

22 June 2023

**TO MEMBERS OF THE FINANCE KEY AREA GROUP**

A **MEETING** of the **FINANCE KEY AREA GROUP** will be held on **TUESDAY 27th JUNE 2023** at **19.00 hours** in the Council Chamber when your attendance is required.

Steve Cridland, Chief Executive Officer

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**A G E N D A**

**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

1. **APOLOGIES FOR ABSENCE** – Janice Henwood
2. **SUBSTITUTES** – Peter Williams for Janice Henwood
3. **DECLARATIONS OF INTEREST** - In respect of any matter on the agenda.
4. **CHAIRMAN'S ANNOUNCEMENTS** – if any
5. **PAYMENTS MADE** - 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.
6. **ELECTION OF THE VICE CHAIRPERSON OF THE FINANCE KAG** for the ensuing year.
7. **NOTES OF PREVIOUS MEETING**  
To consider the Notes of the Meeting of the Finance Key Area Group held on 23 January 2023 (attached).
8. **INTERNAL AUDIT 2022/23**
9. **FINANCIAL RESULT FOR THE 2022/23 FINANCIAL YEAR (SUBJECT TO EXTERNAL AUDIT)**
10. **ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN Part 3 FOR 2022/23**
11. **REVIEW OF BUDGET YEAR 2023/24**
12. **EARMARKED and GENERAL RESERVES**
13. **CAPITAL BUDGET PROGRAMME**
14. **MEMBER APPROVAL OF PAYMENT REQUESTS**
15. **APPLICATION FOR TOWN COUNCIL RESOURCES** – The introduction a "Request for intervention" procedure.
16. **BANK RECONCILIATION AND OTHER BALANCES**
17. **DATE OF NEXT MEETING**

Members of the Finance Key Area Group: Richard Cherry, Graham Fairbairn (Responsible Finance Officer - RFO), Bob Foster, Matthew Goldsmith, Janice Henwood, Simon Hicks, Cedric De Souza (Chairman), Adam White

## **8 INTERNAL AUDIT 2022/23**

- 8.1 The final written internal audit report for the financial year 2022/23, undertaken in June 2023, has now been completed and is attached at appendix 1.

It can be reported there are no items of a material nature that need to be brought to the attention of Members.

An extract from the audit report reads as follows:

“It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system. It is therefore our opinion that the systems and internal procedures at Burgess Hill Town Council are well established and followed.”

“It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required.”

## **8.2 RECOMMENDATION**

Members are recommended to approve the final internal audit report for 2022/23, and reappoint Mulberry as the internal auditor for 2023/24.

**Risk Implications** – None.

## **9. FINANCIAL RESULT FOR THE 2022/23 FINANCIAL YEAR (SUBJECT TO EXTERNAL AUDIT)**

- 9.1 The purpose of this report is for the Responsible Financial Officer to report to Members with regard to the financial result for the 2022/23 financial year.
- 9.2 The town council will post a surplus of **£54,821**.
- 9.3 The result shows an improvement in revenue of some £50k as a result of, in the main, income from partner organisations that was not budgeted for of £9k, increased activity at the burial ground of £25k, and Interest on Balances of £8k.

Expenditure shows a small decrease of £5k with the main variations to budget being, Salaries and Oncosts +£16k, About Town production and delivery costs +£5k, and a release of an unrequired income provision of £18k and saving on external maintenance contracts of £4k.

A consolidated revenue account is shown below followed by a +/- £1000 variance analysis. The full monitoring report is shown at appendix 2

