

09 November 2022

A **MEETING** of the **FINANCE KEY AREA GROUP** will be held in the Town Council Chamber on **Monday 14 November 2022** at **19.00 hours**, when your attendance is required.

Steve Cridland
Chief Executive Officer

AGENDA

OPEN FORUM

Members of the public are invited to put questions or to draw relevant matters to the Council's attention. Each member of the public is allowed to speak once only in respect of a business item on the agenda (during the Open Forum) and shall not speak for more than three minutes at the discretion of the Chairman.

If it appears that the number of speakers is likely to unreasonably delay the disposal of business items on the agenda the Chairman may direct that a member of the public submits a question or comment in writing which shall be answered in due course.

1. APOLOGIES FOR ABSENCE
2. SUBSTITUTES
3. DECLARATIONS OF INTEREST - In respect of any matter on the agenda.
4. CHAIRMAN'S ANNOUNCEMENTS – A full listing of payments made, including those via the town council's business card, are displayed on the council's website on a quarterly basis and can be reviewed accordingly. Members can request a PDF copy should they so wish.
5. NOTES OF PREVIOUS MEETING - To consider the Notes of the Meeting of the Finance Key Area Group held on 23 June 2022 (attached).
6. EXTERNAL AUDIT – 2021/22
7. BUDGET MONITORING REPORT 2022/23
8. INTERIM AUDIT 2022/23
9. 1ST DRAFT REVENUE BUDGET 2023/24
10. RESERVES AS AT 31 OCTOBER 2022
11. BANK RECONCILIATION AND INVESTMENT
12. DATE OF NEXT MEETING - January 2023, date to be confirmed

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

6. [EXTERNAL AUDIT – 2021/22](#)

6.1 The external auditors have now completed their limited assurance review for the 2021/22 financial year and have certified the accounts accordingly (attached at appendix 1). The RFO is pleased to announce no items of a major concern have been raised. A few minor issues of an administrative nature were noted and these are detailed below:

- 1) The review of the Financial Regulations and Standing Orders, although completed, was not undertaken within the 2021/22 annual time-frame.

Resolution: Bring forward the annual review prior to 31 March.

- 2) The internal Auditor ticked the wrong box on the Annual Internal Audit Report 2021/22 (as part of the Annual Governance and Accountability Return (AGAR)). This related to the year 2020/21 Excise of Public Rights which was advertised prior to the Council approving the AGAR.

Resolution: the Internal Auditor has been told of the error, however, the document itself is historical and cannot be amended.

6.2 **RECOMMENDATION**

- a) To bring forward the annual review of the Standing Orders and Financial Regulations and,
- b) Note the contents in regard to the Internal Auditor.

Risk Implications – None.

7. [BUDGET MONITORING REPORT 2022/23](#)

7.1 The purpose of this report is for the RFO to update Members with the latest forecast Outturn for the 2022/23 financial year.

7.2 In summary, the financial year end forecast, as compiled at 31 October 2022, shows a small, estimated surplus of £655. This is made up of an increase in income of £19.4k, and an increase in expenditure costs of £18.8k.

7.3 The increase in income relates, in the main, to contracts with MSDC (Environmental Improvements) and WSCC (Graffiti) that have been renewed for an additional year but were not budgeted for.

7.4 The increase in expenditure relates, in the main, to an increase in staffing costs arising from the recently agreed national pay award for public sector workers, rising costs of the About Town magazine, a local by-election, and a smaller number of other variances.

7.5 A summary Monitoring Report is shown at agenda item 7.6 followed by a detailed variance analysis at agenda item 7.7. A full budget monitoring report is attached at appendix 2.

