheques are signed by two (2) of the authorised Councillors and only in absence of a second Councillor signature may be signed by the Clerk / Responsible Financial Officer
- f) Only the main trading bank account may be used for payment of any invoice or any other Parish Council liability
- g) All accounts held are risk reviewed monthly, to ensure they are compliant with the protection offered under the Financial Services Compensation Scheme and adjustments made accordingly, if necessary by the opening additional accounts
- h) All other accounts held by the Parish Council are for the security of funds and can only be transferred to the main trading account for use against payments or any other function
- i) All account transfers require two of three nominated named account holders and will be authorised at a Parish Council or F&GP meeting

### 3. **AUDIT (EXTERNAL and INTERNAL)**

3.1. All accounting procedures and financial records of the Parish Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations (AAR), appropriate guidance and good practice.

#### 3.2. Internal Audit

Reviewed at two levels

- a) Monthly, Parish Council review and approval of the Monthly Accounts Summary

- b) Once a year, prior to approving the Annual Governance Statement, the Parish Council will review the effectiveness of its system of internal control by the use of an Internal Auditor independent from the Parish Council audited process

#### The Internal Auditor

- a) Be competent and independent of the financial operations of the Parish Council
- b) Report to the Parish Council via the AGAR form on an annual basis
- c) Demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships
- d) Have no involvement in the financial decision making, management or control of the Parish Council.
- e) Be appointed annually at the Annual Meeting of the Parish Council and shall carry out the work in relation to internal controls required by the council

### 3.3 The External Audit

Review is conducted by the Nationally appointed Auditor under the Accounts and Audit Regulations (AGAR)

- a) The RFO shall complete the annual Accounting Statements for the year ending 31<sup>st</sup> March in the form required by the relevant annual return, known as the Annual Governance and Accountability Return or AGAR, Part 1, 2 and 3 as soon as practicable after the end of the financial year. Having certified the accounts shall submit them and report thereon to the Parish Council within the timescales set by the Accounts and Audit Regulation (AGAR)
- b) The Parish Council shall collectively review and agree by signature of the Chair all parts of the AGAR return for submission to the appointed external auditor
- c) The RFO shall approve the signed AGAR report, including the Accounting Statements, provide for the exercise of public rights and publish Parts 1, 2 and 3 of the AGAR return by the September following the end of the relevant financial year.

### 3.4 General Audit Requirements

- a) Any officer or member of the Parish Council shall make available such documents and records as appear to the Parish Council to be necessary for the purpose of the any audit and shall, as directed by the Parish Council, supply the RFO, internal auditor, or external auditor with such information and explanation as the Parish Council considers necessary for that purpose.
- b) 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 Parish Council employee, except to the extent those employees have been appropriately assigned to assist the auditor.
- c) The RFO shall, without undue delay, bring to the attention of the Parish Council any correspondence or report from internal or external auditors.

## 4. ANNUAL BUDGET AND SUBSEQUENT PRECEPT APPLICATION

### 4.1 Pre Budget Review

- a) Each Parish Council Committee prior to the December Finance and General Purpose meeting of each year shall review their relevant current year to date financial position with a proposed forecast to the end of the financial year of all revenue and capital receipts and payments
- b) Having regard to the end of year forecast, it shall thereafter formulate and submit proposals for the following financial year including any new project justification to the RFO not later

than the end of November each year, for combining into a full Parish Council annual forecast and review by the December Finance and General Purpose Committee

- 4.2 The RFO will each year, prepare detailed estimates of all receipts and payments necessary to meet all Committee Budgets or Project requests for the following financial year in the form of a draft budget to be considered by the December meeting of the F&GP committee with subsequent adjustments if necessary and a recommendation for approval of the Full Parish Council meeting in January.
- 4.3 The December F&GP committee shall consider annual budget proposals in relation to the Parish Council's longer term considerations including recommendations for the use of reserves and sources of funding.
- 4.4 The Full Parish Council January meeting shall review the F&GP recommendations, adjust if necessary and thus fix the Precept (Council Tax Requirement) to be levied for the following financial year.
- 4.5 The RFO shall issue the precept request to the SCDC and shall supply each councillor with a PDF copy of the approved annual budget.
- 4.6 The approved annual budget shall form the basis of financial control for the following year.

