

16 July 2020

TO MEMBERS OF THE FINANCE KEY AREA GROUP

A **MEETING** of the **FINANCE KEY AREA GROUP** will be held virtually by Zoom on **TUESDAY 21 JULY 2020** at **19.00 hours**, when your attendance is required.

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. Members may request a PDF copy to be sent to them and/or they can view, via the town council's website, the quarterly payment schedule.
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 20 January 2020 (previously circulated and attached).
7. **INTERNAL AUDIT – FINAL 2019/20**
8. **FINANCIAL RESULT FOR THE 2019/20 FINANCIAL YEAR (SUBJECT TO EXTERNAL AUDIT)**
9. **ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN Part 3 (formerly the Annual Return) FOR 2019/20.**
10. **REVIEW OF BUDGET YEAR 2020/21**
11. **EARMARKED RESERVES AS AT 1 APRIL 2020**
12. **BUDGET 2021/22 ASSESSMENT**
13. **BANK RECONCILIATION AND OTHER BALANCES**
14. **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 2019/20

- 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 internal audit for the financial year 2020/19 is being conducted remotely and all documentation was forwarded to the auditor on 2 July 2020. The results of the internal audit is awaited. Previous interim audit reports can be found on the town council's website <https://bit.ly/2WkYKvc>

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 2019/20 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 2019/20 financial year.
- 8.2 The town council will post a surplus of **£10,754**. This includes the transfer of funds totalling circa £54K to the various new funds as agreed at the January 2020 Finance KAG. These are highlighted as "new" on the Variance Analysis sheet (item 8.3).
- 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 1.

MONITORING REPORT 2019/20	31/03/2020	MONTH	12.0
CONSOLIDATED SUMMARY	Budget 2019/20	Actual 2019/20	Variance ON BUDGET
INCOME			
Civic, Corporate, Promotion and staff	£18,874	£18,874	£0
Community Engagement	£10,106	£9,476	-£630
Customer Service	£48,490	£46,307	-£2,183
Finance and Administration	£48,194	£66,571	£18,377
TOTAL INCOME	£125,664	£141,228	£15,564
EXPENDITURE			
Civic, Corporate..(Exclds Beehive repayment)	£616,090	£623,387	£7,297
Staff and Member	£3,000	£4,501	£1,501
Community Engagement	£49,129	£65,519	£16,390
Customer Service	£133,917	£125,223	-£8,694
Finance and Administration	£143,500	£116,816	-£26,685
TOTAL BASE EXPENDITURE	£945,636	£935,446	-£10,190
Loan repayment (Beehive contribution fund)	£53,506	£68,506	£15,000
NET BUDGETED EXPENDITURE	£873,478	£862,724	£10,754
Surplus / (-deficit)	£0	£10,754	Surplus

