# RFO Narrative Guide to SAPPP Practitioners' Guide 2026/27

**Practical responsibilities for a Responsible Financial Officer**

This narrative is based on the attached SAPPP Practitioners' Guide 2026/27. The Guide applies to financial years commencing on or after 1 April 2026. Sections 1, 2 and 3 contain the mandatory proper practices; Section 4 contains best-practice guidance for internal audit which authorities are required to take into account; and Section 5 provides supporting information and practical examples for officers.

## 1. Determine and maintain the Council's financial control system

One of the clearest responsibilities placed on the RFO is to determine, on behalf of the authority, the form of the accounting records, supporting records and financial control systems. The RFO must also ensure that those controls are observed and that the accounting records remain up to date. The records must show day-to-day sums received and spent, what those transactions relate to, and the authority's assets and liabilities. The control system should support prompt and accurate recording, prevention and detection of error and fraud, recovery or reconstruction of lost records, risk management and an appropriate division of financial responsibilities. (SAPPP paras 1.9 and 5.12–5.17)

## 2. Keep the accounting records continuously up to date

The accounts should not be treated as a year-end exercise. The RFO should have procedures that record all financial transactions accurately and promptly throughout the year, together with the supporting documentation needed to explain each transaction. Section 2 of the AGAR must agree to those underlying records. A clear audit trail should normally show the authority or budget for expenditure, the order or instruction, invoice or supporting evidence, RFO checks, payment authorisation, bank transaction and accounting entry. (SAPPP para 1.9)

## 3. Carry out regular bank reconciliations

Each bank account must be reconciled regularly with the accounting records, including at 31 March. These reconciliations must also be reviewed by members. The supporting guidance says bank reconciliations should be prepared regularly, approved by members and signed as part of the regular minute record. At year-end, the reconciliation is a key control supporting AGAR Line 8 and care must be taken to use balances at 31 March. Direct debits and standing orders should be recorded on the date they clear the bank and should not sit as reconciliation items. (SAPPP paras 1.10 and 5.18–5.24)

## 4. Monitor the budget throughout the year

The authority must prepare and approve its budget before setting the precept and before the start of the financial year. Actual income and expenditure should then be monitored against the approved budget, with corrective action where necessary. The Guide's supporting information recommends review at least quarterly and says reports should include a year-end projection and clear, minuted commentary on likely significant

variances. A financial appraisal is also required before the authority begins a significant project or enters into a long-term commitment. (SAPPP paras 1.8 and 5.25–5.28)

## 5. Maintain and review reserves

The authority should have regard to putting in place a General Reserve Policy and should review the level and purpose of all earmarked reserves. The supporting guidance recommends that reserves are reviewed and justified at least annually and that their level and rationale are published transparently. The generally accepted recommendation for the General Reserve is between three and twelve months of net revenue expenditure, depending on the size, risks and circumstances of the authority. Authorities with income and expenditure above £200,000 should generally plan towards around three months. Earmarked reserves must be held for genuine and identifiable purposes and separately identified. (SAPPP paras 1.13 and 5.31–5.39)

## 6. Review investment arrangements

Surplus funds should be managed properly and invested appropriately in line with an approved strategy which has regard to the Government's Statutory Guidance on Local Government Investments. Where the relevant threshold is exceeded, an annual Investment Strategy must be prepared and approved. The RFO should keep investment records, monitor liquidity and ensure that short- and long-term investments are correctly classified for AGAR purposes. (SAPPP para 1.11 and Section 5 investment guidance)

## 7. Make sure payments comply with Financial Regulations

Standing Orders and Financial Regulations must be current, fit for purpose and actually followed. Procurement controls should cover competition, quotations and tenders. The supporting guidance recommends official orders where practicable, states that all payments must follow Financial Regulations, and requires payments made since the last meeting to be reported to the next authority meeting. Members should never approve transfers without appropriate supporting documents. (SAPPP paras 1.14, 5.40–5.44)

