

20 June 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 **TUESDAY 25 JUNE 2019** at **18.15 hours**, when your attendance is required.

**Please note: This meeting starts earlier than normal to allow for a short presentation to new Members on the workings of the Council's finance function. The meeting proper will start at 18.45.**

Steve Cridland  
Chief Executive Officer

---

**A G E N D A**

1. **APOLOGIES FOR ABSENCE**
2. **SUBSTITUTES**
3. **DECLARATIONS OF INTEREST**  
In respect of any matter on the agenda.
4. **CHAIRMAN'S ANNOUNCEMENTS**  
List of payments made since the last finance meeting in the yellow folder above the blue boxes.
5. **ELECTION OF THE VICE CHAIRMAN OF THE FINANCE KAG** for the ensuing year.
6. **NOTES OF PREVIOUS MEETING**  
To consider the Notes of the Meeting of the Finance Key Area Group held on 17 January 2019 (attached).
7. **INTERNAL AUDIT – FINAL 2018/19**
8. **FINANCIAL RESULT FOR THE 2018/19 FINANCIAL YEAR (SUBJECT TO EXTERNAL AUDIT)**
9. **ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN Part 3 (formerly the Annual Return) FOR 2018/19**
10. **EARMARKED RESERVES**
11. **VENUE LOAN REPAYMENT - FINANCIAL ASSESSMENT**
12. **COMMUNITY VENUE FUND (THE BEEHIVE) – CURRENT STATUS**
13. **REVIEW OF BUDGET YEAR 2019/20**
14. **BANK RECONCILIATION AND OTHER BALANCES**
15. **DATE OF NEXT MEETING : TBC**

Members of the Finance Key Area Group: Graham Allan, Andrew Barrett-Miles, Roger Cartwright, Anne Eves, Graham Fairbairn (Responsible Finance Officer - RFO), Janice Henwood, Simon Hicks (Chairman)

*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, if any, 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.*

## 7. INTERNAL AUDIT – FINAL 2018/19

7.1 The purpose of this report is for the RFO to keep Members abreast of any issues arising from the recent audits carried out by the Council's internal auditors (Auditing Solutions Ltd) and to approve the re-appointment of the internal auditors.

7.2 The final audit for the financial year 2018/19 was completed on 21 May 2019 and is attached at appendix 1. The RFO is pleased to report the internal auditor has not found any items that need to be drawn to the attention of Members. The financial Annual Governance and Accountability Return has been signed-off by the auditor without qualification accordingly.

### 7.3 RECOMMENDATION

Members are recommended to:

- A) Note the contents of the report; and,
- B) Approve the re-appointment of Auditing Solutions Ltd as the Council's internal auditors.

**Risk Implications** – None.

## 8. FINANCIAL RESULT FOR THE 2018/19 FINANCIAL YEAR (SUBJECT TO EXTERNAL AUDIT)

8.1 The purpose of this report is for the Responsible Financial Officer to report to Members with regard to the financial result for the 2018/19 financial year.

8.2 In summary, the Council will post a surplus of **£37,786**. This is made up of an increase in income of £32,614, a reduction in costs of £70,558 and a transfer to the Venue Revenue Support Fund of £65,386.

8.3 An Income and Expenditure Consolidated summary is shown below followed by a £1,000 variance analysis. A full year end Budget Monitoring report is at Appendix 2.