VARIANCE ANALYSIS 2019/20

	Budget	Actual	Variance	
NET BUDGETED EXPENDITURE - excluding venue adjustment	£873,478	£862,724	£10,754	Surplus
Made up of:				
	Budget	End of year Forecast	Variance	COMMENTS
INCOME				
Burial Ground (St Johns)	£0	£1,885	£1,885	Extention of contract to 30/6/19
Burial Ground Income	£24,000	£31,301	£7,301	Increased Business + 1 off 5 times rate
Interest on balances	£1,400	£2,714	£1,314	Higher bank balances than planned & better rates
Additional Parish Works (funded by MSDC)	£4,775	£1,675	-£3,100	No agreement with parishes to continue
Room lettings/SMR hire/Council Chamber	£5,994	£21,321	£15,327	Audiology remain + increased CC hire
MSDC street name plates	£5,164	£1,947	-£3,217	Shortfall reflected in less costs
Worlds End Hire income	£3,800	£1,924	-£1,877	Budget error. 50% to be shared with MSDC
WSSC Roundabout income	£18,945	£17,724	-£1,221	Shield bed sponsor to longer than expected to organise
Balance on all other budget items	£61,586	£60,737	-£849	
Total Movement on Income	£125,664	£141,228	£15,564	INCREASED income
EXPENDITURE				
About Town	£17,348	£14,766	-£2,582	New contract with new supplier
Allotment improvements	£2,100	£8,718	£6,618	Security upgrade at various allotments. Money to be recouped over 2-4 years
Allotments water	£1,906	£3,268	£1,363	The basis of the charge is being challenged
Audit & Miscellaneous	£24,399	£4,467	-£19,932	Removal of Budget provisions re uncertainty over income
Burial ground grave digging/maintenance	£12,200	£16,504	£4,304	Increased business
Bridge the Gap	£0	£12,654	£12,654	New: agreed FinKag Jan20 + £17k transfer between project
Civic events	£2,000	£387	-£1,613	Less events than budgeted
Foodbank relocation	£0	£12,000	£12,000	New: agreed FinKag Jan20
Fuel for van	£4,500	£3,305	-£1,195	Less use of vans
Green initiatives	£0	£10,000	£10,000	New: agreed FinKag Jan20
Legion Building - running costs	£11,798	£10,663	-£1,135	Less CyprusHall room hire & less Bus Rates
Maintenance contracts (grounds)	£14,564	£12,742	-£1,822	Less use of 3rd party contractor
Non Domestic Rates (96 CW)	£9,270	£6,138	-£3,132	Government discount on retail premises
Parish Weed spray	£1,900	£0	-£1,900	Work not undertaken anymore
Salaries	£607,840	£590,362	-£17,478	Staff amendments
Street Nameplates	£5,164	£1,967	-£3,197	Saving matched to less income
Storage	£4,109	£2,066	-£2,043	Storage for Martlets' tables, no longer required
Telephone & Communication	£6,159	£7,495	£1,336	Office 365 licences
Trading Spaces	£0	£4,000	£4,000	New: agreed FinKag Jan20 + £36k transfer between project
Training Fund Contribution	£2,000	£3,500	£1,500	Additional MMT staff joining
Release unrequired provisions		-£4,132	-£4,132	
Balance of all other budget items	£218,379	£214,576	-£3,804	
MOVEMENT ON BASE EXPENDITURE	£945,636	£935,446	-£10,191	DECREASE in expenditure
Beehive Contribution (Loan Repayment)	£53,506	£68,506	£15,000	Increased contribution: agreed FinKag Jan20
NET MOVEMENT ON PRECEPT	£873,478	£862,724	£10,754	YEAR END SURPLUS

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 and/or opportunities that may arise that could not be absorbed into the respective current year's Revenue Budget.

Due to the nature of being unforeseen, the level of reserve to be held is problematic to quantify, however, due to the town council's funding position, where some 85% of income is met by the Precept, the town council is at the lower end of risk and that a level of 20% of net budgeted expenditure, previously agreed by Members, should be maintained where possible.

To satisfy this requirement, and based on a net budgeted expenditure level of £845,712 (excluding the Beehive contribution) for 2020/21, a transfer of £5,148 from the current year's surplus is required. This would increase the General Reserve to £169,142.

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 Fund*.

**Agenda item 11.3 Covid 19 Emergency Fund, has additional reference to the Beehive Fund revenue allocations.*

8.5 RECOMMENDATION

- Members are recommended:
- a) to approve the 2019/20 financial result as presented,
 - b) to transfer £5,148 to the General Reserve, and
 - c) to transfer the residual surplus, £5,606 to the Beehive Fund.