## BUDGET 2023/24

CONSOLIDATED SUMMARY	Budget 2022/23	Actual	Variance ON BUDGET
<b>INCOME</b>			
Civic, Corporate, Promotion and staff	£18,874	£21,187	£2,313
Community Engagement	£4,400	£3,960	-£440
Operational Services	£30,614	£38,848	£8,234
Customer Services (HelpPoint/Econ Dev)	£3,280	£6,123	£2,843
Finance and Administration	£48,650	£85,221	£36,571
<b>TOTAL INCOME</b>	<b>£105,818</b>	<b>£155,339</b>	<b>£49,521</b>
<b>EXPENDITURE</b>			
Civic, Corporate (Exclds Beehive Fund)	£656,499	£671,711	£15,212
Staff and Member	£2,500	£4,500	£2,000
Community Engagement	£49,031	£53,709	£4,678
Operational Services	£90,859	£82,222	-£8,637
Customer Services (HelpPoint)	£1,675	£2,116	£441
Finance and Administration	£134,664	£115,669	-£18,995
<b>TOTAL BASE EXPENDITURE</b>	<b>£935,228</b>	<b>£929,927</b>	<b>-£5,301</b>
Community Buildings Reserve (transfers to/from)	£104,209	£104,209	£0
<b>PRECEPT/NET BUDGETED EXPENDITURE</b>	<b>£933,618</b>	<b>£933,618</b>	<b>£54,821</b>
<b>Surplus / (-deficit)</b>	<b>£0</b>	<b>£54,821</b>	

### +/- £1000 VARIANCE ANALYSIS 2022/23

	Budget	Forecast	Variance	
<b>NET BUDGETED EXPENDITURE (Precept)</b>	<b>£933,618</b>	<b>£878,797</b>	<b>£54,821</b>	<b>Deficit</b>
<i>Made up of:</i>	<i>Budget</i>	<i>Forecast</i>	<i>Variance</i>	<b>COMMENTS</b>
<b>INCOME</b>				
Allotment Income	£7,250	£9,289	£2,039	Security premium
Burial Ground	£30,000	£55,351	£25,351	Increased burials + a premium charge
Interest on balances	£250	£8,454	£8,204	Improving interest rates / more monies on deposit
Management Charges	£13,500	£15,004	£1,504	New Management Charge to Community Interest Company
MSDC- Environmental improvements	£0	£7,500	£7,500	Contract extended
MSDC- Street Nameplates	£5,164	£2,771	-£2,393	Less work undertaken (see also costs)
Partnership Contribution - HP	£18,874	£21,187	£2,313	Inflationary increase agreed
Room lettings	£6,900	£10,396	£3,496	Successful hiring out of rooms and Audiology renewal
WSSC Graffiti contract	£0	£2,046	£2,046	Contract extended
Balance on all other budget items	£23,880	£23,341	-£539	
<b>Total Movement on Income</b>	<b>£105,818</b>	<b>£155,339</b>	<b>£49,521</b>	<b>INCREASED income</b>
<b>EXPENDITURE</b>				
About Town	£16,031	£20,793	£4,762	Large increase in printing costs due paper supplies, Editor costs
Audit & Miscellaneous	£23,874	£2,993	-£20,881	Removal of Budget provisions re uncertainty over income
Burial Ground	£16,600	£21,872	£5,272	Increased Burials
Council Van	£10,100	£8,428	-£1,672	Lease of new van delayed
Election Fund Contribution	£1,500	£7,594	£6,094	By-election Costs
Legion Building	£5,000	£6,154	£1,154	Demolition of RBL building later than planned
Members Allowances	£20,279	£16,377	-£3,902	Less take-up than budgeted
Maintenance contracts (grounds)	£5,000	£532	-£4,468	Works being taken in-house
Printing	£2,750	£4,261	£1,511	Increased inhouse printing projects, new Twittens brochures
Salaries	£650,899	£666,896	£15,997	Public Sector pay award
Site Improvements	£3,000	£1,130	-£1,870	Less works than budgeted
Street Nameplates	£5,164	£1,178	-£3,986	Less work undertaken
Training Fund Contribution	£2,000	£4,500	£2,500	Changes in personnel, Management training
Utilities	£7,232	£8,845	£1,613	Exceptional increases in electricity prices.
Release Unrequired Provisiond	£0	-£8,388	-£8,388	Unrequired Provisions
Balance of all other budget items	£165,800	£166,762	£963	
<b>MOVEMENT ON BASE EXPENDITURE</b>	<b>£935,228</b>	<b>£929,926</b>	<b>-£5,301</b>	<b>INCREASE in expenditure</b>
<b>NET MOVEMENT ON PRECEPT</b>			<b>£54,821</b>	<b>ESTIMATED YEAR END SURPLUS</b>

#### 9.4 DISPOSITION OF SURPLUS

At the Finance KAG meeting held 23 January 2023, Members agreed to fund the costs of the new Orchard at Batchelors Farm, estimated at £9.5k, from the 2022/23 Surplus. This amount has been transferred to the Orchard Earmarked Reserve accordingly, however, potentially, with the level of income received from tree sponsorship, some £2,050 to-date, the actual required level of funding may well be less.