7.6 Summary Monitoring Report

MONITORING REPORT			
2022/23	31/10/2022	MONTH	7.0
CONSOLIDATED SUMMARY			
	Budget 2022/23	Forecast 2022/23	Variance ON BUDGET
INCOME			
Civic, Corporate, Promotion and staff	£18,874	£21,187	£2,313
Help Point and Tourism	£0	£0	£0
Community Engagement	£4,400	£3,210	-£1,190
Operational Services	£30,614	£39,454	£8,840
Customer Services (HelpPoint)	£3,280	£4,944	£1,664
Finance and Administration	£48,650	£56,463	£7,813
TOTAL INCOME	£105,818	£125,257	£19,439
EXPENDITURE			
Civic, Corporate (Exclds Beehive Fund)	£656,499	£682,104	£25,605
Staff and Member	£2,500	£4,750	£2,250
Community Engagement	£49,031	£53,958	£4,927
Operational Services	£90,859	£91,290	£431
Customer Services (HelpPoint)	£1,675	£2,313	£638
Finance and Administration	£134,664	£119,598	-£15,065
TOTAL BASE EXPENDITURE	£935,228	£954,013	£18,784
Community Buildings Reserve (transfers to/from)	£104,209	£104,209	£0
PRECEPT/NET BUDGETED EXPENDITURE	£933,619	£932,965	£655
Surplus / (-deficit)	£0	£655	

7.7 Variance Analysis – major movements

VARIANCE ANALYSIS 2022/23				
	Budget	Forecast	Variance	
NET BUDGETED EXPENDITURE (Precept)	£933,619	£932,965	£655	Deficit
Made up of:	Budget	Forecast	Variance	COMMENTS
INCOME				
About Town	£4,400	£3,210	-£1,190	Challenging times to get advertising revenues
Burial Ground	£30,000	£32,000	£2,000	Pattern likely to show budget being exceeded.
Interest on balances	£250	£4,551	£4,301	Improving interest rates
MSDC- Environmental improvements	£0	£7,500	£7,500	Contract extended
Partnership Contribution - HP	£18,874	£21,187	£2,313	Inflationary increase agreed
Room lettings	£6,900	£9,268	£2,368	Successful hiring out of rooms and Audiology renewal
WSCC Graffiti contract	£0	£2,046	£2,046	Contract extended
Balance on all other budget items	£45,394	£45,495	£101	
Total Movement on Income	£105,818	£125,257	£19,439	INCREASED income

Cont/...

EXPENDITURE	Budget	Forecast	Variance	
About Town	£16,031	£20,958	£4,927	Large increase in printing costs due paper supplies
Audit & Miscellaneous	£23,874	£2,500	-£21,374	Removal of Budget provisions re uncertainty over income
Election Fund Contribution	£1,500	£7,593	£6,093	By-election Costs
Legion Building - running costs	£5,000	£7,799	£2,799	Demolition completion not until Nov 22, Business Rates to be paid
Members Allowances	£20,279	£17,048	-£3,231	Less take-up than budgeted
Maintenance contracts (grounds)	£5,000	£1,100	-£3,900	Works being taken in-house
Salaries	£650,899	£676,754	£25,855	Public Sector pay award, 6.5% approx
Site Improvements	£3,000	£4,179	£1,179	New finger post and work at West Park Reserve
Subscriptions	£4,850	£6,300	£1,450	Add subscription (Parish Online)
Technology	£8,000	£9,278	£1,278	Increases prices, addl subscriptions
Training Fund Contribution	£2,000	£4,500	£2,500	Changes in personel, Management training
Utilities	£7,232	£9,931	£2,699	Electricity unit rate increasing 4 fold in December
Balance of all other budget items	£187,564	£186,072	-£1,492	
MOVEMENT ON BASE EXPENDITURE	£935,228	£954,013	£18,783	INCREASE in expenditure
NET MOVEMENT ON PRECEPT			£655	ESTIMATED YEAR END SURPLUS

7.8 RECOMMENDATION

Members are recommended to approve the report.

Risk Implications – should a major unforeseen event happen during the remainder of the year, the surplus may less than forecast.

