

**HIGHLAND COUNCIL****FINANCIAL ADVICE NOTE TO COMMUNITY COUNCILS****INTRODUCTION**

To gauge the use being made of annual grants The Highland Council requires individual Community Councils, when seeking their annual funding, to provide a copy of their annual accounts. In a recent monitoring exercise of the financial statements given to the Council it is clear that a variety of recording practices are employed in producing accounts. This limits proper analysis and comparison.

It is also clear that a small, but significant, proportion of Community Councils make little apparent use of the financial statements produced. To this minority, annual accounts are little more than a record of day-to-day transactions with no summary of expenditure.

The Council has drafted a Financial Advice Note to assist Community Councils prepare more meaningful financial submissions for both their own use and that of the Council. It makes a number of specific recommendations that came out of the monitoring exercise. The intention of these suggestions is to help Community Councils make improved use of their resources and hopefully lead to better information being made available to the Council to help account for the use of public funds.

For many Community Councils the Advice Note will be little more than a brief reminder of good financial practice but it may be a source of documented guidance when new appointees to the post of Treasurer take up their duties.

For any Community Council who wishes more detailed help in managing their financial affairs, direct assistance organised through the Inverness City Manager is always available on request.

**ACCOUNTABILITY**

Thereby must openly demonstrate accountability for their resources. The Council is the principal funding agent of Community Councils. Through the development of this Advice Note the Council is seeking to ensure that annual accounts and other associated reports impart information that is informative and comparative with financial report of other Community Councils.

Recommendation The Highland Council request that the Annual Accounting Period to be employed by all Community Councils should be 1 April to 31 March

**SUBMISSION OF INFORMATION TO THE COUNCIL**

The Council will, from April 1998. expect to receive from every Community Council seeking an annual grant:-

**1 copy of all Approved Minutes, as submitted to the Council after each meeting.**

## 1 copy of the Community Council's Annual Accounts

contd...

- 2 -

Recommendation Approved Minutes should, amongst other things, clearly reflect the financial decisions of the Community Council.

Recommendation Annual Accounts should take the form of:

- A balance sheet highlighting the assets and liabilities of the Community Council and the means by which these were funded. The statement should include the current value of any fixed assets such as computers, faxes, furniture etc., debtors and creditors, bank balances, loans and other borrowing. There should be clear separation of the resources held for different purposes and of the resources held in different accounts.
- An income and expenditure account providing detailed information on the accrued financial running costs of the Community Council including salaries, expenses, rents and rates, insurance premiums telephone costs, printing and stationery, postage, sales fees and charges.

Recommendation Community Councils should seek to ensure that any expenditure recorded under Miscellaneous represents one of the smallest entries in the account.

### ANNUAL GRANT

The Highland Council currently awards a minimum of £700 each year to active Community Councils. The Annual Grant is a contribution towards the general running and administration costs. It is entirely open, however, to each and every Community Council to decide how it uses this annual grant. The Highland Council currently has no limit on how much of its annual grant can be carried over from one financial year to the next and thereby with prudent management financial resources can be accumulated.

Recommendation Community Councils should seek to ensure that resources are all directed to either, administration costs, good causes or projects that benefit the local community.

### SECRETARIAL GRANT

A £250 Secretarial Grant is included within the grant cheque solely to pay a salary (in whole or part) to a Community Council's Secretary for his/her endeavours. If this is underused it has to be returned to the Council.

Recommendation The accounts should state by way of a note the basis on which the salary is awarded, such as an hourly rate or honorarium.

Recommendation The above two amounts from the Council should be recorded as separate entries in the Annual Accounts.

## PROJECT ACTIVITIES

Many Community Councils are involved with additional activities such as Christmas lighting schemes, community woodland projects, publications, etc. If there is any relationship between two separate accounts this relationship should be made clear and obvious within the annual accounts of Community Councils.

Recommendation Where Community Councils undertake activities that involve substantial sums of money (an amount twice that of the Council's annual grant) that separate project specific financial accounts should be kept.

Recommendation The Highland Council request that the Annual Accounting Period to be employed by all Community Councils should be 1 April to 31 March

## TREASURY MANAGEMENT

Community Councils can derive additional income through good treasury management practices. For example, accessing Council funds early in the financial year and placing this money in an interest bearing account. All earned interest should be specifically recorded within the income accounts. Treasurers have a general responsibility to ensure that good use is made of Community Council funds for example, by searching out secure accounts or investments that pay good rates of interest, as well as ensuring that they access and deposit finance in accounts timeously.

## EXPENSES

It is up to each Community Council to decide if it will reimburse members' expenses. Rates for repayment of expenses should simply ensure that members are not out of pocket nor make a profit. As with administration costs it is open to Community Councils to both summarise expenses as a single account entry and highlight these in more detail, for example, travel costs, phone costs, meals, etc. Only if it is deemed relevant by the Community Council should the expenses of individual post-holders be highlighted.

Recommendation Community Councils should have an agreed statement on who can claim expenses, for what purposes and what rates of reimbursement will be paid.

## AUDITING

The Highland Council does not currently insist that annual accounts are audited.

Recommendation The Council strongly advise that, if at all possible, all accounts are audited by an appropriately qualified person.

May 1998