## 8. Maintain proper banking controls

The authority must approve the opening of bank accounts and any subsequent changes, and must approve bank mandates, authorised signatories and authority limits. Safe and efficient arrangements must protect public money. Although the old statutory two-signature rule was repealed, the Guide says the two-member control should remain until the authority has put in place other safe and efficient arrangements satisfying the proper-practice requirements. Online banking controls should therefore retain genuine independent authorisation and segregation of duties. (SAPPP paras 1.15.2–1.15.6)

## 9. Apply specific controls to corporate credit cards

If a corporate credit card is held, the account should have defined limits and should be cleared monthly by direct debit from the main bank account. Credit card balances are not acceptable bank-reconciliation items. Card usage should be subject to documented limits, physical and digital security, and independent scrutiny. (SAPPP para 1.15.4 and internal-audit checklist)

## 10. Manage income and debtors

Effective debt collection is part of proper financial management. Invoices raised by the authority should be paid promptly or appropriate recovery action should be taken. The RFO should maintain suitable debtor records and report significant outstanding amounts. Irrecoverable debts should only be written off after proper consideration and with member approval or valid delegated authority, with the approval recorded in the accounts. (SAPPP paras 5.47–5.48)

## 11. Maintain robust payroll and employment controls

Employee remuneration should be approved in advance by the authority. Payroll arrangements should demonstrate the legitimacy and accuracy of salaries and wages and associated liabilities, including PAYE, National Insurance and pensions. The authority must be registered with HMRC where it has paid staff. The RFO should also be alert to employment-status issues when contractors are used. (SAPPP paras 1.16 and 5.49–5.52)

## 12. Manage VAT properly

The authority must have robust VAT arrangements. VAT records and claims should reconcile with the accounting system and be submitted in accordance with HMRC requirements. VAT-registered authorities fall within Making Tax Digital requirements and should use compliant software. Authorities undertaking building projects or managing income-generating property should seek up-to-date advice on matters such as Option to Tax and Partial Exemption before commitments are made. (SAPPP paras 1.17 and 5.53–5.56)

## 13. Maintain an accurate asset register

The asset register is a core financial control. It should support physical control of assets, insurance records and AGAR Line 9. The supporting guidance says the register should at least show acquisition date, acquisition cost, estimated useful life and location. It is also desirable to record insurance value, replacement value, custodian and the date last physically checked. The authority should adopt and review a capitalisation threshold and use a consistent asset-valuation method approved by the authority. (SAPPP paras 2.27–2.28 and 5.57–5.69)

## 14. Keep borrowing and long-term liabilities under control

Loans or similar long-term commitments should only be entered into after the authority is satisfied they are affordable and all necessary approvals have been obtained. The RFO should maintain a record of borrowing and ensure funds are available for capital and interest repayments. At year-end, AGAR Line 10 should agree with the total outstanding borrowing at 31 March. (SAPPP paras 1.19, 2.30 and 5.70/5.195)

## 15. Identify legal powers for expenditure

The authority must act within its statutory powers and avoid unlawful or ultra vires decisions and payments. The Guide states that authorities and their clerks, chief executives and RFOs should always be aware of the legal power being exercised when deciding on action, including spending public money. Where the General Power of Competence is relied on, eligibility should be properly established and minuted. (SAPPP paras 1.22–1.25 and 5.71–5.73)

## 16. Support the annual review of risk management

The authority must identify, assess and record risks and take appropriate steps to mitigate or manage them. The supporting guidance says financial and operational risks should be formally reported to and considered by the authority annually. Typical categories include financial, security, property, legal, IT and reputational risks. Insurance is one important way of managing some of those risks. The RFO should ensure financial, fraud, banking and investment risks are properly reflected in the authority's review. (SAPPP paras 1.31–1.33 and 5.85–5.94)

## 17. Facilitate an independent and effective internal audit

The authority must appoint an independent and competent internal auditor. The Clerk, RFO and members are not considered independent for this purpose. The RFO's role is to provide the auditor with all records, documents, explanations and access needed to complete the audit. The internal auditor does not approve or sign off Sections 1 or 2 of the AGAR. The authority should also review the effectiveness of its internal-audit arrangements at least annually. (SAPPP paras 1.34–1.37, Section 4 and 5.95–5.98)

