

Odstock Parish Council Financial Policy

Adopted May 2022

These Financial Policies were adopted by the Council at its meeting held on [enter date]. The Policies will be reviewed annually in conjunction with the Annual Governance Statement and Annual Accounting Statements. This will usually be at the Council's May Meeting.

1. General

1.1. These Financial Policies govern the conduct of financial management by Odstock Council and may only be amended or varied by resolution of the Council.

1.2. The Council is responsible in law for ensuring that its financial management is adequate and effective; and that a sound system of internal control (including risk management) is in place.

1.3. The Council's accounting control system includes 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 Councillors and officers.

1.4. These Financial Policies demonstrate how the Council meets these responsibilities and requirements.

1.5. Each year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of these Policies in accordance with proper practices.

1.6. Councillors are expected to follow these Policies. Failure to do so brings the Parish Council and the office of Councillor into disrepute.

1.7. The Responsible Financial Officer (RFO) holds a statutory office appointed by the Council. The Clerk has been appointed as RFO for the Council and these regulations apply accordingly.

1.8. The Clerk:

- acts under the policy direction of the Council and administers the Council's financial affairs in accordance with all Acts, Regulations and proper practices;
- determines on behalf of the Council its accounting control systems and records;
- 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 in the use of its resources; and
- produces financial management information as required by the Council.

1.9. The accounting records produced by the Clerk will show and explain the Council's financial transactions and ensure that: income & expenditure account and statement of balances; record of receipts & payments; and management information prepared for the Council comply with the Accounts and Audit Regulations.

1.10. The accounting records maintained by the Clerk shall in particular contain:

- entries of all sums of money received and expended by the Council and the matters to which such income/receipts and expenditure/payments relate;
- a record of the assets and liabilities of the Council; and
- a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.

1.11. The accounting control systems used by the Clerk shall include:

- procedures to ensure that financial transactions are recorded as soon as reasonably practicable and as accurately 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 amounts, including any bad debts are submitted to the Council for approval to be written off, and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

1.12. Only the full Council is empowered to make decisions concerning setting the Budgets and determining the Precept; approving the accounting statements and annual governance statement; borrowing and writing off bad debts; and addressing recommendations from audits.

1.13. In addition, the Council must: determine and keep under regular review the bank mandate for all Council bank accounts; and approve all grants, single commitments or single payments.

2. Accounting and audit (internal and external)

2.1. All accounting procedures and financial records of the Council shall be determined by the Clerk in accordance with the Accounts and Audit Regulations¹, appropriate guidance and proper practices.

2.2. On a six-monthly basis, at least once in each quarter, and at each financial year end, a Councillor other than the Chairman shall be appointed to verify bank reconciliations produced by the Clerk. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to the Council.

¹ References to Accounts and Audit shall mean the re The term 'proper practice' refers to guidance issued in *Governance and Accountability for Local Councils - a Practitioners' Guide (England)*. The term 'proper practice' refers to guidance issued in *Governance and Accountability for Local Councils – a practitioners guide (England)*.

2.3. The Clerk 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.

2.4. The Council shall ensure that there is an adequate & effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. The Clerk shall make available such documents and information as are necessary for the purpose of the audit. 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 objectivity and independence, be free from any conflicts of interest, including those arising from family relationships; and
- have no involvement in the Council's decision making or management.

Auditors must not under any circumstances: perform or direct operational duties for the Council; or initiate or approve financial transactions.

2.5. The Clerk shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts; and display or publish any notices and statements of account required proper practice.

3. Annual Budget process and forward planning

3.1. The Clerk must each financial year, by no later than December, prepare detailed estimates of all receipts and payments including use of reserves for the following financial year in the form of a Budget to be considered by the Council.

3.2. The Council shall consider and determine the annual budget proposals in relation to the forecast of revenue and capital receipts and payments including recommendations for the use of reserves.

3.3. The Council shall fix the Precept (council tax requirement) to be levied for the ensuing financial year not later than the end of January each year. The Clerk shall issue the precept to the billing authority.

4. Budgetary control and authority to spend

4.1. Expenditure may be authorised up to the amounts included for that expenditure in the approved Budget, by resolution of the Council. Such authorisation is to be evidenced by a minute.

4.2. No expenditure may be authorised that will exceed the amount provided in the Budget for that expenditure other than by resolution of the Council. During the Budget year, with the approval of Council, unspent and available amounts may be vired to other budget items or to an earmarked reserve as appropriate.

