



# BOXLEY PARISH COUNCIL

www.boxleyparishcouncil.org.uk

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To all members of the Council, public and press

4 March 2013

There will be a meeting of the **Finance Committee** on **Tuesday 12 March 2013** at the Parish Office, Beechen Hall, Wildfell Close, Walderslade commencing at 7.30 p.m.

1. **Apologies and non-attendance.**

To receive apologies from members unable to attend.

2. **Declaration of Interest or Lobbying.**

Members are required to declare any interests or lobbying on items in this agenda.

3. **Minutes of the meeting of 8 January 2013.**

To consider the minutes of the meeting and if in order to sign as a true record (previously circulated).

4. **Matters Arising.**

None as all items are included in the main agenda.

**To adjourn to enable members of the public to address the meeting.**

5. **Financial report.**

5.1 Income/Expenditure report of 4 March 2013 attached (pages 8 -10) and also report (page 3).

5.2 Reconciliation of accounts report of February 2012 (page 11).

5.3 Investment Bonds: see attached report (page 3).

5.4 Payment of staff salaries by BACS: see attached report (page 3-4).

5.5 Contingency Fund.

- HMRC real time PAYE reports: see attached report (pages 4-5).

- Outstanding payment for hall lights: see attached report (page 5).

5.6 Parish Councillor internal audit: see enclosed report from Cllr Dengate.

6. **Policy and procedures reviews and adoption.**

6.1 Terms of reference (pages 5-6).

6.2 Reserves policy: see report (page 6 - 7).

6.3 Insurance (page 7).

7. **Grant Requests.**

7.1 Kenward Trust: see enclosed paperwork. Please note a parish council grant application form has not been submitted. One can be requested should members indicate an interest in supporting the charity.

7.2 Grove Green Scouts: see enclosed paperwork.

8. **Matters for Information.**

None as yet received.

9. **Date of Next Meeting.**

Tuesday 21 May 2013 at Beechen Hall, Wildfell Close, Walderslade commencing at 7.30 p.m. Items for the agenda must be with the parish office no later than 12 May 2013.

Clerk to the Council.

Issues to be returned to agenda as they develop. None.

**Note to all councillors:** any councillor is welcome to attend a committee meeting of which they are not a member but only committee members can vote.

## REPORTS AND ITEMS RELATING TO THE FINANCE COMMITTEE MEETING 12 MARCH, 2013

**Item 5. Financial report** *Purpose of item - To consider the current reports and if necessary decide on what action needs to be taken.*

### **Item 5.2 Income and Expenditure Report of 4 March 2013.**

Members' attention is bought to

- Parish office code 7 income £283.50. Due to a software conflict relating to an End of Year Report that is used to support the End of Year Return a new salary income code will need to be set up and this income moved to there. There will be no change to the income for this section.
- Beechen Hall section codes 144 Wages and 145 PAYE. Further investigation is needed on the budgets that were assigned for each of these codes and also on the actual coding of each entry itself. Unfortunately it has not been possible to do this in time for the meeting so it is suggested that the Chairman and Clerk meets to discuss this out of meeting with a report being prepared for the next Finance Committee meeting. The Clerk does not consider that there is any issue regarding the actual payments to staff but more likely to do with how the original budget was set and might also relate to the split of part of the Assistant Clerk's salary between the parish office and Beechen Hall.

### **Item 5.3 Investment Bonds**

- a) Cooperative Bond: it is confirmed that the initial sum plus maturing interest has been reinvested for a three month period to mature on 8 June 2013.
- b) NATWEST bond: the bond issue previously agreed closed before the investment could be made due to a delay in some councillors producing identification to NATWEST. We have had to wait for a new bond to be released by NATWEST (chosen in order to spread the risk). The council is now in the process of buying a new bond. Unfortunately the interest rate for all bonds, regardless of the bank, has fallen considerably in the meantime.

### **Item 5.4 Payment of staff salaries by BACS.**

Fax machine. The office has signed up to an internet faxing facility purchasing £10 credit per year rather than purchase a machine. It was calculated that this would be cheaper than purchasing and maintaining a machine in the office. On our calculations for the salary notifications there is a saving of approximately £14.

Unfortunately the parish council has now been notified by the Cooperative Bank that it will no longer accept fax notification for BACS payments and all instructions must either be made via internet banking or over the telephone. Legislation covering parish councils still require two signatories and a recent update regarding the change to the legislation to allow internet banking reported that 'the government was still dragging its feet'. A change in the way PAYE/NI is reported to HMRC (see 5.5 below) will probably require payments to be paid by BACS; if not from April 2013 then in the very near future.

*Clerk's comment: It is becoming increasingly difficult to operate in a modern world with the current and fairly antiquated system and members are asked to consider the following information.*

#### Legislation briefing.

The Local Government Act 1972 and The Accounts and Audit (England) Regulations 2011 govern how the parish council runs its accounts. The following summarises the sections that the RFO considers are pertinent to this issue.