Risk Implications – None

9. ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN Part 3 (formerly the Annual Return) FOR 2019/20

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 2) with supporting documentation for the year 2019/20. 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 reconciliation is provided:

Balances B/Fwd	(AGAR box 1, page 5 of 6)	£ 844,824
Plus Declared Surplus	(Agenda item 8.2)	£ 10,754
Less Movement in Reserves	(Agenda item 11.2)	£ -101,745
Balances C/Fwd	(AGAR box 7, page 5 of 6)	<u>£ 753,833</u>

9.5 RECOMMENDATION

Members are recommended to approve the:

- A) The Annual Governance Statement 2020/21 contained within the Annual Governance and Accountability Return, and
- B) The Accounting Statements 2020/21 contained within the Annual Governance and Accountability Return (subject to the results of the internal audit), and
- C) For the Chairman of the meeting and Chief Executive Officer to sign the documents accordingly (subject to the results of the internal audit).

Risk Implications – None.

10. REVIEW OF BUDGET YEAR 2020/21

- 10.1 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 yearend financial position. A copy of the 2020/21 Budget is attached at appendix 3.
- 10.2 As at 30 June 2020, a number of variances have arisen that may give rise to a surplus as at the year-end in the region of £27k. This are made up as follows:

£000s

Budget 2020/21	Forecast 2020/21	Var	Description
<u>Income</u>			
£10	£2	£(8)	About Town – lack of advertisers and incentives given
£ 1	£0	£(1)	HP Shop – 2 month closure, restricted items for sale.
£4	£1	£(3)	Council chamber hire – social distancing issues/lack of interest
£11	£4	£(7)	Room Lettings – All contracts canx. Potential for audiology to return
£2	£1	£(1)	Interest on balances: Poor rates
£100k	£99k	£(1)	Balance all other income items
<u>£128k</u>	<u>£107</u>	<u>£(21)</u>	<u>Total estimated DECREASE in income</u>
<u>Expenditure</u>			
£2	£1	£ (1)	Civic events – unlikely until the new calendar year
£32	£6	£(26)	Events/Festival/Fayre/VE Day – Activities cancelled. Cancellation fees and irrecoverable costs have been allowed for along with some money towards limited events around the end of the calendar year. Deposits paid have been carried forward.
£10	£0	£(10)	Green initiatives – allowed for in the prior year 2019/20
£15	£10	£(5k)	Council Van/Fuel – 2 of 3 vehicles now owned/less travelling
£15	£13	£(2)	External maintenance contracts: Lock down for ¼ of year
£10	£8	£(2)	Repairs & Renewals - Fund adequate
£17	£10	(£7)	Audit/Misc – Income provision not required
0	£2	£2	Health & Safety – Covid related
£6	£11	£5	Legion building costs – delay to project
£940	£938	£(2)	Balance all other expenditure
<u>£1,047</u>	<u>£999</u>	<u>£48</u>	<u>Total estimated SAVING on expenditure</u>
<u>919</u>	<u>892</u>	<u>27</u>	<u>TOTAL ESTIMATED SURPLUS</u>

10.3 RECOMMENDATION

Members are recommended to note the contents of the report

Risk Implications – The budgeted income still includes some £43k of partner income and although monies towards the Help Point (MSDC £18k) has been confirmed, the other monies (mainly WSCC) have yet to be confirmed.

11. EARMARKED RESERVES

11.1 The purpose of this report is to update Members with regard to the status of the Town Council's Earmarked Reserves. A full listing of all the Earmarked Reserves are attached at appendix 4a and 4b and are broken down, in general terms, into whether they are:

- **Restricted** – Includes 3rd party income and/or formal commitments of expenditure have been made.
- **Unrestricted (i)** - no 3rd 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.

(4a–Status as at 31 March 2020, 4b – status as at 30 June 2020)

(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.