8. [INTERIM AUDIT 2022/23](#)

8.1 Members will be aware a new internal auditor, Mulberry and Company, has been appointed as the town council's internal auditor with their first internal audit being held on 21st October 2022, the full report is attached at appendix 3.

8.2 In summary, the internal auditor has highlighted 3 outstanding issues for consideration:

- 1) To review of the Standing Orders against the most recent National Association of Local Councils (NALC) model to ensure statutory and regulatory responsibilities are being met.
- 2) To increase the Council's Fidelity Insurance to represent the maximum level of cash held by the town council at any point during the year. This would require an increase in cover from the current £500k to circa £1.4 mil and would cost in the region of £180 per annum.

For Members' information, the maximum payment from the banking system at any one time is set at £30k.

- 3) For the RFO to sign the monthly banking reconciliations on a more regular basis to provide a clearer audit trail.

In addition to the above 3 items, the Internal Auditor questioned the level of General Reserve currently held by the town council and recommended the level should be increased from the current 20% of Net Budgeted Expenditure to a minimum of 25%.

Member's may recall the issue of the level of General Reserve has been discussed on a number of previous occasions with agreement that due to the low level of financial risk faced by the town council (90% of income funded by the Precept and a comprehensive insurance policy), the previously stated objective of 20% should remain. The town council has, currently, £297k as a General Reserve which is £105k in excess of the current 20% requirement of £192k.

8.3 RECOMMENDATION

- a) Members are recommended to approve all items detailed in 8.2 above, and
- b) Agree to the ongoing objective of having 20% of Net Budgeted Revenue within the General Reserve.

Risk Implications – contained in the report.

9. [1st DRAFT REVENUE BUDGET 2023/24](#)

9.1 The purpose of this report is to give Members a first view of the financial pressures facing the town council for 2023/24 financial year.

With the impact on the town’s residents due to the rising cost of living, Members will be aware the town council has put in-place and/or considering programmes to support the community such as the Foodbank, Warm Hubs and the creation of a Cost of Living Fund. This 1st draft budget for 2023/24 has been prepared, therefore, to support these programmes and reduce down and/or reallocate costs where possible to lessen the burden of the town council’s Council Tax charge.

A full breakdown of income and expenditure can be seen at appendix 4.

9.2 Assumptions

- A 1.5% increase has been allowed in the movement of the Tax Base
- Inflation, where appropriate, has been set at 6-10% where appropriate.
- Salary Cost of Living rise has been set at 2.5%
- National Insurance decrease from 15.05 to 13.8%

9.3 Income

Projected income levels for 2022/23 are set at £125k in the latest forecast (agenda item 7.6) and the first draft budget for 2023/24 has a similar level included. When compared to the 2022/23 budget, this is an improvement of just over £20k.

CONSOLIDATED SUMMARY	Budget 2022/23	Budget 2023/24	Variance on Prior Year Budget
INCOME			
Civic, Corporate, Promotion and staff	£18,874	£21,187	£2,313
Community Engagement	£4,400	£3,300	-£1,100
Operational Services	£30,614	£40,211	£9,597
Customer Services (HelpPoint)	£3,280	£4,914	£1,634
Finance and Administration	£48,650	£56,578	£7,928
TOTAL INCOME	£105,818	£126,190	£20,372

RISK: Included within the budgeted income is £46k of Partner Income (Help Point Contribution, Roundabouts, Environmental and Graffiti support) which should be considered **high risk**.

9.4 Expenditure

Budget year 2023/24 presents a number of challenges in regard to base costs, with energy prices, public sector pay agreements and inflationary supplier costs (particularly print-About Town), all rising substantially putting pressure on the council’s finances.

With the Beehive project moving to the right for the foreseeable future, there is an opportunity to redirect some of the Revenue Budget allocation (44k) from the annual Community Building Contribution to support the overall Revenue Budget.

Should this be agreed by Members, the budget can be prepared with just a marginal impact on the Band D rate with an increase of just over a £1 per year (1.4%).