- A parish council has to ensure that the 'the financial management of the body is adequate and effective and that the body has a sound system of internal audit control.... and which includes arrangements for the management of risk'<sup>1</sup>.
- The RFO 'must determine, on behalf of the body, its- a) accounting records, including the forms of accounts and supporting accounting records; and b) accounting control systems.'<sup>2</sup>

<sup>1</sup> The Accounts and Audit (England) Regulations 2011 section 4.

<sup>2</sup> The Accounts and Audit (England) Regulations 2011 section 5.

- The accounting systems must include measures to 'ensure that risk is appropriately managed'<sup>3</sup>.
- Payment by cheque? Legislation actually states 'Every cheque or other order for the payment of money by a parish or community council shall be signed by two members of the council.'<sup>4</sup> *Clerk's comment; the phrasing 'or other order' allows standing orders, direct debits etc. to be legally set up.*

#### Cooperative account.

The faxed BACS system operated within the legislation because the procedure required two councillors' signatures on the fax which was then sent to the bank.

Note: It has now been discovered that because the Clerk as Responsible Financial Officer<sup>5</sup> (RFO) has security clearance from the parish council to manage the Cooperative Account, she can change amounts on Standing Orders with a telephoned verbal instruction. She has never attempted, due to parish council policy, to set up a standing order with a verbal instruction but as she has security clearance this could happen and with the withdrawal of the faxing facility it is likely that in future this may have to happen so that the payment to HMRC can be made. The Finance Committee will be asked to confirm their agreement to this arrangement, subject to current and future council policy being adhered to.

Currently the only Standing Orders set up deal with parish councillor/chairman allowances and for items such as BT and Downs Mail. Two signatories currently sign the SCRIBE report detailing cheques and standing orders. Members agreed a procedure for the payment of staff salaries by BACS.

#### HSBC account.

Currently the parish office has on-line access to the HSBC account to check for BACS receipts coming in; however the ability to move money from the account is disabled as the bank was instructed by the parish council to enter zero amounts in all the columns that dealt with money transactions.

Direct debits for utility bills etc. are taken out of the account; the setting-up of these having been agreed by the Estates Committee in accordance with policy.

Two signatories currently sign the SCRIBE report detailing cheques and standing orders. Members agreed a procedure for the payment of staff salaries by BACS. Unfortunately the parish office has now been informed that HSBC changed its terms of conditions on 11 February and now each BACS transaction undertaken at the counter or given over the telephone will be subject to a fee of £10 per transaction.

*Clerk's comments: as members are aware salary payments by BACS came about because of requests from staff not to be paid by cheque. Now, with two payments having been received by this method, there is an expectation by staff that this will continue.*

Members are asked to agree an interim arrangement for the payment of a fixed monthly sum to each staff member by standing order which will then be topped up quarterly by cheque.

**Because of the two month meeting cycle and to enable the issue of internet banking to be progressed, members may wish to consider setting up a small working group to fully examine the situation and brief their colleagues on the Finance Committee.**

#### **Item 5.5 Contingency Funds.**

##### **HMRC real time PAYE reports.**

With effect from April 2013 all tax and NI payments due must be sent to HMRC as they are calculated, i.e. in 'real time'. The parish council currently uses HMRC free software to calculate staff's PAYE/NI and this can continue. However, as their free real time software

<sup>3</sup> The Accounts and Audit (England) Regulations 2011 section 5 (4)(iii).

<sup>4</sup> Local Government Act 1972 section 150(5).

<sup>5</sup> Parish Councils are required to appoint an RFO; it does not have to be the Clerk but normally is.

is limited to a maximum of 15 names which we exceed, we must purchase commercial software to feed into the HMRC system. A 'free standing' software package has been identified from the HMRC list of approved suppliers which can be licensed for £56 per annum. Members' permission is sought to pay this sum from the contingency budget.

The real time system offers little advantage to the parish council but is compulsory. Although at the end of the 2013/14 tax year P60's etc. will be automatically calculated whereas currently a print out from the HMRC software calculations has to be manually entered into the HMRC gateway, any time gained is offset by the need to make a manual entry into the new software.

#### **Outstanding payment for hall lights.**

The Parish Office has received a request from Faithdean RS for the payment of the 3% retention fee of £415.03. This company was awarded the contract to refurbish the Hall's ceilings and lights back in August 2011. As part of our terms and conditions this sum was agreed to be held back for a period of 12 months. This should have been brought over to this year's accounts for payment, however this has been overlooked. There is no provision in the budget for this amount. Members will need to decide where the funds will be vired from.

**Item 7. Policy and procedures reviews and adoption** *Purpose of item - To consider the current documents/information and identify any changes that may be required.*

#### **Item 7.1 Terms of Reference.**

The annual review to allow any recommendations for a change to be taken to the parish council meeting in April.