<b>FINANCIAL RESULT 2018/19</b>	<b>31/03/2019</b>	<b>12.0</b>	
<b>CONSOLIDATED SUMMARY</b>	<b>Budget 2018/19</b>	<b>Actual to-date</b>	<b>Variance ON BUDGET</b>
<b>INCOME</b>			
Civic, Corporate, Promotion and staff	£37,868	£37,868	£0
Community Development	£10,106	£10,621	£515
Customer Service	£48,720	£41,648	-£7,072
Finance and Administration	£78,382	£117,553	£39,171
<b>TOTAL INCOME</b>	<b>£175,076</b>	<b>£207,690</b>	<b>£32,614</b>
<b>EXPENDITURE</b>			
Civic, Corporate, Promotion and staff	£684,549	£635,698	-£48,851
Staff and Member	£3,500	£2,576	-£924
Community Development	£54,231	£46,891	-£7,340
Customer Service	£153,451	£137,522	-£15,929
Finance and Administration	£122,922	£125,408	£2,486
<b>TOTAL BASE EXPENDITURE</b>	<b>£1,018,653</b>	<b>£948,095</b>	<b>-£70,558</b>
Venue "credit" ring fenced for 2019/20	£72,385	£72,385	£0
Transfer to Revenue Support Fund		£65,386	£65,386
<b>PRECEPT / NET BUDGETED EXPENDITURE</b>	<b>£915,962</b>	<b>£878,176</b>	<b>£37,786</b>
<b>Surplus / (-deficit)</b>	<b>£0</b>	<b>£37,786</b>	

## VARIANCE ANALYSIS 2018/19

		Budget	Forecast	Variance	
<b>NET BUDGETED EXPENDITURE (PRECEPT 2018/19)</b>		<b>£915,962</b>	<b>£878,177</b>	<b>£37,786</b>	<b>Surplus</b>
<b>Made up of:</b>					
		<i>Budget</i>	<i>End of year Forecast</i>	<i>Variance</i>	<i>COMMENTS</i>
<b>INCOME</b>					
HP	Shop Income (net)	£2,850	£1,363	-£1,487	Less sales being achieved / concentration on Room.CC lettings
6571	Burial Ground Income	£24,000	£35,713	£11,713	Increased business
5070	Interest on balances	£450	£1,980	£1,530	Improving rates/greater balances
7078	Other income	£1,500	£2,731	£1,231	Swest planting/bus shelter cleaning
7071	Parish income relating to WSCC Highways contract	£5,000	£1,250	-£3,750	Contract ceased June 2018
5580	Room / CC Lettings	£12,625	£23,286	£10,661	Increased room and CC hire
7074	Roundabout Sponsorship	£20,351	£21,603	£1,252	No drop-outs or bad debts
	Street Name Plates	£5,164	£2,159	-£3,005	Matches expenditure
5572	Worlds End Hire income	£1,800	£14,724	£12,924	Extended year of nursery income
	Balance on all other budget items	£101,336	£102,881	£1,545	
<b>Total Movement on Income</b>		<b>£175,076</b>	<b>£207,690</b>	<b>£32,614</b>	<b>INCREASED income</b>
<b>EXPENDITURE</b>					
		<i>Budget</i>	<i>End of year Forecast</i>	<i>Variance</i>	
6504	Burial ground grave digging/maintenance	£12,613	£20,452	£7,839	Increased business plus provision for compost area
8023	Civic Events	£3,000	£1,317	-£1,683	Budget unused
7005	Dog initiatives	£1,600	£2,481	£881	Increased bins and increased collections
9003	Council Van	£15,272	£10,594	-£4,678	No new van, lower rentals
9004	Fuel for van	£4,750	£3,635	-£1,115	Reduced staff
8001	Grants and Donations	£14,000	£12,000	-£2,000	Expenditure level not required
7009	Grounds Maintenance	£15,034	£13,593	-£1,441	Provision not fully used
3037	Legion Building	£12,370	£11,003	-£1,367	Costs not as high as budgeted
9007	MMT-New equipment	£6,380	£5,292	-£1,088	Not as much required
9501	Repairs and Renewals	£11,000	£14,000	£3,000	CC table purchase, set against increase in income from hire
9601	Salaries & temps	£626,685	£581,608	-£45,076	Changes to personnel levels/pension/NI adjustments
9005	Storage	£1,212	£4,020	£2,808	Storage of chairs for Keymer facility
7018	Street Nameplates	£5,164	£2,159	-£3,005	Matches Income
7031	Street Scene / Minor Works	£10,000	£5,000	-£5,000	Sufficient money in fund
7003	Tree Surgery	£3,250	£1,500	-£1,750	Not as much required
7002	Tree Survey	£1,234	£2,650	£1,416	Employment of OS mapping system
8021	Town Centre Events	£10,000	£5,000	-£5,000	Expenditure level not required
5522	Worlds End Cleaning/Maintenance	£6,100	£4,984	-£1,116	Lower Maintenance costs
	Release unrequired provisions		-£4,989	-£4,989	Mainly historic cost provisions unlikely to materialise
	Balance of all other budget items	£258,989	£251,797	-£7,192	
<b>MOVEMENT ON BASE EXPENDITURE</b>		<b>£1,018,653</b>	<b>£948,095</b>	<b>-£70,558</b>	<b>DECREASE in expenditure</b>
	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
<b>NET MOVEMENT ON PRECEPT</b>		<b>£915,962</b>	<b>£878,176</b>	<b>£37,786</b>	<b>YEAR END SURPLUS</b>