The balance of the surplus has been transferred to the General Reserve. Agenda item 12.2 has more detail in regard to the General Reserve.

#### 9.5 RECOMMENDATION

For Members to:

- a. Approve the Financial Result for the year to 31 March 2023, and
- b. Note the contents of the report

**Risk Implications** – none

### **10. ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN PART 3**

10.1 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 2022/23. 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.

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

<b>SECTION</b>	<b>RESPONSIBILITY</b>
Internal Audit Report	Internal Auditor
1. Annual Governance Statement	Chairman of Meeting approving the Return and Chief Executive Officer (Town Clerk)
2. Accounting Statements	Responsible Finance Officer and Chairman of Meeting approving the Return
3. External Auditor's Certificate and Opinion	External Auditor

10.3 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, regular management accounts, budget holder control reports, risk assessments and the employment of independent internal auditors.

10.4 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 2021/22	<b>(AGAR box 1, page 5 of 6)</b>	£ 975,365
Plus <b>Declared Surplus</b>	(Agenda item 8.2)	£ 54,821
Less <b>Movement in Reserves</b>	(Agenda item 11.1)	£ -117,717
Balances C/Fwd 2022/23	<b>(AGAR box 7, page 5 of 6)</b>	<u>£ 912,469</u>

## 10.5 RECOMMENDATION

Members are recommended to:

Approve the Annual Governance and Accountability Return 2022/23 Part 3 and forward to Council for approval.

**Risk Implications** – None.

## 11. REVIEW OF BUDGET YEAR 2023/24

11.1 The purpose of this report is to provide Members with an early view of the 2023/24 Revenue Budget and to highlight significant variances, if any.

11.2 As at the date of this report, with less than 3 months of the year completed, there have been no significant movements on budget save for the following:

*Audit Fee and Miscellaneous* – Members may be aware that as part of preparing the budget, an income provision of around £18k had been allowed for to off-set potential contract cancellations by our partner organisations.

It can be reported, however, the two main contracts with MSDC (Help Point Contribution £23k) and WSCC (roundabout maintenance £15k) have been agreed for 2023/24 and the provision can be released.

*Interest on Balances* – with interest rates at a recent historical high and with substantial sums (currently £600k) on term deposits, interest on balances could move from the budgeted £9k to circa £18k.

11.3 *About Town* – About Town is a magazine produced by the town council and is delivered to some 15,000 homes. It has a wealth of information in regard to the town council, the community, events etc and is just one element of the town council's communication offering.

Post pandemic, however, costs, particularly paper/printing, having risen substantially from £5.1k per issue in March 2020 to £7.1k in April 2023, with the latter now including £1.2k of editorial costs. The July production costs have, however, seen a reduction in charges by £500 due to a reduction in paper thickness for the issue.

With, also, the down-turn in advertising revenues in the magazine which, in-part, help to subsidise the production costs, the question has now been raised as to the value for money the magazine, in its current format, provides to the residents of the town.

In 2022, the Community Department undertook a community survey to gauge the value of the magazine from residents, however, out of 15,000 households, only 100 responses were received.

The Community department have looked, also, at various options such as having local pick-up points around the town (instead of delivery to every household), changing paper quality, and reducing pages per magazine, each of which could help with bringing costs down. An estimate of printing costs by reducing the number of pages is shown below:

Pages	Cost	Saving
20	£3.6k	
16	£3.2k	£400
12	£2.9k	£700

At the recent Community KAG meeting, however, Members confirmed they were still keen to continue on with the magazine more or less in the same format but looking to reduce net costs to £10k per annum. This seems to be unlikely with delivery and editorial costs alone equating to circa £9k per annum.