### **Terms of Reference - Finance Committee.**

#### **Role**

The role of the Finance Committee is to oversee/manage the following aspects of the financial administration of the Parish Council including arrangements for the preparation and audit of the Council's systems and accounts. Deal with the employment of office staff and personnel issues relating to all staff. Responsibilities

The Finance Committee shall:

1. Develop and, where necessary, recommend to the Parish Council policies and procedures for the financial management of the Council. Advise the Parish Council and committees as necessary.
2. Oversee the investment strategies of the Parish Council and advise accordingly.
3. Receive and consider annual draft budgets prepared by each Committee or budget holders.
4. Recommend an annual budget and precept for the Council
5. Maintain an overall view of manpower requirements and the allocation of manpower resources and to deal with matters pertaining to staff, subject to all new posts on the council establishment being approved by the council.
6. Deal with the appointment of office staff.
7. Deal with personnel matters generally and in particular;
  - 7.1 Establishment of new positions.
  - 7.2 Recruitment and appointment procedures for office staff and, where necessary, to guide/advise the Estates Committee on such procedures for the recruitment and appointment of the Caretaker and Relief Caretaker.

- 7.3 All Training.
  - 7.4 All Staff Welfare.
  - 7.5 Terms and Conditions of Service for office staff and where necessary, to guide/advise the Estates Committee on such procedures for the recruitment and appointment of the Caretaker and Relief Caretaker.
  - 7.6 All staff disciplinary and grievance issues.
  - 7.7 Matters arising under legislation relating to contracts of employment and industrial relations.
  - 7.8 Matters relating to staff under Health and Safety Legislation.
8. Monitor reserves to ensure that surpluses are not built up other than for working capital or for earmarked projects and known liabilities, ensuring that sufficient reserves are retained for future maintenance, replacement or upgrading of items for which the Council is responsible.
  9. Monitor income and expenditure against budget and take/recommend appropriate action to the Council or committees.
  10. Consider requests to vire, where necessary, the Contingency Budget to other budget headings.
  11. Undertake a financial risk analysis annually and review the Council's insurance arrangements to ensure that the Council is adequately insured.
  12. Receive and review Audit Reports and ensure the implementation of any recommendations.
  13. Deal with requests for grants\* and Section 137 donations. \*Excluding Village Hall Grants which come under the remit of the Estates Committee.
  14. Make recommendation to the Council on the implications of applying for a Public Works Loan. If approved to manage the council's loan debt.

### **Committee Budget**

1. To draft the budget and decide priority ratings for the Finance Committee (for consideration with the recommendations from other committees).
2. To manage the budget and vire, where necessary, between budgets held and managed by the committee.
3. To manage, according to Financial Regulations, the contracts and tenders for any projects within the budget of the committee.

### **Membership**

1. The Committee shall consist of up to eight councillors, including as per standing orders, the Chairs and Vice Chairs of the Parish Council and committees.
2. The committee may appoint working parties to undertake any specific project work as necessary

### **Other.**

The Parish Council has the right to identify issues that will be dealt with at the full meeting of the Parish Council.

### **Item 7.2 Reserves policy.**

A councillor requested that the policy be re-written in plain English. The policy currently reads as follows.

*Boxley Parish Council has a number of long term projects, aspirations and liabilities and thus has fairly substantial and earmarked reserves; it also uses the interest gained from the reserves to keep the Precept low.*

*The Parish Council's unallocated cash reserve will be maintained at about 33% of the 'normal' annual expenditure of the Parish Council and provision will be made in the annual budget for a donation to the reserves to ensure that this figure is met.*

*The Parish Council is aware that Maidstone Borough Council Concurrent Functions Grant however can be reduced with no notice or stopped. Boxley Parish Council therefore considers it prudent to retain sufficient reserves to ensure it could adequately function for 2 – 3 years if this grant was dramatically reduced or stopped.*

The Clerk has prepared the following draft for consideration.

In order to work effectively and to be able to fund projects, achieve goals and manage grants and supply services, the parish council must keep some money in reserve.

These reserves are managed in the following ways:

- Earmarked reserves. Contains money that is identified for long-term projects or which can only be spent on a specific project because it is a grant.
- Unallocated cash reserve will be maintained at about 33% of the 'normal' annual expenditure of the Parish Council and if necessary extra money will be added.

Reserves benefit the parish as: the interest attracted can be used to keep the precept down; the parish council can act quickly to a sudden community need.

The parish council annually reviews its need for and the size of its reserves.

### **Item 7.3 Insurance.**

The Clerk is arranging for an update to the inventory due to some recent purchases and this will be submitted to the insurers for additional cover.

A prediction on the increased hall income will be made and additional cover arranged under the loss of income section of the policy.

Fidelity insurance cover, to the maximum of holding, will also be increased once calculations are made.

As this work is likely to be completed between meetings members' are asked to agree an e-mail update.