### 8.4 DISPOSITION OF SURPLUS

#### General Reserve

The purpose of the General Reserve is to set-aside funds that would be used to cover unforeseen demands and emergencies that could not be absorbed into the respective current year's Revenue Budget, and/or opportunities that may arise.

Due to the nature of being unforeseen, the level of reserve to be held is problematic to quantify, however, the review by Members in 2016 agreed the Town Council's funding stream, where some 85% is met by the Precept, gave rise to the Town Council being at the lower end of risk and that a level of 20% of net budgeted expenditure should be attained by 2019/20 and maintained accordingly.

To satisfy this requirement, an amount of £2,636 would need to be transferred from the surplus to the General Reserve bringing the General Reserve to £163,994 as at 1 April 2019.

## Balance of Surplus

Subject to any transfer requirement to the General Reserve (as noted above), there is an ongoing Resolution by Members that all annual surpluses, unless Members decide otherwise, will be transferred to the (Beehive) Community Venue Fund.

For Members' information, an analysis of the Community Venue Fund is shown at agenda item 12.

### 8.5 RECOMMENDATION

Members are recommended:

- a) to approve the 2018/19 financial result as presented,
- b) to transfer £2,636 to the General Reserve, and
- c) to transfer the residual surplus, £35,150, to the Community Venue Fund.

**Risk Implications** – None

### 9. ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN Part 3 (formerly the Annual Return) FOR 2018/19

9.1 As part of the end of year audit requirements, the Town Council, under The Accounts and Audit Regulation 2015, as in previous years, must complete an Annual Governance and Accountability Return (AGAR) (Appendix 3) with supporting documentation for the year 2018/19. The purpose of the AGAR is to summarise the Council's activities and governance, in a specified format, at the completion of each financial year.

9.2 The AGAR is compiled of 4 sections and each must be completed and signed accordingly:-

SECTION	RESPONSIBILITY
Annual Internal Audit report	Internal Auditor
1. Annual Governance Statement	Chairman of Meeting approving the Return and Chief Executive Officer
2. Accounting Statements	Responsible Finance Officer and Chairman of Meeting approving the Return
3. External Auditor's Certificate and Opinion	External Auditor

9.3 To meet our compliance requirements in regard to the Annual Governance Statement, the Council has established a Member Finance Key Area Group, developed a range of monitoring and reporting systems to include budgeting and forecasting models, quarterly management accounts, budget holder control reports, risk assessments and the employment of independent internal auditors.

9.4 To assist Members in understanding how the Accounting Statements of the Annual Governance and Accounting Return (AGAR) relates to the current year's surplus result, the following calculation is provided:

Balances B/Fwd	(AGAR box 1, page 5 of 6)	£ 740,841
Plus Declared Surplus	(Agenda item 8.2)	£ 37,786
Less Movement in Reserves	(Agenda item 10.2)	£ 66,197
Balances C/Fwd	(AGAR box 7, page 5 of 6)	<u>£ 844,824</u>

### 9.5 RECOMMENDATION

Members are recommended to approve the:

- A) The Annual Governance Statement 2018/19 contained within the Annual Governance and Accountability Return,

B) The Accounting Statements 2018/19 contained within the Annual Governance and Accountability Return, and

C) For the Chairman of the meeting and Chief Executive Officer to sign the documents accordingly.