The Consolidated Revenue Expenditure Budget (below) shows the pressure on the Cost Base combined with the reduction in the charge to the Community Buildings Reserve giving rise to a Band D rate increase of £1.07 (per year) equating to 1.4%

CONSOLIDATED SUMMARY	Budget 2022/23	Budget 2023/24	Variance on Prior Year Budget
EXPENDITURE			
Civic, Corporate (Exclds Beehive Fund)	£656,499	£727,383	£70,885
Staff and Member	£2,500	£3,500	£1,000
Community Engagement	£49,031	£54,300	£5,269
Operational Services	£90,859	£86,549	-£4,310
Customer Services (HelpPoint)	£1,675	£2,600	£925
Finance and Administration	£134,664	£153,027	£18,363
TOTAL BASE EXPENDITURE	£935,228	£1,027,359	£92,131
Community Buildings Reserve (transfers to/from)	£104,209	£60,000	-£44,209
PRECEPT/NET BUDGETED EXPENDITURE	£933,619	£961,170	£27,551
Surplus / (-deficit)	£0	£0	£0
Tax Base	12395.7	12581.6	185.9 1.50%
Band D	£75.32	£76.39	£1.07 1.4%

9.5 Precept and Band D Movement (Provisional)

Year	Precept	Tax Base	Band D
2023/24	£961k	12,582	£76.39
2022/23	<u>£933k</u>	12,396	<u>£75.32</u>
Increase	£ 28k		£ 1.07 1.4%

Made up of:

£ 20k Increase in Income
£ 92k Increase in Costs
 £ 72k Net Increase in Base Budget

£(44)k Decrease in allocation to the Community Building Fund
 £ 28k Net Increase in Precept

A detailed variance analysis follows:

BUDGET 2023/24 - VARIANCE ANALYSIS +/- £1,000				
PRECEPT	Tax Base			BAND D
2023/24	12,581.64		£961,170	£76.39
2022/23	12,395.70		£933,619	£75.32
Increase in Precept	185.94	1.5%	£27,551	£1.07 1.42%
MADE UP OF:	Budget 2022/23	Budget 2023/24	Movement on prior year 2022/23	
Income Movements				
About Town Income	£4,400	£3,300	-£1,100	Challenging times to generate advertising revenues
Burial Ground Income	£30,000	£31,500	£1,500	Pattern shows an increase in revenue would be appropriate
Council Chamber/SMR hire	£6,900	£10,010	£3,110	Successful hiring out of rooms and Audiology renewal
Interest on Balances	£250	£4,818	£4,568	Improving Rates
MSDC-Partnership Environmental improvements	£0	£7,500	£7,500	Contract Extension to be confirmed. Should be considered a risk
Partnership Contributions - help point - MSDC	£18,874	£21,187	£2,313	Inflationary increase - Should be considered a Risk
WSCC roundabout/Shield Bed income	£16,700	£16,751	£51	Contract Extension to be confirmed. Should be considered a risk
WSCC Graffiti contract	£0	£2,046	£2,046	Contract Extension to be confirmed. Should be considered a risk
Balance of movements on all other budget items	£28,694	£29,078	£384	Net decrease in other income
Total Income	£105,818	£126,190	£20,372	Increase in Income
Expenditure Movements				
About Town	£16,031	£21,300	£5,269	Rising paper costs, 3rd party editor
Audit Fee/ Risk Assessment / Miscellaneous / Bank charges	£23,874	£22,374	-£1,500	Relocation of a subscription cost
Christmas Lights	£9,250	£10,350	£1,100	New connection by Iceland
Election Fund contribution 3003	£1,500	£3,000	£1,500	To meet target £20k Fund for Local Elections May 23
Fuel - Van	£3,125	£4,500	£1,375	Fuel prices
Legion building - running costs (excl loan repayments)	£5,000	£2,500	-£2,500	Demolition of RBL building, change of use, Wild Flower beds etc
Maintenance - external contractors	£5,000	£1,100	-£3,900	Change to in-house
Repairs & Renewals Fund contribution	£8,000	£6,000	-£2,000	Enough in Fund
Salaries / Oncosts	£650,899	£721,783	£70,885	COL rise in 22/23 + 23/24, Addl employee, contractual increments
Subscriptions	£4,850	£6,500	£1,650	Addl subscriptions - Parish online
Technology	£8,000	£9,500	£1,500	Increased prices, addl subscriptions
Utilities - 96 Church Walk	£7,232	£20,481	£13,249	Contract renewals for Electric and Gas
Balance of movements on all other budget items	£192,467	£197,970	£5,503	Net decrease in other items
Base Budget Costs	£935,228	£1,027,359	£92,130	Increase in base costs
Community Building & Capital Projects contribution	£104,209	£60,000	-£44,209	
Precept (Net Budget Expenditure)	£933,619	£961,170	£27,551	Net increase in Precept