In summary, options:

- Reduce paper quality
- Reduce number of pages per issue
- Stop delivering to every household and have local pick-up points
- Do nothing and accept the net costs per magazine will be in the region of £6k per issue (3 issues per year) and budget accordingly.
- A.N.Other

#### **RECOMMENDATION:**

The views of the Members are sought.

**Risk Implications** – Unlikely costs, in the near to medium term, will reduce as inflation imbeds itself into the economy.

## **12. EARMARKED and GENERAL RESERVES**

12.1 The purpose of this report is to update Members with regard to the status of the Town Council's General and Earmarked Reserves. A full listing of all the Earmarked Reserves is attached at appendix 4.

End of June 2023 Summary position

660,919	Earmarked Reserves as at 01/04/2023
<u>251,549</u>	General Reserves as at 01/04/2023
912,468	Total Reserves as at 01/04/2023
109,300	2023/24 Revenue Budget Contribution into funds
6,199	Income to-date from 3 <sup>rd</sup> parties during the year
<u>(35,418)</u>	Expenditure to-date on projects during the year
(80,081)	<b>Net movement to-date in the year</b>
750,500	Earmarked Reserves as at 30/06/2023
<u>242,049</u>	General Reserve as at 30/06/2023
992,549	Total Reserves as at 30/06/2023

## 12.2 General Reserve

As at the 01/04/2023, the General Reserve stood at £242k (inclusive of the 2022/23 surplus of £55k and the transfer to the Orchard Fund of £9.5k).

There is a standing resolution to check the level of the General Reserve at the beginning of each financial year to ensure it meets a minimum of 20% of future net budgeted expenditure, this currently equates to £175k. It can be noted, therefore, the General Reserve requirement has been met giving rise to an excess to requirements of some £67k in the General Reserve. This “excess” will remain in the General Reserve unless otherwise instructed by Members.

### **RECOMMENDATION**

Members are recommended to note the contents of the report.

**Risk Implications** – None

## 12.3 Earmarked Reserves

In summary, the town council has, as at the date of writing this report, some £750k spread across a number of Earmarked Reserves/Projects (inclusive of the 2023/24 revenue allocations), the most notable being detailed below:

### ***Community Buildings & Capital Projects £463k***

For the provision of community and cultural facilities across the town and can be used for capital and non-capital expenditure. Examples: Park Centre, St John's Pavilion, the Beehive. Please see agenda item 13 for further information relating to Capital Projects.

### ***Burial Ground £60k***

Burgess Hill Burial Ground (phase 1) was opened in 2004 to provide burial space for the town for up to 50 years, with an adjacent area (phase 2) to provide for an additional 50 years.

After just 18 years, the most recent assessment, assuming the current rate of burials continues, shows there is only 3 to 4 years before phase 1 is full.

The original phase 1 development cost in the region of £125k and, depending upon inflationary pressures, the development of phase 2 could be in the region of £300-350k.

Officers have been working with two companies to provide an out-line plan and tender document for use on the Governments Procurement Portal (this is a statutory requirement for projects over £25k). This will be presented to Members when completed.

### ***Economic Development (ex-Bridge the Gap) £36k***

Dedicated towards economic activities within the town.

### ***Town Events £31k***

To fund a comprehensive and continuous programme of events and activities agreed by Members via the Community Engagement KAG



## 12.4 RECOMMENDATION

To note the contents of the report.

**Risk Implications** – failure to develop phase 2 of the burial ground in a timely fashion would leave the town's residents without a local cemetery.

## 13. CAPITAL BUDGET PROGRAMME

13.1 The purpose of this report is to provide Members with an updated tabulated listing (appendix 5) of potential projects that cannot be readily absorbed within the council's Revenue Budgets or funded from other reserves held by the council. Due to the monetary size of these projects, a number of them will require funding from external/3<sup>rd</sup> party sources, such as PWLB, S106, Partners and/or substantial growth in the tax base (house building) and/or increases in the Precept for them to come to fruition.

