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11 JANUARY 2019

To: **MEMBERS OF THE FINANCE KEY AREA GROUP**

A **MEETING** of the **FINANCE KEY AREA GROUP** will be held in the Council Chamber on **THURSDAY 17 JANUARY 2019** at **18.30** hours when your attendance is requested.

PLEASE NOTE START TIME OF MEETING

Steve Cridland
Chief Executive Officer

1. **APOLOGIES FOR ABSENCE**
2. **SUBSTITUTES**
3. **DECLARATIONS OF INTEREST**
In respect of any matter on the agenda.
4. **CHAIRMAN'S ANNOUNCEMENTS**
5. **NOTES OF PREVIOUS MEETING**
To consider the Notes of the Meeting of the Finance Key Area Group held on 20 November 2018 (previously distributed).
6. **LISTING OF PAYMENTS MADE**
7. **INTERNAL AUDIT – SECOND INTERIM 2018/09**
8. **BUDGET MONITORING REPORT 2018/19 AND DISPOSITION OF SURPLUS**
9. **2ND DRAFT REVENUE BUDGET 2019/20 INCLUDING BAND D**
10. **EARMARKED RESERVES**
11. **BANK RECONCILIATION AND OTHER BALANCES**
12. **DATE OF NEXT MEETING**

Members of the Finance Key Area Group: Richard Cherry, Graham Fairbairn (Responsible Finance Officer - RFO), Colin Holden (Vice-Chairman), Andrew Barrett-Miles, John Merrill, Chris Thomas-Atkin (Chairman), Julian Thorpe.

Filming, recording of Council meetings and use of social media

During this meeting members of the public may film or record the Committee and officers from the public area only providing it does not disrupt the meeting. The Confidential section of the meeting may not be filmed or recorded.

If a member of the public objects to being recorded, the person(s) filming must stop doing so until that member of the public has finished speaking.

The use of social media is permitted but members of the public are requested to switch their mobile devices to silent for the duration of the meeting.

6. LISTING OF PAYMENTS MADE

6.1 A listing of payments made by the Town Council are held in a yellow folder within the cabinet above Members' blue boxes. The listings are produced periodically and are open for inspection by Members during office hours.

6.2 RECOMMENDATION

Members are recommended to note the contents of the report.

Risk Implications – None

7. INTERNAL AUDIT – SECOND INTERIM 2018/19

7.1 The purpose of this report is to update Members in regard to the second interim audit visit conducted by Auditing Solutions that took place on 8 January 2019.

7.2 The RFO is pleased to report no issues have arisen that need to be brought to the attention of Members. The audit report is attached at appendix 1.

7.3 RECOMMENDATION

Members are recommended to note the contents of the report

Risk Implications – None

8. BUDGET MONITORING REPORT 2017/18 AND DISPOSITION OF SURPLUS

8.1 The purpose of this report is for the RFO to update Members with the latest forecast Outturn for the 2018/19 financial year.

8.2 In summary, the financial year end forecast, as compiled at 31 December 2018, shows an estimated surplus of just over £13k. This is made up of an increase in income of £23k, a decrease in base budget costs of £56k and the creation of a Venue Revenue Support fund* of £65k .

**Relates to the Funding Plan for the new modified venue where support for the Revenue Budget may be required for the venue loan repayments prior to the growth in the tax base and associated revenue stream.*

A summary Monitoring Report is shown at agenda item 8.3 followed by a detailed variance analysis at agenda item 8.4. A full budget monitoring report is shown at appendix 2.

8.3 Summary Monitoring Report

| MONITORING REPORT 2018/19 | 31/12/2018 | MONTH | 9.0 |
|--|---------------------------|-----------------|-------------------------------|
| CONSOLIDATED SUMMARY | Budget 2018/19 | Forecast | Variance ON BUDGET |
| INCOME | | | |
| Civic, Corporate, Promotion and staff | £37,868 | £37,868 | £0 |
| Community Development | £10,106 | £10,556 | £450 |
| Customer Service | £48,720 | £44,464 | -£4,256 |
| Finance and Administration | £78,382 | £104,949 | £26,567 |
| TOTAL INCOME | £175,076 | £197,838 | £22,762 |
| EXPENDITURE | | | |
| Civic, Corporate, Promotion and staff | £684,549 | £643,709 | -£40,840 |
| Staff and Member | £3,500 | £3,000 | -£500 |
| Community Development | £54,231 | £47,446 | -£6,785 |
| Customer Service | £153,451 | £144,758 | -£8,694 |
| Finance and Administration | £122,922 | £123,651 | £728 |
| TOTAL BASE EXPENDITURE | £1,018,653 | £962,564 | -£56,090 |
| Venue "credit" ring fenced for 2019/20 | £72,385 | £72,385 | £0 |
| Transfer to Revenue Support Fund | | £65,385 | £65,385 |
| NET BUDGETED EXPENDITURE | £915,962 | £902,497 | £13,466 |
| Surplus / (-deficit) | £0 | £13,466 | |
| Tax Base | 11731.8 | | |
| Band D - Actual | £78.08 | | |
| Band D - Notional (after venue adjustments) | £71.91 | | |