9.7 RECOMMENDATION

At this stage of the budgeting process:

- The views of Members are sought, and
- For Members to approve the reduction in the Community Building Fund allocation to support the wider budget.

Risk Implications – There are a number of risks with which to draw to Members' attention:

The Tax Base increase has been set at 1.5%. Although this may appear modest, with bank and mortgage interest rates rising, house building/house buying may be depressed.

The Budgeted income includes some £46k from Partner organisations, contracts to be confirmed.

With high inflation, it will be challenging to depress supplier costs contained within the budget.

The salary Cost of Living has been set at 2.5%. The view has been taken with such a large award for 2022/23 being agreed as part of the National Pay Deal (circa 6.5%), it is likely a more modest settlement will be agreed for 2023/24.

10. [RESERVES \(AS AT 31 OCTOBER 2022\)](#)

10.1 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 is attached at appendix 5 and a review of the more active funds are highlighted below.

10.2 **3037 Community Buildings & Capital Projects Fund**

As mentioned earlier in the report, with the moving to the right of the Beehive Project, the level of Revenue allocation into this Fund can be reduced to support the wider budget.

There are, however, a number of other community infrastructure projects of interest to the town council, such as the Park Centre, St John's Pavilion, a potential new allotment site and orchard planting at Batchelors Farm. Costings for these projects are at an early stage prior to presentation to Members.

Taking these projects in account, there is a case to maintain a substantial level of funding within the Community Buildings Fund so that Members and officers can be confident funding would be available should a project come to fruition.

There is, currently, £297k within the General Reserve, and with a requirement to maintain circa £192k as a General Reserve (20%), this could release some £105k. Members are being asked, therefore, to agree to transfer £100k from the General Reserve to the Community Buildings Fund.

This would increase the fund to circa £500k after taking into account the previously noted £60k Revenue Transfer on 1 April 2023.

£339k Estimated balance as at 31/03/23
£100k Transfer from General Reserve
£ 60k 2023/24 Revenue Transfer
£499k Estimated balance as at 01/04/2023

RECOMMENDATION

To transfer £100k to the Buildings Community Fund.

Risk implications – Should the projected result for the 2022/23 financial year deteriorate to a deficit position, a transfer from the General Reserve will be required. This will reduce down the level of reserve available to support the Community Buildings Fund.

10.3 **3067 Town Events Fund £24,576**

Members had been presented previously, through the recent Customer Engagement KAG, with an overview of the events programme for the current year and for 2023/24. The provisional costings for the outstanding events are in the region of £30k.

With a current cumulative fund balance of £25k (to include the 2023/24 annual Revenue Transfer of £16,200) there is a potential shortfall of around £5k to deliver the programme as detailed.

Members are being asked to consider transferring £5k from the General Reserve to the Events Fund if required. This will leave, still, the required balance in the General Reserve.