## 18. Track and implement audit recommendations

All matters raised by internal and external audit should be considered by the authority and corrective action taken where appropriate. The supporting guidance says those considerations and decisions should be recorded in formal minutes. A practical way for the RFO to manage this is to maintain an Audit Action Log showing the issue, recommendation, Council decision, responsible person, due date and completion date. Failure to complete required prior-year external-audit actions can affect the authority's answer to Assertion 7. (SAPPP paras 1.38–1.39 and 5.99–5.102)

## 19. Consider significant events

Before the accounts are approved, the authority should consider litigation, liabilities, commitments, events and transactions that may have a financial impact. For authorities accounting on an income and expenditure basis, this includes relevant events after 31 March but before the accounting statements are approved. Where necessary, the financial impact should be reflected in the accounts. (SAPPP paras 1.40–1.41 and 5.103–5.105)

## 20. Deal correctly with trusts where applicable

Where a local council acts as sole managing trustee, it must discharge the trust's accountability responsibilities, including financial reporting and any required independent examination or audit. Trust transactions and balances are separate from the authority's own accounts. Separate bank accounts, records, meetings, agendas and minutes should be maintained. Trust assets may be recorded in the authority's asset register for control purposes but must be clearly identified and excluded from the Council's AGAR asset total. (SAPPP paras 1.42–1.46 and 5.106–5.116)

## 21. Maintain digital and data compliance

Assertion 10 requires appropriate arrangements for effective IT and data management. Every authority must have a generic email account hosted on an authority-owned domain. The Guide also addresses website compliance, WCAG 2.2 AA accessibility, Freedom of Information publication, UK GDPR and the Data Protection

Act 2018, and requires an IT policy for smaller authorities other than parish meetings. For the RFO this is particularly relevant to secure banking, payroll, financial-system access, backups and retention of financial correspondence. (SAPPP paras 1.47–1.54 and 5.117 onwards)

## 22. Prepare AGAR Section 2 directly from the accounting records

Every figure in Section 2 must agree with the authority's primary accounting records. The RFO must be able to show how the AGAR figures reconcile to the cashbook and other primary records, and members must see the reconciliation when asked to approve the accounting statements. This means maintaining working papers for each line rather than simply transferring figures from software without explanation. (SAPPP para 2.6)

## 23. Apply the correct AGAR classifications

The RFO should check each AGAR line carefully: Line 1 is the opening balance; Line 2 is precept only; Line 3 is other receipts including grants and CIL; Line 4 contains the staff-cost categories specified in the Guide; Line 5 contains loan capital and interest; Line 6 is all other payments; Line 7 is the closing balance; Line 8 is cash and short-term investments; Line 9 is fixed assets and long-term investments/assets; and Line 10 is borrowings. Comparative figures should be restated where the Guide requires consistency of reporting basis. (SAPPP Section 2 and paras 5.147–5.195)

## 24. Pay particular attention to staff costs

For 2026/27, AGAR Line 4 should include gross salary, employer's National Insurance, employer pension contributions and taxable allowances processed through payroll. Costs such as office-type expenses, mileage, stationery and similar homeworking expenses go to Line 6, as do agency staff and other contractors. The RFO should check this classification carefully when preparing the AGAR. (SAPPP paras 5.161–5.164)

## 25. Treat CIL correctly

CIL passed to a local council is included in AGAR Line 3 in the year it is received. Separate CIL reporting requirements also apply. The Council should keep records of the date and amount of CIL receipts, account for CIL expenditure on a first-in, first-out basis and transfer unspent CIL to an earmarked reserve at year-end. (SAPPP paras 2.15a and 5.158–5.160)

## 26. Prepare meaningful variance explanations

For authorities subject to external limited assurance review, the RFO should prepare numerical and narrative explanations for significant year-on-year changes in income, expenditure and balances. The Guide says the purpose is to demonstrate the authority's understanding of its accounts and movements. The RFO should be prepared to explain any figure presented in the accounting statements. Where the General Reserve is below three months or above twelve months of net revenue expenditure, an explanation should be provided to the external auditor. (SAPPP paras 2.38 and 5.201–5.207)