## **5. PARISH COUNCIL AND COMMITTEE FINANCIAL RESPONSIBILITIES**

- 5.1 The full Parish Council (No Committee) has sole responsibility for certain specified decisions as follows
  - a) Confirming and setting the final annual budget and the resulting Precept (Council Tax Requirement) with reference to the recommendation made by the Finance and General Purpose Committee
  - b) Approving the annual governance statement (AGAR)
  - c) Approving the annual accounting statement (AGAR)
  - d) Any borrowing approvals
  - e) Writing off any bad debts
  - f) Approving of any grant or a single commitment in excess of £5,000
  - g) Declaring eligibility for the General Power of Competence
- 5.2 The Finance and General Purposes Committee has delegated financial responsibility for certain specified decisions as follows
  - a) Reviewing the individual budget requests of committees
  - b) Preparing with assistance from the RFO a Budget Plan and Precept recommendation for the next Financial year
  - c) Review and approve updates annually of all Insurances held and their values
  - d) Review and approve updates annually of the assets and liabilities held
  - e) Review and Approve annually any staff salary variations
  - f) Review of financial risks and necessary mitigations as necessary
  - g) Addressing recommendations in any report from the internal or external auditors
  - h) Approval of changes to the bank mandates for all accounts
  - i) Approval of changes to any bank standing orders or Direct Debits for all accounts
- 5.3 Other Committees (Highways, Planning, Recreation and Pavilion, Cemetery and Allotments) have delegated financial responsibility for certain specified decisions as follows
  - a) Preparing the individual committee budget and any new project request justifications
  - b) Reviewing and approving agreed budget expenditure on a YTD basis
  - c) Review all associated fees and charges at least annually, following a report of the Clerk on relevant facilities. These may also be reviewed by the F&GP Committee

- 5.4 The RFO has responsibility for day to day agreed budget expenditure on routine maintenance and project costs with final payment approval at the monthly Parish Council Meeting or Committee as appropriate.

Any Unbudgeted expenditure requires Parish Council or Committee approval unless agreed as Chairman's action for Urgent matters of expenditure which must then be circulated and justified at the next Parish Council meeting.

## **6. BUDGETARY CONTROL AND AUTHORITY TO SPEND**

- 6.1. Expenditure on budgeted items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined as follows
- a) Parish Council or F&GP Committee meeting for all individual items over £5,000
  - b) Parish Council Committee for individual items over £1,000 and below £5,000
  - c) The RFO in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £1,000.
- 6.2. No expenditure may be authorised that will exceed the amount provided in the budget for that class of expenditure other than by approval of the Parish Council, or duly delegated committee.
- 6.3. During the budget year and with the approval of the Parish Council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate
- 6.4. Projects planned but not started or committed in the relevant Financial year will be reviewed at the Budget process stage for inclusion in the following year's budget proposal.
- 6.5. Projects started but not invoiced will be financially carried forward into the following years Budget plan
- 6.6. All unspent Budget at the end of the Financial year will be carried forward to the following year to either cover WIP (Work in Progress) projects ie projects that have been started but not delivered or supplement the following years approved budget and reduce the following years Precept application.

## **7. FINANCIAL INFORMATION SECURITY**

- 7.1. The RFO will hold on computer records of all Budgets, Precept, payments and receipts with security passwords and Back Up facilities.
- 7.2. Cheques may not be signed by a bank signatory councillor who has declared a disclosable pecuniary interest, or has any other interest, in the matter in respect of which the payment is being made.
- 7.3. Cheques for payment shall not normally be presented for signature other than at a Parish Council meeting. Any signatures obtained away from a Parish Council meeting shall be shown on the next monthly Accounts Summary at the Parish Council meeting.
- 7.4. Any Councillor using a device to review any RFO provided or other Parish Council financial information shall ensure that anti-virus, anti-spyware and firewall, software with automatic updates are in place on the respective devices.
- 7.5. No Councillor shall disclose any Parish Council Financial information to any party. Any requests for such information must be made via the RFO who will make the necessary checks and seek Parish Council authorisation to disclose such information if necessary.

