



Policy and Finance Committee

Date: 20 June 2022

Title: Town Council Finances and Financial Year End.

Purpose of the Report: To provide Members with an update position in respects of town council finances and to recommend to Council the creation of new earmarked reserves, the topping up of certain other earmarked reserves and to receive and consider endorsing the accounting statements for 2021-22 as well as Sections 1 and 2 of the Annual Governance and Accountability Return.

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 Sarah Sandiford – Deputy Town Clerk
 Clare Cummins – Finance Officer

Corporate Objective/s		To consolidate processes and procedures, ensuring operational efficiency and a structure which will underpin future service delivery by the Town Council.
Implications:		
Financial	Yes	To provide Members with an update position in respects of the financial situation and to consider options in respect of the surplus from financial year 2021-22.
Operational/Service delivery	Yes	Anticipated operating costs for maintaining current services into 2023/4 should be taken into account when considering options for last year’s surplus.

1. RECOMMENDATIONS

Should the Policy and Finance Committee be minded:-

- 1.1 To note the report.**
- 1.2 Further to the internal auditor’s final report for 2021-22 and the review of risk management and internal controls, to consider recommending to Council approval of section 1 of the Annual Governance and Accountability Return for 2021-22 (the annual governance statement).**
- 1.3 To receive and consider recommending to Council approval of the statement of accounts for 2021-22, noting the transfers into earmarked reserves as set out in paragraphs 2.9 – 2.12.**

- 1.4 Further to the financial year end figures attached at agenda item 13 a), to consider recommending to Council approval of section 2 of the Annual Governance and Accountability Return for 2021-22 (the accounting statements 2021-22).
- 1.5 To consider whether to retain the 2021-22 surplus of £101,389 in the General Reserve Fund or whether to recommend to Council allocation of funds for specific purposes, as set out in paragraph 3.

2 BACKGROUND

- 2.1 A local council's financial year begins 1st April and ends on 31st March in the following year. Legislation requires a council to prepare accounting statements for each financial year, which must be externally audited – currently undertaken by sector provider Mazars LLP (smaller authorities external audit team). Their statutory role being to provide an independent opinion on the council's annual accounting statements.
- 2.2 Unless determined otherwise, by 30th June each year, it is the council's duty to consider and formally approve its statement of accounts. It is only after the council has formally approved its accounting statements and annual governance statement that the annual return can be submitted to the external auditor.
- 2.3 By 30th September, the council must publish its accounting statements together with the external auditor's certificate that the audit has been completed and any opinion or report given in relation to the council's annual accounting statements.
- 2.4 The report has a number of purposes:
- i) To provide Members with a position on the way the reprofiled budget has performed given the circumstances brought on by the pandemic.
 - ii) To seek endorsement of the creation of new earmarked reserves.
 - iii) To seek endorsement of the topping up of certain other earmarked reserves.
 - iv) To seek endorsement of Sections 1 and 2 of the Annual Governance and Accountability Return for the period 2021-22.

Budgetary Performance during 2021-22

- 2.5 The 2021-22 was prepared at a time when uncertainty prevailed and little assurance as to when "normality" would return. For the purposes of budget setting, normality was defined as when income generating opportunities return to pre-pandemic levels; that is, unfettered room hire, events and market income for example. Based on business activity of the time, income forecasts were reduced by 75% to 25% of a typical year. The exception to this being cemetery income which was considered to remain constant.
- 2.6 The 2021-22 budget therefore anticipated a shortfall of expenditure against income of £74,431, with this amount being met in a specific earmarked reserve (the precept support fund).