**Risk Implications** – None.

## 10. EARMARKED RESERVES

10.1 The purpose of this report is to update Members with regard to the status of the Town Council's Earmarked Reserves and to bring to the attention of Members those Earmarked Reserves that are no longer required ("Closed"), and are available to support other activities of the Town Council. A full listing of all the Earmarked Reserves are attached at appendix 4 and are broken down into whether they are:

- **Restricted** – Includes 3<sup>rd</sup> party income and/or formal commitments of expenditure have been made.
- **Unrestricted (i)** - no 3<sup>rd</sup> party income received and formal expenditure commitments have not been made.
- **Closed** - no longer required/complete and any residual can be returned to the Revenue Budget.

*(i) Unrestricted: These reserves will have been set-aside for a) defined purpose e.g. CCTV, b) to cover ad-hoc/individual expenditure that may put pressure on a particular budget year e.g. recruitment & training, c) residual amounts from various in-year events to be c/fwd and added to the next years' budget allocation e.g. Grants / Summer Fayre, and d) to "smooth" the budgeting process and prevent "yo-yo" Precept determinations e.g. setting aside funds annually towards the cost of having local elections every 4 years. Some might fall into more than one category.*

10.2 A summary breakdown of movements within the Earmarked Reserves for 2018/19 is shown below:

### In summary:

Balance B/Fwd 01 April 2018		<b>£517,774</b>
Revenue Contributions to Funds	£259,791	
3 <sup>rd</sup> Party Receipts	<u>£ 76,693</u>	
<b>Total Income</b>	<b>£336,484</b>	
Less Payments from Funds	<u>£270,287</u>	
<b>Net Income from Earmarked Reserves</b>		<b>£ 66,197</b>
Plus Transfer from the General Reserve		<u>£ 61,707</u>
<b>Total Earmarked Reserves as at 31 March 2019</b>		<b>£ 645,678</b>
Transfer-in from 2019/20 Revenue Budget		£ 113,706
<b>Total Earmarked Reserves at 01 April 2019</b>		<b><u>£ 759,384</u></b>
<i>Made up of:</i>		
Closed		£ 10,035
Restricted		£ 395,477
UnRestricted		<u>£ 353,872</u>
<b>Total</b>		<b><u>£ 759,384</u></b>

### 10.3 Review of Closed Earmarked Reserves £10,035

- **Beacon Lighting Event £1,585:** Project complete and can be released.
- **Dog Bins £1,230:** Project complete and can be released.
- **Future Resource Fund £6,588:** Amount set aside to support the maintenance side (staffing) as it was unclear, with the re-organisation of the Maintenance Department and allocation of workload, whether additional 3<sup>rd</sup> party resources would be required beyond allowed for in the Revenue Budget. This fund remains unused and can be released.
- **Town Crier Uniform Fund £632:** No longer required and can be released.

### 10.4 Review of other selected Earmarked Reserves

**Queen Elizabeth Avenue £10,121:** relates to developer monies received for the Queen Elizabeth Avenue project. Although complete, any surplus must be spent on projects related to Queen Elizabeth Avenue.

**Town Centre Partnership £17,304:** surplus from activities relating to the Town Centre Partnership. Monies do not belong solely to BHTC. Change of BHTC administration will need to revisit ideas on how to proceed.

**Burial Ground Fund: £31,000** (after new compound costs): the burial ground was opened in 2004, and is, after 15 years, approximately 45% full. The cost for replacement (in the adjacent field – owned by the Town Council) will be in the region of £125k and, assuming a similar pattern of usage, the Town Council will need to set aside around £6/8k (rising with inflation) per annum for the next 15 years to fund the facility should the option not to pursue an additional loan be chosen. £6k is currently built into the annual Revenue Budget.