## **8. PAYMENT OF SALARIES**

8.1. The Parish Council shall make arrangements to fully meet the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by the Parish Council, or the F&GP committee.

8.2. Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions will be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts,.

All salary, pension and HMRC payments are reported on the monthly Accounts Summary at each Parish Council meeting

8.3. All staff will receive an annual personal performance review by their immediate line manager to determine any necessary training, performance assessment or resultant salary implications

## **9. LOANS AND INVESTMENTS**

9.1. All loans or borrowings shall be undertaken in the name of the Parish Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved only by the Full Parish Council as to terms and purpose.

All Investments shall be undertaken in the name of the Parish Council, after obtaining any necessary investment approval. Any Investment approval shall be approved only by the Full Parish Council as to terms and purpose. The RFO will report status of all investments on the monthly Accounts Summary at each Parish Council meeting

## **10. PURCHASING OF GOODS AND SERVICES**

10.1. The RFO shall authorise purchasing of all goods and services by an appropriate method relevant to the value of the purchase and the nature of the purchase.

10.2. A Councillor may not make an official purchase or make any contract with a supplier on behalf of the Parish Council.

## **11. CONTRACTS AND SERVICES**

11.1. Procedures for contracts and Services are as follows

- a) Where it is intended to enter into a contract exceeding £25,000 in value for the supply of goods, materials or services the RFO shall invite tenders from at least three firms unless specific reasons are approved by a full Parish Council meeting
- b) Specifications, Timing, Terms and Conditions of the Tender document shall be issued by the RFO in conjunction with the relevant Parish Council Committee
- c) All resultant tender returns shall be reviewed and scored under the supervision of the RFO by a committee of at least 3 Councillors to provide a report and recommendation to a full Parish Council meeting, prior any award of Tender by the RFO.
- d) Continuation of existing contracts where no significant annual financial increase has been applied will be reviewed by the relevant Committee and only if considered necessary will be retendered
- e) The RFO shall strive to obtain 3 quotations where expenditure is below £25,000 and above £10,000 then report quotations and recommendation to the Parish Council for approval.
- f) The RFO shall strive to obtain 3 estimates where expenditure is below £10,000 and above £1,000 then report estimates and recommendation to the Parish Council for approval.
- g) The Public Contracts Regulations 2015 including thresholds shall be followed and the Crown Commercial Service Contracts Finder website will be utilised to publish services required where appropriate.

- h) All resultant quotations or estimates will be reviewed by the RFO with a recommendation to a full Parish Council meeting, prior any award of a supply contract.

## **12. ASSETS, PROPERTIES AND ESTATES**

- 12.1. The RFO shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Parish Council.
- 12.2. The RFO shall ensure a record is maintained of all properties held by the council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with the Accounts and Audit Regulations (AAR)
- 12.3. The RFO in conjunction with relevant Committees shall ensure that an appropriate and accurate Register of Assets is kept up to date and reviewed annually.

## **13. INSURANCE**

- 13.1. The RFO shall process all insurances and negotiate all claims with the Parish Council's insurers.
- 13.2. The RFO shall keep a record of all insurances held by the Parish Council with the property and risks covered for the annual review by the F&GP Committee.
- 13.3. The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim and shall report these to the Parish Council at the next available meeting.
- 13.4. All Councillors, employees of the council and authorised volunteers shall be included in the Parish Councils Liability insurance with an annual review by the F&GP Committee.

## **14. RISK MANAGEMENT**

- 14.1. The F&GP Committee will annually review and put in place arrangements for the management of Financial and other risks.
- 14.2. When considering any new project, the relevant committee in conjunction with the RFO as part of the Project approval process will prepare a draft Financial and other risk assessment proposal for consideration by the Parish Council.

## **15. REVISION OF THE FINANCIAL PROCEDURE AND PROCESSES POLICY**

- 15.1. The Parish Council shall review the Financial Procedure and Process Policy as necessary at least annually.
- 15.2. The RFO shall monitor changes in legislation or proper practices and shall advise the Parish Council of any requirement for a consequential amendment to the Financial Procedure and Processes Policy.
- 15.3. The Parish Council may suspend any part or all of the Financial Procedure and Processes Policy provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up for the review and approval of the full Parish Council