- 2.7 Despite the continuing impact of the Covid pandemic throughout 2021-22, the community showed remarkable resilience and keenness to resume normal activities which resulted in a higher level of venue bookings than originally anticipated. The inability to host social gatherings at home was considered partly responsible for the increase in venue hire. To meet the increase in demand for venue and sports pitch hire, a specific bookings officer has been appointed.
- 2.8 Above forecast for the year, income exceeded budgetary expectations. Taken with revenue budget underspend (in some areas), this resulted in a surplus meaning that at year end, there was no requirement to access the Precept Support Fund earmarked reserve of £74,431.
- 2.9 Following close of financial year end, adjustments have been made including transfer of £281,279 into several earmarked reserves as previously endorsed by Council (shown in green on Appendix A attached). This includes the Future Projects allocation on which the Council's five year financial plan is based.
- 2.10 Committee will recall that monies are allocated in the five year financial plan for investment into I.T. during 2023-24. However, the early May elections in 2023 will require earlier investment into appropriate equipment for the newly elected Council. It is therefore proposed to top up the existing IT earmarked reserve by £5,000 (shown in orange on Appendix A attached).
- 2.11 Following previous discussions at committee and Council, it is also proposed to create three new earmarked reserves as follows (shown in pink on Appendix A attached):
- Consultation for town facilities £10,000
Climate emergency £10,000
Market stall repair, maintenance and replacement £5,000
- 2.12 The adjustments above result in an increase in earmarked reserves with a total of £1,207,434 now ringfenced for specific purposes. However should committee be minded, a recommendation could be made to Council to use the £30,000 specified in 2.10 and 2.11 above for alternative purposes or to be swept back into the General Fund.
- 2.13 The residual surplus for 2021-22 following all adjustments is **£101,389** which has increased the general reserve fund from £811,323 to £912,711.
- 2.14 Committee/Council now has the option to consider whether it wishes to allocate any funds to existing or new earmarked reserves or whether to retain the surplus in the general reserve fund.

3.0 OPTIONS

To plan toward a potential 0% increase in Council Tax:

- 3.1 The Council has expressed concern regarding the impact on residents of rising energy costs and inflation, a trend likely to continue into the next financial year.

- 3.2 As demonstrated in the Council's five-year financial plan and graph presented to the January meeting at which the 2022-23 budget and precept was agreed, expenditure continues to rise at a pace which outstrips current anticipated growth in the tax base, leaving the Council facing a potential shortfall in coming years.
- 3.3 In light of recent changes including adjustments to National Insurance contributions and rising inflation, the five-year plan has been reprofiled. Based on a possible 7.5% increase in costs, a potential shortfall of £100,656 is currently projected for the financial year 2023-24.
- 3.4 One of the options Council could consider at this time would be adding funds from the 2021-22 surplus to the existing precept support fund earmarked reserve to meet this anticipated possible shortfall.
- 3.5 To meet the currently predicted potential shortfall for 2023-24, the existing earmarked reserve of £74,431 would require an additional £26,958.

Election Costs:

- 3.6 The Council has previously resolved to budget £11,000 per year towards the cost of the four yearly elections. In 2021-22 this was reduced to £7,038 due to the by-election. Committee/Council may wish to consider topping up the £3,962 shortfall.

The Topping Up of Grounds Maintenance Earmarked Reserve:

- 3.7 Investment into a number of projects in recent years has left the general Grounds Maintenance earmarked reserve depleted. In view of ongoing and likely future projects it is suggested that this could be topped up by £40,000.

The Creation of New Earmarked Reserves:

- 3.8 Council has already committed to a number of objectives, many specified in its five-year plan but others yet to be reflected in detail. Council may wish to consider creation of new earmarked reserves or topping up of existing earmarked reserves to allow project delivery, with the remaining £30,469 of the 2021-22 surplus.
- 3.9 Committee is asked to consider the suggestions set out at paragraphs 3.5 – 3.7 and to consider whether to retain some or all of the 2021-22 surplus in the General Reserve fund or whether to recommend to Council the specific allocation of monies into new or existing earmarked reserves for identified purposes.

4.0 CONCLUSIONS

- 4.1 The Town Council has been able to continue delivering projects, services and activities within budget over the past twelve months. In January 2021, a shortfall of £74,431 was anticipated but revenue underspend combined with income above forecast has left the precept support fund untouched. This can

now be carried forward for consideration in the 2023-34 budget setting process and should Council be minded, be topped up from the 2021-22 surplus to help meet the anticipated shortfall.

- 4.2 Council also has the opportunity to consider whether it wishes to top up existing earmarked reserves or create new ones to help deliver additional projects and services.

End.