For Members Information, a loan of £100k over 25 years was obtained to fund the first burial ground which expires in November 2025. Annual loan repayments are circa £5k on a reducing interest charge basis.

Current amount outstanding: Principal £26,000 + Interest £5,263, Total £31,263  
Early repayment charge (including penalty [£4,317] and interest): £30,455

### 10.5 RECOMMENDATION

The views of the Members are sort.

**Risk Implications** – None

## 11. VENUE LOAN REPAYMENT - FINANCIAL ASSESSMENT

- 11.1 Members will be aware of the plans for a new £5.5 million community and performance venue (The Beehive) that would be financed, in-part, through a £3 million loan [confirmed] from the Department for Housing Communities and Local Government (repayment over 50 years), with the balance being raised through a combination of fundraising, grants and other Council Reserves.
- 11.2 Based on the current status of the project, it is unlikely the draw-down on the loan, in part or in full, will be during this financial year. This has, in addition to a marginal change in interest rates (downwards), given rise to the need to relook at the original funding plan approved by Members in June 2018.
- 11.3 Due to the Council's commitment not to increase the council tax charge to residents to pay for any loan to develop the proposed venue, it was agreed to increase the budgeted "loan repayment" line in the revenue budgets in-line with the additional funds generated through the growth in the tax base until the full repayment amount had been achieved.

- 11.4 As at current (PWL) interest rates (2.45%), the amount required to service the loan per annum would equate to £104,396, but allowing for marginal upward movement in interest rates, a prudent figure of circa £110,000 should be set as the target.
- 11.5 The current budgeted loan repayment line stands at £53,506, and assuming a tax base increase of 1.5% per annum, the loan repayment line would reach just short of £110,000 in 2023/24. Assuming the loan is drawn down in full in the 2020/21 financial year with the requirement to start repaying the loan accordingly, there would be a shortfall in the Revenue Budget, until 2023/24, of circa £88k and this amount would need to be set aside accordingly to support the Revenue Budget.
- 11.6 At the Finance KAG meeting in June 2018, the assumption of when and how much of the loan would be drawn down was significantly different to this assessment and an Earmarked Reserve fund, at that time, of £186k was set-up (Venue Revenue Support Fund). This level is now unrequired and, save for the previously mentioned £88k, can be transferred to the (The Beehive) Community Venue Fund.
- 11.7 There are a number of factors that could change this current assessment; when and how much of the loan is drawn down at any one time, any movement in interest rates, and the actual growth in the tax base.
- 11.8 It should be noted, it was agreed that if the loan draw down was delayed, the amount in the Revenue Budget for the repayment of the loan would be transferred to the (Beehive) Community Venue Fund.
- 11.9 Members should be aware, the loan approval expires on 7<sup>th</sup> September 2019 and an application to extend the deadline will be required.
- 11.10 **Ongoing subsidy:** The report by the consultant, David Clark, who was appointed to assess the need and viability of a new venue, concluded an ongoing subsidy of circa £40/45k\* per annum would be required. This has not yet been factored into the Town Council's budget and would need to be considered for the financial year 2021/22. This would be subject to change based on the final delivery timescale of the project.

*\*There is potential to mitigate some of this subsidy through the use of volunteers / community groups to run the facility.*

#### 11.11 **RECOMMENDATION**

The views of the Members are sought, however, in summary, the recommendations for consideration are as follows:

- a) Amend the Venue Revenue Support fund down from £186k to £88k, with the balance of £98k being transferred to the (Beehive) Community Venue Fund, and
- b) To write to the Communities Department to request an extension to the loan draw down period.

