



Burnham-on-Sea & Highbridge Town Council

Financial Risk Management Policy

Date Adopted: 1st September 2014: Minute No 95/14/TC

Date Amended: May 2017 – Min No: 58/17/TC

Review Date: May 2018

A copy of this document is available in different formats such as large print or audio

Financial risks can be managed by effective internal controls, Standing Orders and Financial Regulations and by Insurance.

Internal Financial Controls

1) Cash Handling

- The amount of Petty Cash held is limited to a maximum of £200 at any one time with larger sums being held on occasion relating to Princess activity not exceeding the amount covered for petty cash by the council's insurance policy.
- Any such cash is held in a secured cupboard or safe. Petty cash is balanced on a monthly basis.
- In addition the office is protected by a fire and intruder alarm system.
- A receipt is obtained for each payment made in cash.
- Larger payments (ie sums greater than £50.00) are made by cheque.
- Cash is banked at least weekly

2) Cheque Receipts

- Cheque receipts are banked at least weekly and more frequently if a substantial cheque is received.
- Larger receipts are often paid directly by BACS to the Town Council's bank accounts, and are checked on receipt of the monthly bank statements

3) Cheque Payments

- In accordance with the Town Council's Standing Orders, all cheques require 3 signatures – two members and the Clerk or Deputy Clerk.
- Cheque payments are authorised by the Clerk after the invoice or other documentation has been verified against order/quotations or minutes as appropriate.
- Members signing the cheque also have sight of the invoice/documentation and should initial the cheque counterfoils and invoices.
- When Direct Debits are used 2 members' signatures are required on the direct debit paperwork. Payments by Direct debit will show in the list of payments presented to council at each monthly meeting (see item 6)
- Where possible, payment of cheques over £1000 require the prior approval of the full Council, except if the expenditure has previously been approved by a Committee, the invoice is as expected (in line with the original estimate) and the expenditure is within that Committee's budget.
- All cheques should be issued promptly after approval by the Council.
- Online banking can only be used to transfer between accounts or to pay invoices in accordance with the 3 signature policy for Direct Debit or cheque payments

Unusual payments over £1000 still require the approval of Council at its monthly meeting.

4) **Transfer of monies between Town Council accounts**

The Town Council maintains four bank accounts;

1. Current account and a business reserve account for everyday Town Council transactions
2. Current account opened in May 2014 for the express purpose of funding the Tesco 106 Agreement
3. A business direct reserve account also with NatWest (which pays higher interest).

All of the above are with the NatWest Bank

4. The Town Council can also invest in Bonds and higher rate savings accounts to obtain the best return with low risk (such as NatWest Bonds, National Savings account and Santander).

The Town Council also uses Streamline for receipts at the Princess Theatre and Paypal again for the sale of tickets at the Theatre.

The Town Council will ensure that adequate training is given to officers of the council and volunteers at the Princess, dealing with cash and movement of money.

- Streamline Card payment is only accepted at the Princess Theatre for ticket sales and in the café/bar. The Princess Manager and Assistant Manager carry out regular training for volunteers.
- Paypal is only used for online ticket sales and only the Clerk/RFO can access the Paypal account.
- Streamline and Paypal are balanced monthly and reconciled within the cash books operated by the Town Council.
- The Clerk is required to make a judgment as to when it is necessary to transfer funds back from the Business Direct Reserve account to the current account to meet monthly expenditure.
- Funds from the Business Direct Reserve account can only be transferred to the current account
- A written reconciliation of such transfers is maintained

5) **Bank Reconciliations**

The Clerk monitors these on a monthly basis to verify that the monthly computer generated reconciliations are the same as the monthly bank statements received. Nominated Councillors (non cheque signatories) also check these reconciliations on a regular basis against original bank statements, and sign to confirm that these have been checked.

The Clerk makes the following monthly management checks:

- Payroll Control account: Should be zero balance
- Sales Ledger: to ensure the control account balances
- Paypal: To check the account against sales for the month and transfer funds to the current account in preparation for reconciliation of the cash book
- VAT: to check the control account balances
- Art sales: Another control account that should be zero balance

6) **Reporting to members**

- A list of all payments and receipts is made available to all members at every full Town Council meeting.

- At every full Town Council meeting members receive a copy of the management reports which show expenditure against budget under each specific committee heading.
- A copy of the report for the specific committee is also available at committee meetings for members to consider when deciding expenditure.

7) **Income**

The risk of non-receipt of anticipated income is managed in the following manner:

- The Clerk ensures that committees prepare their budgets in time for the Policy & Finance Committee to make a recommendation to Full Council so that the Town Council can submit the precept in time.
- Sufficient funds are held in the General Reserves to ensure that payment of all necessary expenditure can be met for 3 months. This includes rent, rates, utilities and salaries.
- The precept payment is usually received by BACS on or before 30 April and 30 September each year, and the Clerk ensures the payment is received as expected.
- Rental income: An electronic diary system is maintained to ensure invoicing and receipt of the half-yearly rents due from long term rental agreements for the use of the Old Courthouse (Registrar's Service). Casual lettings are invoiced on letting, and receipt of payments monitored by the Clerk.
- Recovery of VAT: This is claimed quarterly, against a reconciliation produced by the computerised accounts records, or more frequently if a substantial amount of VAT has been paid. This is checked to ensure it balances as part of the monthly management of accounts by the Clerk.

8) **Expenditure**

The largest expenditure item is the payment of salaries.

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- This is administered by the Iris payroll service
- Data is checked by the RFO before submission and a further check is carried out before the payments are finalised
- Authentication passwords are protected for legal and security reasons

Purchases:

Risks include non-supply of goods, incorrect charge on invoice, incorrect payment. Risks are covered by checking invoices, which are signed off by the officer who ordered the goods and the system of verification of cheque payments.

Other Risks

Adequate reserves: This is assessed annually as part of the budget setting Process.

Loss/damage to assets: Assets are regularly inspected, (see also separate risk assessment policy on assets and safe working practices for staff). Loss or damage also included in the Town Council's Insurance Policy.

Fraud by staff: A member of the Council who is not a cheque signatory verifies Totals on original bank statements to Cash Book statements produced by the accounts programme. Fraud is covered by insurance.

Office security: The Town Council office at Jaycroft Road and the Princess Theatre are both protected by fire alarms and intruder alarms.

Security of documents: Original title deeds are lodged with the Town Council's solicitors. These include Jaycroft Road, Princess Theatre, allotments at Broad Wharf and Love Lane.

Other physical documents are protected by fire and intruder alarm. Office staff are also trained on matters concerning FOI and Data Protection, and meeting notes are not held once minutes have been approved.

Protection of computer information

- a) Access to computers is by password only.
- b) Information is remotely backed up on a daily basis by the council's IT provider.

Financial Risk Management by Insurance

Fraud by staff: Potential losses from dishonesty by staff (fraud), are covered by the Fidelity Guarantee which forms part of the Town Council's Insurance Policy. The guarantee is set at a limit of the equivalent of 50% of the reserves plus 50% of the annual budget (which should be the maximum amount of money held in the Town Council's bank accounts at any one time. This figure is reviewed annually.

Loss of/damage to assets: Loss of/damage to assets is covered by insurance. The value is reviewed annually.

This Financial Risk Management Policy shall be reviewed every year.