13.2 In total, the overall size of these projects is in excess of £7.5 million and with borrowing costs over 5%, the ability to fund these projects will be challenging with every £1million borrowed costing some £58k in annual repayments (based on rates as at 22/06/2023 with repayments over 50 years).

13.3 As at 30/06/2023, the town council has £463k set-aside in its Community Buildings and Capital Projects Fund which has the potential to fund directly some of the items contained within the Capital Programme and/or fund preliminary costs of the larger projects.

13.4 How each project is prioritised and finally funded will be for Members to consider and agree.

13.5 The Capital Budget Programme will be amended as new projects are identified, existing projects come to fruition and/or removed. This programme will run alongside the current Earmarked Reserves Fund where funding for these projects had been agreed previously.

## 13.7 RECOMMENDATION

Members are recommended to

- a) Consider the Capital Budget Programme with a view to prioritise the council's aspirations and funds and make recommendations to Council

**Risk Implications** – In addition to those contained within the report, Members will need to be mindful that for projects requiring loan funding, interest rates are now at the highest they've been for a number of years, and any borrowing at these rates would be expensive in regard to repayments and could, potentially, restrict Council entertaining other projects in the future.

## 14. MEMBER APPROVAL OF PAYMENT REQUESTS

14.1 Members may be aware the Town Council's Financial Regulation (Standing Order 27.5) requires two Members to authorise payments made to 3<sup>rd</sup> parties. This has been a long-standing requirement born from legislation that required a "two-Member" signature on cheques or orders for payment. This legislation has now been repealed where those



authorities have in-place controls that provide safe and efficient arrangements for the protection of public money to reduce down the risk of error and fraud.

- 14.2 The town council has in-place a range of checks and balances prior to any individual payment being made, to include a Purchase Order Processing system, budget holder responsibility and approval, CEO approval (for payments over £500) and a devolved payment processing where, in most instances, the officer making the payments is separate to the officer requesting payments.
- 14.3 In addition, and as noted in agenda item 8, the internal auditors have stated “It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon...”
- 14.4 In consideration of the above, the two Member approval process has been challenged as to its purpose and effectiveness in regard to the validity in requesting Members to authorise individual payments where they have limited, if any, knowledge or input into the payment(s) being made.
- 14.5 The purpose of this report is, therefore, to request Members to consider removing the “two Member” payment authorisation process which would reduce, considerably, the level of administration required to make payments without reducing the level of safeguards.

#### 14.6 **RECOMMENDATION**

For Members to agree to remove the two-signature payment approval requirement and for the Financial Regulations to be amended accordingly.

**Risk Implications** – none

### **15. APPLICATION FOR TOWN COUNCIL RESOURCES – The introduction of a “Request for Intervention” procedure.**

The town council has detailed budgeting and forecasting procedures and models which covers the council’s annual operating costs and fund allocations to existing Earmarked Reserves. On occasions, however, in-year projects arise that may fall outside the normal budgeting process and as such will need to go through a scrutiny process to ensure consideration has been given to costs, benefit for the community, expected out-turn etc.

As part of this scrutiny process, a new “Request for Intervention” document (appendix 6) is being introduced for the applicant to complete and submit to all Members (via the KAG’s and/or direct to Council) so that Members can consider the request with the full facts at hand prior to approval being given.

#### **RECOMMENDATION**

For Members to approve the introduction of a “Request for Intervention” document,

**Risk Implications** – none

## **16. BANK RECONCILIATION AND OTHER BALANCES**

16.1 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 21/06/2023 and is attached at Appendix 7.

16.2 For Members' information, the Town Council had the following book balances as at 22/06/2023:

<b>Account</b>	
Current Account (Nat West)	9,454
Special Interest (Nat West)	686,179
Santander time deposits 3.65% to 3.95%	608,311
<b>Total</b>	<b>1,303,944</b>

### **13.3 RECOMMENDATION**

Members are recommended to note the contents of the report.

**Risk Implications** – none.

## **17. DATE OF NEXT MEETING**

November 2023 – exact date to be confirmed.