#### **Risk Implications**

1. The growth in Tax Base may be less than the 1.5% used in the calculations giving a greater need to find funding from other sources.
2. Interest rates may move upwards giving rise to higher loan repayment costs.
3. Although current and some future loss of partner income has been factored into current budget proposals, the Town Council is still reliant on some external monies from partner organisations, which could be withdrawn subsequently.
4. The previously reduced budgets in some areas to support the financing of the community and performance venue could reduce the ability of the Town Council to fund, through its Revenue Budget, other operational requirements and/or opportunities that may arise.

## 12. COMMUNITY VENUE FUND (THE BEEHIVE) – CURRENT STATUS

- 12.1 The purpose of this report is to update Members in regard to the status of the Community Venue Fund. The project has, effectively, reached RIBA stage 3 where a planning application can now be prepared.

Balance b/fwd 31/03/2019	£153k
Revenue Contribution 2019/20	<u>£54k</u>
<b>Total fund as at 01/04/2019</b>	<b>£207k</b>

Costs received to-date this financial year (as at 13/06/19)	(£55k)
RIBA Stage 1-3 costs outstanding	(£52k)
Fund raising	(£6k)

**Balance available as at 13/6/19** £113K  
**£94k**

Plus

- 2018.19 Surplus transfer (agenda item 8.5 c – if approved)	£35k
- Transfer of unrequired provision from Venue Revenue Support Fund (agenda item 11.11 a – if approved)	£98k

**Balance available after taking into account transfers** **£227k**

Other costs (estimated) that have not yet been included:

- Demolition of RBL building	£100k
- Fees (legal/consultants)	£ 15k

## 12.2 RECOMMENDATION

Members are recommended to note the contents of the report.

**Risk Implications** – none.

## 13. REVIEW OF BUDGET YEAR 2019/20

- 13.1 The purpose of this report is to update Members in regard to the current year's performance and to highlight any variances that could impact on the budgeted year end financial position. A copy of the 2019/20 Budget is attached at appendix 5.

As at 31 May 2019, a number of variances have arisen that may give rise to an estimated surplus as at the year end in the region of £40k. These are made up as follows:

Movement	Description
<u>Income</u>	
£11k	<b>5580 Room / CC lettings:</b> Audiology have now signed the contract for another year, albeit, with a month's notice after the first 3 months.
£6k	<b>6571 Burial Ground Income:</b> The high level of business continues along with some non-Burgess Hill resident burials (5 x rate)
<u>£2k</u>	<b>Other</b>
<b>£18k</b>	<b><u>Total estimated increase in income</u></b>

Expenditure

£2k	<b>4507 Members Allowances:</b> Potential of more Members claiming.
(£17k)	<b>5001 Miscellaneous:</b> Removal of budgeted provisions.
£3k	<b>6504 Burial Ground:</b> Increased level of business
(£3k)	<b>5517 Non-Domestic Rates:</b> "Retail" discount given by rating authority
(£2k)	<b>5014-3 About Town:</b> New print contract giving lower prices.
<u>(£5k)</u>	<b>Other</b>
<b>(£22k)</b>	<b><u>Total estimated reduction in costs</u></b>
<b>£40k</b>	<b><u>Total estimated saving on budget</u></b>



13.2 **RECOMMENDATION**

Members are recommended to note the contents of the report.

**Risk Implications** – None

**14. BANK RECONCILIATION AND OTHER BALANCES**

14.1 The purpose of this report is to give Members the opportunity to review a recent bank reconciliation report. The most recent documented reconciliation was completed on 28/05/2019 and is attached at Appendix 6.

14.2 For Members' information, the Town Council had the following book balances as at 19 June 2019:

<b>Account</b>	
Current Account (Nat West)	(83k)
Special Interest (Nat West) (i)	911k
Santander rolling time deposit	289k
<b>Total</b>	<b>1,117k</b>

*(Includes £400k part 1 of 2019/20 Precept)*

14.3 **RECOMMENDATION**

Members are recommended to note the contents of the report.

**Risk Implications** – none.

**15. DATE OF NEXT MEETING**

November 2019 – exact date to be confirmed.