In future years, Members will need to approve an annual increase in fund allocated towards events or reduce down the number of events to fit within the existing budget.

RECOMMENDATION

To approve the transfer of £5k to the Events Fund.

Risk implications – If Members are not minded to approve the additional transfer, the Events Programme will need to be revisited and amended accordingly.

10.4 **3006 Green Circle Improvements Fund £9,154** **3002 Air Con Replacement Fund £9,200**

The Place and Connectivity Programme has effectively covered the costs of a number of improvements within the Green Circle, leaving a redundant amount of over £9k in the fund.

The Air Con Replacement Fund was set-up a number of years ago as it was believed, at that time, the system was near the end of its life. With an annual maintenance programme in-place, the life of the system has been extended for the foreseeable future.

Together, these two funds provide some £18k that could be allocated towards other more immediate issues:-

- a) Junction Road Allotment drainage issue – Members may be aware of the ongoing flooding that occurs as water runs off the council's allotment site onto the highway causing issues to motorists and pedestrians which wasn't fully resolved through the Operation Watershed programme. With the water running directly from the council's allotment, liability is with the town council.

The estimated costs to resolve this issue is £13k and officers will continue to ask Highways for additional monies to complete this project although they have stated there is none available. There is also some £12k in the Severe Weather Fund that could, if required, assist with funding this project.

- b) Crime and Disk Partnership – A new anti-crime partnership between the main Mid Sussex Towns is being proposed whereby crime and anti-social behaviour can be logged through a new on-line software programme and shared with businesses within Mid-Sussex.

There is the potential for this to be funded by 3rd parties for the first 3 years, however, should agreement not be reached then the costs to the town council would be in the region of £2,300 per annum.

- c) Sandpit – To-date, costs have been funded through a combination of the Street Scene and Bridge the Gap Fund. The Bridge the Gap Fund has been allocated to the Economic Development role and funds within the Street Scene Fund may not cover the cost of the sandpit, estimated around £4k.

Due to the pressures on the Budget for 2023/24, Members are being asked to consider funding item b) and c) from Reserves for 2023/24, with the aim of including them within the Revenue Budget for 2024/25 onwards.

RECOMMENDATION

To reallocate monies from the Green Circle Improvement Fund and Air Con Replacement Fund towards resolving the drainage issues at the Junction Road Allotment Site, fund the first year of the Crime & Disk Partnership and contribute towards the Sand Pit for 2023/24.

11. BANK RECONCILIATION AND INVESTMENT

11.1 The purpose of this report is to periodically provide a bank reconciliation to Members for review and is attached at appendix 6.

For Members' information, the following balances, as at 09/11/2022, are shown on the accounting system:

£ 6,984	Current account
£1,048,630	NatWest deposit
£ 291,721	Santander time deposit

11.2 **Investment**

The town council has, currently, £292k on deposit with Santander through a Time Deposit earning a fixed rate of 2.1% (pre-latest interest rate rises). This will deliver around £6.1k for a 12 month period.

We have, currently, in excess of £1mil on a Natwest Deposit Account earning less than ½%.

With the likelihood of there not being any major expenditure in the foreseeable future, the RFO is requesting to place £250,000 on a 6 month Time Deposit with Santander. The rate is yet to be confirmed but should be in excess of the current 2.1% currently being earned.

For information:

£891k	Average balance in the Natwest Deposit Account (past 11 months)
£1.1 mil	Highest Balance (29/4/22)
£642k	Lowest Balance (28/4/22)

The town council receives its Precept payments twice annually, end of April and end of September in the region of £465k per payment.

The placing of £250k on deposit for 6 months, will not undermine the town council's cashflow position.

RECOMMENDATION

To approve the placing of £250,000 on a 6 month Time Deposit.

Risk Implications – limited to any substantial payment, outside of the that currently budgeted, being made.

12. DATE OF NEXT MEETING : January 2022, exact date and time to be confirmed