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8.4 Forecast Year End Variance Analysis +/- £1,000

(FORECAST COMPILED AS AT 31/12/2018)

| | Budget | Forecast | Variance | | |
|---|-------------------|-----------------------------|-----------------|--|-----------------------------|
| NET BUDGETED EXPENDITURE (PRECEPT 2018/19) | £915,962 | £902,497 | £13,466 | Surplus | Nov 18 KAG variances |
| Made up of: | | | | | |
| | <i>Budget</i> | <i>End of year Forecast</i> | <i>Variance</i> | COMMENTS | |
| INCOME | | | | | |
| Shop Income (net) | £2,850 | £1,220 | -£1,630 | Less sales being achieved | |
| Parish income relating to WSCC Highways contract | £5,000 | £1,250 | -£3,750 | Contract ceased June 2018 | -£3,750 |
| Room Lettings | £12,625 | £20,727 | £8,102 | Increased room and CC hire | £7,162 |
| Worlds End Hire income | £1,800 | £14,000 | £12,200 | Nursery continues until March 2019 | £12,200 |
| Burial Ground Income | £24,000 | £27,952 | £3,952 | Increased Business | £2,000 |
| Balance on all other budget items | £128,801 | £132,688 | £3,887 | | £2,566 |
| Total Movement on Income | £175,076 | £197,838 | £22,762 | INCREASED income | £20,178 |
| EXPENDITURE | <i>Budget</i> | <i>End of year Forecast</i> | <i>Variance</i> | | |
| Burial ground grave digging/maintenance | £12,613 | £14,386 | £1,773 | Increased business | £1,187 |
| Civic Events (i) | £3,000 | £2,000 | -£1,000 | Unlikely to use full budget this year | -£1,000 |
| Dog initiatives | £1,600 | £2,600 | £1,000 | Increased bins and increased collections | £1,000 |
| Council Van (i) | £15,272 | £11,302 | -£3,970 | No new van, lower rentals | -£3,970 |
| Grants and Donations (i) | £14,000 | £12,000 | -£2,000 | Expenditure level not required | -£2,000 |
| Legion Building (i) | £12,370 | £11,465 | -£905 | Costs not as high as budgeted | -£1,322 |
| MMT-New equipment | £6,380 | £5,000 | -£1,380 | Not as much required | |
| Repairs and Renewals | £11,000 | £14,000 | £3,000 | CC table purchase, set against increase in income from hires | |
| Salaries & temps (i) | £626,685 | £587,844 | -£38,841 | Changes to personnel levels/pension/NI adjustments | -£36,664 |
| Street Scene / Minor Works | £10,000 | £5,000 | -£5,000 | Sufficient money in fund | -£5,000 |
| Tree Surgery | £3,250 | £1,250 | -£2,000 | Not as much required | |
| Tree Survey | £1,234 | £2,234 | £1,000 | Employment of OS mapping system | |
| Town Centre Events (i) | £10,000 | £5,000 | -£5,000 | Expenditure level not required | -£5,000 |
| Balance of all other budget items | £291,249 | £288,484 | -£2,766 | | -£2,301 |
| MOVEMENT ON BASE EXPENDITURE | £1,018,653 | £962,564 | -£56,090 | DECREASE in expenditure | -£55,070 |
| Venue element 19/20 credit (ring fenced) | £72,385 | £72,385 | £0 | | |
| Transfer to Revenue Support Fund 3038 | £0 | £65,385 | £65,385 | Set-up to support future Revenue Budgets | £65,385 |
| NET MOVEMENT ON PRECEPT | £915,962 | £902,497 | £13,466 | PROJECTED YEAR END SURPLUS | £9,863 |

Notes to the above:

Repairs and Renewals budget: The Council Chamber tables are at least 20 years old and the wear and tear damage is now proving to be beyond a repairable condition.