## 27. Certify Section 2 personally

Regardless of who has prepared the accounting statements, responsibility for certifying them rests with the RFO. By signing Section 2, the RFO confirms that the statement either presents fairly the financial position or

properly presents receipts and payments, as applicable, and that proper practices have been followed in its preparation. The RFO should therefore only sign when satisfied that the underlying records and reconciliations support the figures. (SAPPP para 2.34)

## 28. Ensure the AGAR approval sequence is correct

The Annual Governance Statement in Section 1 must be approved by resolution of the authority meeting as a whole before the accounting statements in Section 2 are approved. After the RFO has signed Section 2, the authority as a whole considers and approves it by resolution and the chair signs and dates the statement. The meeting agenda and minutes should clearly demonstrate this sequence. (SAPPP paras 1.55 and 2.35)

## 29. Manage the exercise of public rights

The RFO has a specific publication duty. Sections 1 and 2, a statement that the accounts are unaudited and the details of how public rights may be exercised must be published. The inspection period must be a single period of 30 working days and include the first ten working days of July. At least one day's notice of the commencement of the period is required. Accounts and supporting records must be available at reasonable times. (SAPPP para 1.27 and 5.74–5.83)

## 30. Publish the conclusion of audit

By no later than 30 September, the authority must publish the Annual Governance Statement, statement of accounts and, if received, the external auditor's certificate and report. After the external audit concludes, a statement of conclusion and the relevant inspection rights must also be published as soon as reasonably practicable. The RFO should retain dated evidence of publication. (SAPPP paras 1.28 and 5.81–5.82)

## 31. Prepare for digital AGAR submission

The 2026/27 Guide states that from April 2027 smaller authorities will be able to submit AGAR data electronically through a digital portal. Authorities are strongly encouraged to use the portal once operational, with electronic submission intended to become mandatory under Proper Practices by 2028/29. The RFO should therefore ensure records, reconciliations and supporting evidence are maintained in a form that can support digital submission and review.

## Suggested RFO working cycle for 2026/27

**Monthly:** Keep the accounting records up to date; check invoices and authority for expenditure; process VAT correctly; reconcile each bank and investment account; prepare payment and income reports; monitor debtors; and obtain independent member scrutiny of reconciliations.

**Quarterly:** Produce formal budget-to-actual monitoring with variance commentary and a year-end projection; review reserves movements; review investments and cash requirements; complete VAT returns or claims where applicable; and review outstanding audit actions.

**Throughout the year:** Maintain the asset register, procurement evidence, payroll controls, CIL and grant records, risk information, audit trails and secure financial-data arrangements.

**At budget setting:** Review current-year performance, future commitments, General and Earmarked Reserves, capital plans and affordability; prepare the draft budget and precept; and complete financial appraisals for significant projects.

**At 31 March:** Close and reconcile all bank and investment accounts, update the asset register, reconcile reserves, check loans and liabilities, identify debtors/creditors/accruals where applicable, consider significant events and prepare AGAR working papers.

**AGAR period:** Prepare and certify Section 2, provide members with reconciliations and evidence, ensure Section 1 is approved first, obtain full Council approval of Section 2, publish the public-rights documents, respond to external-audit queries and publish the audit conclusion.

## Recommended RFO evidence file

- RFO appointment and written financial procedures
- Current Financial Regulations and Standing Orders
- Approved budget, precept and budget working papers
- Quarterly budget-monitoring reports
- Bank reconciliations with independent member sign-off
- Investment records, strategies and bank mandates
- Payment schedules, invoices, purchase orders and authorisations
- Income, debtor and debt-recovery records
- VAT records and returns/claims
- Payroll, pension and HMRC records
- Asset register and annual movement reconciliation
- General Reserve Policy and Earmarked Reserve schedule
- Risk assessment, internal-control review and insurance schedule
- Internal audit reports and annual effectiveness review
- External audit reports and correspondence
- Audit Action Log
- CIL and restricted-grant records
- Annual Governance Statement evidence
- AGAR Section 2 working papers and variance explanations
- Public-rights and website-publication evidence
- Digital, IT and data-compliance evidence

**Source:** SAPPP, Practitioners' Guide 2026/27 – Governance and accountability for smaller authorities in England.