4.3. At each Council Meeting the Clerk shall provide a statement of receipts and payments to date against the budget, comparing actual expenditure against that planned in the budget.

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

4.5. The Clerk shall have delegated authority to authorise the payment of items only in the following circumstances:

- a) In cases of extreme risk to the delivery of services, whether or not there is any budgetary provision for the expenditure, subject to a limit of £250.00. The Clerk shall report such action to the Chairman as soon as possible and to the Council as soon as practical thereafter.
- b) If a payment is necessary to avoid a late interest charge under the Late Payment of Commercial Debts (Interest) Act 1998, where 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.
- c) An expenditure item authorised under 4.6 below (regular payments).

4.6. For each financial year the Clerk shall draw up a list of regular payments which occur as the result of a continuing contract or obligation (e.g., employee costs and regular maintenance contracts) which Council may authorise payment for the year, provided that a list of such payments shall be submitted to the next appropriate meeting of Council.

5. Banking arrangements and 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 Clerk shall prepare a schedule of payments requiring authorisation, for each Council Meeting and, together with the relevant invoices, present the schedule for approval. The Council shall review the payments for compliance and, having satisfied itself shall authorise payment. The approved payments will be recorded in the Minutes of the Meeting.

5.3. All invoices for payment shall be verified and certified by the Clerk to confirm that the work, goods or services has been received and represents expenditure previously approved by the council.

6. Instructions for the making of payments

6.1. All payments shall be affected by internet banking or cheque, or under certain circumstances by Direct Debit or Standing Order instructions to the Council's bankers.

6.2. If thought appropriate by the Council, payment for certain items in accordance with the agreed schedule may be made by internet banking (Faster Payments, BACS or CHAPS) transfer. Such electronic payments shall be deemed to be authorised when a minimum of two of the mandated signatories have confirmed by email to the Clerk that expenditure is approved. The Clerk shall maintain appropriate records of such approvals, which will be reported to the next Council Meeting.

6.3. If thought appropriate by the Council, payment for certain items may be made by Cheque. These shall be signed by two of the mandated signatories, who will also initial the Cheque counterfoil. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, will not be a signatory to the payment in question.

6.4. Cheques 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.

6.5. If thought appropriate by the Council, payment for certain items or services may be made by Standing Order or Direct Debit provided that the instructions are signed by two mandated signatories and any payments are reported to Council as made.

6.6. Where a computer requires use of a password or PIN for access to the Council's records, a note shall be made of the Passwords or PIN and shall be handed to and retained by the Chairman of Council in a sealed dated envelope.

6.7. No employee or councillor 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.

6.8. The Clerk shall be appointed as the Administrator for internet banking. The approved bank mandate shall identify a number of councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Administrator alone (if any), or by the Administrator with a stated number of approvals.

7. Payment of salaries

7.1. Salary rates shall be as agreed by Council. No changes shall be made to any employee's pay, emoluments, or terms & conditions of employment without the prior consent of the Council.

7.2. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating. Salary payments shall be reported to the next available Council meeting.

7.3. Payment of salaries (and statutory and discretionary deductions) shall be recorded in a separate confidential record. This 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 or external auditor;

c) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

8. Loans and investments

8.1. Not currently applicable.

9. Income

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

9.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Council, and the Clerk shall be responsible for the collection of all accounts due to the Council.

9.3. The Council will review all fees and charges at least annually, following a report of the Clerk.

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

9.5. The Clerk shall complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

10. Orders for work, goods and services

10.1. 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.

10.2. All members and the Clerk are responsible for obtaining value for money at all times. To ensure that the best possible terms are obtained a minimum of two or more quotations or estimates will be obtained from appropriate potential suppliers.

10.3. The Clerk shall verify the lawful nature of any proposed purchase before the issue of any order, and ensure that the authority for the order is recorded in the appropriate Council meeting Minutes.

11. Assets, properties and estates

11.1. The Clerk shall ensure a record is maintained of all properties held by the Council in accordance with Accounts and Audit Regulations. The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council.

11.2. No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the Council.

11.3. The Clerk shall ensure that an appropriate and accurate Register of assets is maintained. The continued existence of tangible assets shown in the Register shall

be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

12. Insurance

12.1. The Clerk shall affect all insurances and negotiate all claims on the Council's insurers.

12.2. The Clerk shall keep a record of all insurances affected by the Council and the property and risks covered thereby and annually review it.

13. Review of Financial Policies

13.1. The Clerk 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 Policies.

13.2. It shall be the duty of the Council to review these Financial Policies at least once per year.