8.5 DISPOSITION OF SURPLUS

To meet with the long standard plan of achieving 20% of Net Budgeted Costs by 2019/20, £3,596 of the estimated surplus is required to be transferred to the General Reserve with the balance of the surplus, estimated at £9,870, being transferred to the Community Venue Fund.

8.6 RECOMMENDATION

Members are recommended, subject to the final surplus position:

- to approve the contents of the report,
- agree to transfer £3,596 to the General Reserve, and
- transfer the balance of the surplus to the Community Venue Fund.

RISK IMPLICATIONS: Should the Surplus be less than predicted, the surplus disposition may need to be amended.

9. DRAFT REVENUE BUDGET 2019/20

- 9.1 The purpose of this report is for Members to consider the 2nd Draft Revenue Budget for 2019/20. This report updates the 1st draft presented at the November 2018 KAG meeting. The full budget detail is attached at appendix 3.
- 9.2 Inflation, where appropriate, has been set at 2.5%, while the salary cost of living rise has been included at an average of 2.4%. A 1.6% increase has been confirmed for the movement of the Tax Base (1.6% prior year).
- 9.3 As noted in agenda item 7.2, an initial amount of £65k has been transferred to a Venue Revenue Support fund, this together with a reallocation of funds from other areas gives an overall fund balance of £186k. The previously noted requirement (Nov 18 KAG) of £24k to support the Revenue Budget is now no longer required due to revenue income and expenditure improvements.
- 9.4 Members will be aware the budget and Precept for 2018/19 included an amount of just over £72k towards the development of a new community and performance venue. Although residents showed over-whelming support for the venue, residents, via the Venue Consultation exercise, marginally rejected any increase in the Council Tax to support the plan. It was agreed, post the consultation, to withdraw the funding plan for the new venue and credit back the funds raised for the project through the 2019/20 Precept. This credit had been included in the 2019/20 Precept calculations accordingly.
- 9.5 The removal of the original budget item associated with the new venue and the crediting back of the £72k raised in 2018/19, has given rise to a significant downward distortion on the setting of the Precept, with the Band D charge decreasing by £10.86 from £78.08 in 2018/19 to £67.22 for 2019/20. A smaller, upward distortion will be seen also when setting the 2020/21 Precept and Band D charge as the rates normalise.
- 9.6 In Summary, the Net Budgeted Expenditure for 2019/20 financial year is estimated at £873,478 giving rise to a Band D rate of £73.30, however, after taking into account the previously noted venue credit of £72k, the Precept, in this second draft budget, stands at £801,093 giving a Band D rate of £67.22.
- 9.7 A consolidated Revenue Budget summary is shown at 9.9 and highlights two Band D rates, the *Actual* Band D rate and a *Notional* Band D Rate, with the latter taking into account the venue adjustments. Members will note that although the Actual Band D charge, as previously mentioned, is estimated to decrease by £10.86 (-13.9%), the Notional Band D Rate shows a modest increase of £1.39 (1.9%).
- 9.8 It should be noted, the credit back to residents (via the Precept) does not impact on the balancing of the budget, as the funds had been previously set-aside in the 2018/19 financial year.

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9.9 Consolidated Summary

| BUDGET 2019/20 | | | |
|--|---------------------------|-------------------------------------|--|
| CONSOLIDATED SUMMARY | Budget 2018/19 | Draft Budget 2019/20 | Variance on Prior Year Budget |
| INCOME | | | |
| Civic, Corporate, Promotion and staff | £37,868 | £18,874 | £-18,994 |
| Community Development | £10,106 | £10,106 | £0 |
| Customer Service | £48,720 | £29,545 | £-19,175 |
| Finance and Administration | £78,382 | £67,139 | £-11,243 |
| TOTAL INCOME | £175,076 | £125,664 | £-49,412 |
| EXPENDITURE | | | |
| Civic, Corporate, Promotion and staff | £684,549 | £669,596 | £-14,953 |
| Staff and Member | £3,500 | £3,000 | £-500 |
| Community Development | £54,231 | £49,129 | £-5,102 |
| Customer Service | £153,451 | £133,667 | £-19,784 |
| Finance and Administration | £122,922 | £143,750 | £20,828 |
| TOTAL BASE EXPENDITURE | £1,018,653 | £999,142 | £-19,511 |
| Venue "credit" ring fenced for 2019/20 | £72,385 | £0 | £-72,385 |
| NET BUDGETED EXPENDITURE | £915,962 | £873,478 | £-42,484 |
| Actual Venue Credit back to Precept | | £72,385 | £-72,385 |
| PRECEPT (Inc 2019/20 credit) | £915,962 | £801,093 | £-114,869 |
| Tax Base | 11731.8 | 11916.7 | 184.9 1.6% |
| Band D - Actual | £78.08 | £67.22 | £-10.86 -13.9% |
| Band D - Notional (after venue adjustments) | £71.91 | £73.30 | £1.39 1.9% |

