



LYMPSTONE PARISH COUNCIL

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28th April 2023

To All Members of the Finance and Advisory Committee of the Parish Council,

You are summoned to attend a Finance and Advisory (F&A) Committee meeting of Lympstone Parish Council, to be held **10.30am on Friday 5th May 2023 in the Meeting Room at the Village Hall.** The business to be transacted is set out below.

Members of the Public are cordially invited to attend.

The agenda and all attachments can be found online at www.lympstone.org.

K. Hill

Cllr K Hill
Chairman to Finance and Advisory Committee

AGENDA

	Public session	10.30
F&A 23/1	INFORMATION: Apologies	10.45
F&A 23/2	INFORMATION: To receive any Declarations of Interest	10.50
F&A 23/3	ACTION: Internal Auditor – To consider and review the internal auditor requirements.	10.55
F&A 23/4	DISCUSSION: Financial Processes of the Council – Cllr Hill to report on updating (report attached).	11.00
F&A 23/5	DISCUSSION: LPC Receipts and expenditure Spreadsheet – To adjust where appropriate income/expenditure headings.	11.10
F&A 23/6	DISCUSSION: CIL money <ol style="list-style-type: none">To note the rationalisation of CIL funds and their implications for the Parish.To note the requirements of the District Council re new properties and extensions for CIL purposes.	11.15
F&A 23/7	DISCUSSION: Items for the next Agenda	11.20

F&A 23/4

Proposal to update and improve the Financial Processes of the Council.

May I propose that there are 3 areas where we may bring up to date the Council's Financial Processes.

Firstly, to move away from the primitive process of issuing cheques to settle invoices to the use of more modern banking methods.

Secondly, to clearly separate revenue income and costs from capital income and costs and place any monies held in reserve in interest bearing accounts.

Thirdly, to make the accounts clearer and more easily understood by the allocation of agreed cost centres.

To answer the first issue we need to look at the steps necessary for all expenditure made.

Step 1	Step 2	Step 3	Step 4
A proposal to fund the item is agreed in Council.	When necessary, to obtain quotes and agree a sum.	The works are satisfactorily completed	Settlement of the invoice is authorised by two signatories.

To satisfy an audit trail, step 1 is the date that either the budget is approved and agreed or an expense is agreed in Council. Step 2 requires at least 3 quotes and these will be made easier to obtain if their invoices are settled quickly. Step 3 is a sign-off of the works by the relevant sub-committee. Upon receipt of an invoice, Step 4 requires the settlement to be authorised by two signatories, currently by co-signing the cheque and engrossing the invoice.

This Step 4 can take up to one month (in the summer up to 2 months) and then involves the supplier in the cost in banking the cheque. This may even be costing the LPC money as cheaper contractors are not willing to quote and others are adding in the cost of processing a cheque. Cheques are being phased out by banks as they are expensive to process as they involve human interaction against the alternative electronic on-line transaction banking.

I am proposing a new process for Step 4 that complies with the need to authorise all payments. Firstly, if steps 1, 2 and 3 have been complied with, we only need to engross the Invoices, and this can be done after payment if preauthorisation is done via an Invoice due or Cost Centre expenses expected document has been signed. This would allow on-line transfer payments to be made within 5 banking days of receipt of invoice and a final sign-off after the event at the next Council meeting.

Example of how it would work in practice. We agreed to repair / repaint the gates to the Burial Grounds. It has been agreed in Council. Quotes have been obtained and a contractor selected. Lucy gets a copy of the go-ahead in writing (Works Order) signed-off for the expected amount and the selected contractor is given the go ahead to undertake the work. When the work has been satisfactorily completed and when the Invoice is received Lucy can transfer to money to settle the account. A copy of all transfers made each month is then authorise-off at the next Council meeting. Any invoices that are greater than expected or arrive without prior authorisation can be authorised via an email to a signatory or at the next meeting – note that contractors will be advised that any invoice in excess of their quote may take longer to settle.

In summary all expenses will have the following audit trail:

- Approved in Council (Step 1)
- Works Orders will be signed off by two signatories (Step 2)
- Works are done (Step 3)
- All invoices paid are then counter signed against works orders (Step4)

This will ensure no payment can be made unless authorised on two occasions and is a more secure system that the one currently in operation as the signatories have much more control over expenditure.

In order to be able to move to on-line transfer we need to change our bank account to one that allows such transfers. These accounts have an upper limit on the amount that can be transferred in any one day. May I suggest a limit of £1,000 or £2,000 per day. This can be changed, if necessary, usually to a maximum of £25,000 and then changed back again when the transfer is complete.

I would also suggest that these “current” accounts be two in number, one for “Revenue” and one for “Capital” as this will ensure that income limited in it uses to such as capital or infrastructure projects can be clearly shown to be allocated as well as used for such. Currently such payments are not clearly defined. It will be easy to dedicate each cost centre to each of these accounts.

Similarly deposit accounts can be opened for each of these accounts so that monies held against future invoices can earn some interest.

Suggested criteria for each of these accounts:

Current Revenue Account:

- Minimum Balance Alert £500
- Allow Transfers and Standing Orders Yes
- Maximum Transfer Amount £1000
- Direct debits will be discouraged (use of standing orders preferred).
- The account must never become overdrawn.

Current Capital Account:

- Minimum Balance Alert £250
- Allow Transfers and Standing Orders Yes
- Maximum Transfer Amount £2000
- Direct debits will not be allowed.
- The account must never become overdrawn.

Deposit Revenue and Capital Accounts:

- Minimum Balance Alert £500
- Reserve monies deposited upon receipt.
- Monies transferred to Current accounts when needed.
- Transfers, Standing Orders or Direct Debits are not allowed.
- These accounts cannot become overdrawn.

Perhaps for clarity a definition of what is Revenue and what can be regarded as Capital expenses would need to be agreed by everyone.

May I suggest:

- Revenue costs are all those expenses incurred in running the LPC. Clark's costs, office costs, utilities, room hire, Councillor costs and expenses, etc.
- Capital costs are those expenses for capital projects, events (e.g. Coronation) and Infrastructure maintenance (Maintaining Cliff Field, Avenue Field, Candy's Field, the play area, etc. – anything provided for use by the Parishioners.)

Once cost centres have been established and monies allocated, Lucy will be able to organise agreed works, obtain authorisation of a works order and be able to settle an invoice, upon receipt, for up to the agreed amount within 5 banking days. Variations involving extra expense will need to be agreed in Council before payment can be made.

Cost centres will allow clarity of what our income has been spent on and clearly define its use if it has limitations (e.g. CIL monies must be spent on Capital or Infrastructure costs only).

Each cost centre will have a budget and income against expenses and reserves.

The benefits of cost centres will be clarity and make it easier to budget. The total of all budgets for all cost centres must be less than the expected income for Precept, CIL, 106. etc. Upon receipt of these Incomes, they can be allocated to the various cost centres and, within reasonable limits, Lucy will be able to organise routine maintenance and agreed budget items and just report their payments.

Suggested Revenue Cost Centres:

- Staff Costs
- Office costs
- Utilities.

- Room Hire, etc.
- Community Hub.
- Councillor Expenses
- Elections
- Special events - e.g. Coronation.
- Carpark Toilets
- Any other costs of running the Council.

Suggested Capital Cost Centres

- Candy's Field
- Play Area
- Avenue Field
- Cliff Field
- Front Meadow
- The Green
- The Rag
- The Graveyard
- Youth Club
- Any other area or item that is made available for use by parishioners.