11.2 A summary breakdown of movements within the Earmarked Reserves for 2019/20 and 2020/21 is shown below:

In summary:

Balance B/Fwd 01 April 2019		£645,678
Revenue Contributions to Funds 2019/20	£178,860	
3 rd Party Receipts	<u>£ 9,661</u>	
Total Receipts	£188,521	
Less Payments from Funds	<u>£290,264</u>	
<u>Net Movement in Earmarked Reserves</u>		£(101,743)
Transfer in/out from General Reserve		£ 35,150
<u>Total Earmarked Reserves as at 31 March 2020</u>		<u>£ 579,085</u>
Revenue Contributions to Funds 2020/21	£ 131,767	
3rd party receipts	£ 10,200	
Less expenditure 3 months to 30 June 2020	£(27,731)	
<u>Total Earmarked Reserves at 30 June 2020</u>		<u>£ 693,320</u>
<i>Made up of:</i>		
Closed	£ 0	
Restricted	£ 530,114	
UnRestricted	<u>£ 163,206</u>	
Total		<u>£ 693,320</u>

11.3 Covid 19 Emergency Fund

The Covid 19 Fund was set-up by the Town Council to assist in the provision of front-line services and town initiatives during the pandemic period. The initial fund was set-up with £10k from the town council, a £10k donation from Burgess Hill District Lions and £200 from Burgess Hill Round table. To-date, just over £7k has been spent.

With the likelihood the effects of the pandemic are going to last for a considerable time, a Member's request has been received to vire £73k from the 2020/21 Beehive Revenue Budget item to the Covid 19 fund to ensure the town council has greater funds with which to support the community. This change has been reflected in the Earmarked Schedule appendix 4b.

11.4 RECOMMENDATION

Members are recommended to

- A) Approve schedules of Earmarked Reserves, and
- B) Vire £73k from the Beehive Revenue Budget allocation to the Covid 19 Fund.

Risk Implications – None

12. BUDGET 2021/22 ASSESSMENT

- 12.1 The purpose of this report is to provide Members with an initial view of the 2021/22 Revenue Budget to assess the potential impact of the Covid 19 pandemic.

The review has been prepared on a status quo basis when compared to the 2020/21 Revenue Budget with the events programme being completed in full.

£919k Precept 2020/21
£896k Precept 2021/22 (Estimated)
£ 23k Reduction in Precept

This is made up of:

Income (down £12k) – this is likely to remain subdued with revenue from About Town advertising and room hire deteriorating from the 2020/21 budget levels.

Expenditure (reduction of £35k) – this, in the main, relates to one-off revenue budget allocations in 2020/21 that will not appear in the 2021/22 Revenue Budget. All other costs remain static:

£ (28k) Grants & green initiatives £18k, VE day £10k
£ (10k) Inclusivity initiative
£ (8k) Removal of unrequired provisions relating to 3rd party income
£ 12k Salary and oncosts (+2%)
£ (1k) Other movements
£ (35k)

Net Reduction in Precept £23k

Tax Base

A letter received at the beginning of May from MSDC indicated the 2021/22 Tax Base (which is used to calculate the Band D rate) could be adversely affected due to Covid 19 and the higher levels of dwellings that could become exempt from paying council tax. Recent contact with MSDC has indicated the earlier predictions may have been too pessimistic and there could be a marginal increase. Final confirmation will not be received until the end of the calendar year.

Although it is still too early to formalise the 2021/22 budget (process starts in September with the first draft budget being presented to Members in November), based on the above and using the current year's tax base of 12,205, there would be a marginal reduction in the Band D rate of 2.5% from £75.32 to £73.45

12.2 RECOMMENDATION

Members are recommended to note the contents of the report.

Risk Implications – The movement in the Tax Base could have a significant impact on the Band D rate and until this is confirmed, a conservative approach should be taken when preparing future budgets.

13. BANK RECONCILIATION AND OTHER BALANCES

13.1 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 13 July 2020 and is attached at Appendix 5.

13.2 For Members' information, the Town Council had the following book balances as at 15 July 2020:

Account	
Current Account (Nat West)	0
Special Interest (Nat West) (i)	785k
Santander rolling time deposit	289k
Total	1,074k

(Includes £460k part 1 of 2020/21 Precept)

13.3 RECOMMENDATION

Members are recommended to note the contents of the report.

Risk Implications – none.

14. DATE OF NEXT MEETING

November 2020 – exact date to be confirmed.