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9.10 Budget variance analysis 2019/20 financial year

BUDGET 2019/20 - VARIANCE ANALYSIS +/- £1,000

| PRECEPT | | | BAND D | | Band D Inc Venue adjustment |
|----------------------|---------------------------|----------|--------|--------|-----------------------------------|
| 2019/20 | 1.5% increase in tax base | £801,093 | | £67.22 | £73.30 |
| 2018/19 | | £915,962 | | £78.08 | £71.91 |
| Reduction in Precept | | £114,869 | | £10.86 | £1.39 |
| | | | | -13.9% | 1.9% |

| MADE UP OF: | Budget 2018/19 | Budget 2019/20 | Movement on prior year 2018/19 | | Nov 18 KAG movement |
|--|-------------------|-----------------|--------------------------------|--|---------------------|
| Income Movements | | | | | |
| Roundabout Sponsorship Income | £20,351 | £18,945 | £1,406 | New contract with WSCC | £16,006 |
| Burial Ground (St John's closed) | £7,106 | £0 | £7,106 | MSDC taking back maintenance contract | |
| HP Shop | £2,850 | £1,300 | £1,550 | Less sales being achieved | |
| Help Point Partner Income | £37,868 | £18,874 | £18,994 | End of WSCC contract | £18,994 |
| Partner income (Highways) | £32,956 | £14,581 | £18,375 | End of WSCC contract | £18,375 |
| Room Lettings | £12,625 | £5,994 | £6,631 | Intention of audiology unclear, discounted down | |
| Sidney West Management charge | £12,000 | £13,000 | £1,000 | To more accurately reflect costs | £1,000 |
| Worlds End facility | £1,800 | £3,800 | £2,000 | Facility now being handed back to MSDC May 2019 | |
| Balance of movements on all other budget items | £47,520 | £49,170 | £1,650 | | £6,981 |
| Total Income | £175,076 | £125,664 | £49,412 | Decrease in income | £59,356 |
| Expenditure Movements | | | | | |
| CCTV | £9,600 | £2,250 | £7,350 | 2018/19 included capital upgrade cost | £7,350 |
| Civic Activities (ii) | £3,000 | £2,000 | £1,000 | Budget level not required | £1,000 |
| Council Van (ii) | £15,272 | £11,500 | £3,772 | No additional vehicle | £3,772 |
| Community Venue Fund (ex-CIDF) (i) | £48,615 | £53,506 | £4,891 | Additional allocation to meet loan requirements | £4,891 |
| Dog initiatives | £1,600 | £2,700 | £1,100 | Additional bins and increased emptying | £1,100 |
| Grants and Donations contribution to fund - Minor/Major (ii) | £14,000 | £12,000 | £2,000 | Sufficient money in fund | £2,000 |
| Mobile Maint - new Equipment | £6,380 | £4,000 | £2,380 | Prior year included one-off mower | £2,380 |
| Salaries / Oncosts (ii) | £626,685 | £607,840 | £18,845 | Changes to personnel levels/pension/NI adjustments | £13,039 |
| Storage | £1,212 | £4,109 | £2,896 | Storage of chairs for Keymer site | £2,896 |
| Street Scene/Minor works fund contribution (ii) | £10,000 | £5,000 | £5,000 | Sufficient money in fund | £5,000 |
| Town Events (ii) | £10,000 | £5,000 | £5,000 | Sufficient money in fund | £5,000 |
| Utilities 96 CW | £6,185 | £7,196 | £1,011 | Rising energy costs | £1,011 |
| Worlds End Cleaning/Maint | £6,100 | £1,017 | £5,083 | MSDC taking back facility May 2019 | £6,100 |
| Balance of movements on all other budget items | £260,004 | £281,024 | £21,021 | Net increase in other items | £29,831 |
| Base Budget Costs | £1,018,653 | £999,142 | £19,511 | Decrease in base costs | £5,911 |
| Adjustment for Venue Element (Ring fenced) | £72,385 | £0 | £72,385 | | £72,385 |
| Support for Revenue Budget | £0 | £0 | £0 | | £24,156 |
| Net Budget Expenditure | £915,962 | £873,478 | £42,483 | Decrease in Net costs | £43,096 |
| Actual Venue Credit to Precept | £0 | £72,385 | £72,385 | | £72,385 |
| Precept | £915,962 | £801,093 | £114,869 | Net decrease in Precept | £115,481 |

(i) £1.5mil of the £3mil PWLB loan approval is budgeted to be drawn down in Sept 2019

(ii) Reductions, in-part, used towards funding the remodelled venue loan repayments

9.11 RECOMMENDATION

Members are recommended to:

- Approve the budget as presented, and
- Recommend to Council a Precept of £801,093

Risk Implications –

The Revenue Budget continues to include monies (£24k) from a partner organisation (MSDC) and although no specific indication has been given that these will be withdrawn, they should be considered at risk.

As noted in the variance schedule (9.10), room letting includes monies from Audiology who lease a room. The contract expires at the end of April 2019 and, to-date, indications are that this organisation may not renew the lease for another full year. The income associated with this hirer has been discounted down to reflect the uncertainty.

On a positive note, WSCC are likely to agree a new Roundabout Maintenance contract of circa £18k per annum, this has been reflected in the budget for 2019/20.

10. EARMARKED RESERVES

- 10.1 The purpose of this report is to update Members regarding the status of the Town Council's Earmarked Reserves (assessed as at 31/12/18).
- 10.2 At the beginning of the 2018/19 financial year, the Town Council had £517,775 set aside for a range of projects, including £272k in the Community Venue Fund.

During the year, an additional amount of £252k was transferred from the 2018/19 Revenue Budget plus £62k from the General Reserve. Monies from 3rd parties are estimated at £74k with overall expenditure amounting to £286k, giving an estimated balance as at 31 March 2019 of £619k.

- 10.3 A summary breakdown of movements within the Earmarked Reserves is shown below, with a full listing of all the Town Council's Earmarked Reserves at appendix 4 (A3 copies will be provided at the meeting).

In summary:

| | | |
|--|-------------------|-----------------|
| Balance 01 April 2018 | | £517,775 |
| Revenue Contributions to Funds | £252,224 | |
| Transfer from General Reserve (minute 126/9 refers) | £ 61,707 | |
| 3 rd Party Receipts | <u>£ 73,711</u> | |
| Total Receipts | £387,642 | |
| Less Payments from Funds to date | (£153,975) | |
| Less Estimated future payments to end of year | <u>(£132,208)</u> | |
| Total Payments | (£286,183) | |
| Estimated net movement in funds | | £101,459 |
| Total Estimated Earmarked Reserves 31/03/2019 | | £619,234 |

Initial 2019/20 transfers and movements

| | | |
|--|----------|-----------------|
| Planned Revenue Contributions 2019/20 | £ 78,956 | |
| Total Estimated Earmarked Reserves 01/04/2019 | | £698,190 |

10.4 Review of Earmarked Reserves

The RFO, at this stage, has no areas of significance to bring to the attention of Members save for the following:

Venue Credit Fund: £72,385. To be set-against the credit applied to the 2019/20 Precept.

Venue Revenue Support Fund: £185,892. To be used to support the Revenue Budget until the growth in the tax base reaches a level to support the repayments of the PWLB loan. It should be noted, the level of funding required will vary depending on the timing and size of the PWLB loan draw down.

10.5 RECOMMENDATION

Members are recommended to approve this report.

Risk Implications – None.

11. BANK RECONCILIATION AND OTHER BALANCES

11.1 The purpose of this report is to provide Members with an opportunity to review a recent bank reconciliation report. The most recent documented reconciliation was prepared on 19/12/2018 and is attached at Appendix 5.

11.2 For Members' information, the Town Council had the following balances as at 11/01/2019.

| Account | |
|---|------------------|
| Current Account (Nat West) | 4,172 |
| Special Interest (Nat West) | 960,524 |
| Santander – rolling monthly deposit (i) | 289,130 |
| Total | 1,253,826 |

(i) *Under review with Santander to obtain better rates*

11.3 RECOMMENDATION

Members are recommended to note the contents of the report.

Risk Implications – none.

12. DATE OF NEXT MEETING

June 2019, date to be confirmed