



# FARNHAM TOWN COUNCIL

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## Report Strategy & Finance and Council

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Date: 12th April 2024

### Year End Accounts 2023-2024

#### 1 Summary

This report gives an overview of the 2023-24 accounts, variances and specific issues that arose during the year.

#### 2 Overview

2023-24 was a busy year with elections in 2023, the completion of the Hale Chapels Community Garden and a new emphasis on supporting younger people and climate change. Some previous decisions have been revisited and long-standing projects (including the Brightwells Yard Scheme and the Farnham Infrastructure Programme), where the Town Council has been making representations on behalf of the wider community, have continued to progress.

The Neighbourhood Plan update/review has commenced and a joint call for sites was initiated with Waverley Borough Council with a timetable for key dates published although the Farnham Design Statement has still not been adopted by Waverley Borough Council. Funding from Locality was achieved to undertake early some new mapping for the Neighbourhood Plan and for some initial work by the Council's Planning advisor. The anticipated 5 year protection for Neighbourhood Plans was finally introduced during the year but after some key sites were approved under appeal that had not been agreed by the community. In August, Farnham Town Council made a decision to make a statutory challenge to a site approved on appeal by a Planning Inspector at Waverley Lane. This location was a candidate area for the extension to the AONB and Council considered the Inspector had not taken all relevant facts into consideration. A hearing on whether the challenge can go to formal appeal is being considered in July 2024.

There continued to be significant cost uncertainties with high cost inflation impacting on many areas of the Council's budget, but in setting the budget for 2024/25 Council agreed to absorb all cost inflation and only raise additional funds for the specific investment in services for younger people. As a result, Farnham Town Council continued with its prudent approach to the 2024-25 precept and used some reserves, maintaining its position below the town and parish Council sector average for the 12<sup>th</sup> successive year.

During the year, investment income was significantly higher than forecast because of rising interest rates, and external income from CIL payments for investment in future community

infrastructure was £97,516. Sponsorship income was lower than hoped in 2023-24 with a number of challenges for local businesses but income from events was above target,

With new donations from local community groups, the Support Fund has continued to support those facing financial difficulty, and, in addition, the Council agreed to support Boom Community Bank with a grant of £15,000 to pilot a no-interest loan scheme.

Despite all the pressures and uncertainties in 2023-24, the financial outcome has been positive.

### **Outturn**

- 3 The overall income position was £1,809,072 (against a budget of £1,623,750) whilst expenditure was £1,667,867 (against a budget of £1,643,750). The higher than anticipated income meant some additional activity was funded from revenue rather than drawing down reserves. There was a positive surplus of £34,254 of income over expenditure after specific funding (eg CIL) had been allocated to the earmarked reserves.

### **Creditors and debtors**

- 4 This year the Debtors figure (excluding recoverable VAT) is £20,396 (£2022/23: £21,770) but none of the outstanding payments are cause for concern with almost half paid in the first week on the new financial year.

In 2023/24 the creditors figure is £10,619 (2022/23: £51,631). There are accruals of some £37,985 (2022/23: £102,000) whilst receipts in advance (for allotments and future events) is at £16,356 (2022/23: £23,170)

### **Investments**

- 5 With the increase in interest rates there has been a significant increase in interest earned £90,162 (2022-23: £28,364) but the value of the savings was still being eroded by inflation.

### **General Reserves**

- 6 Local Councils may keep general reserves in a range of 3 months to 12 months. Farnham Town Council's current policy is to keep up to six months' worth of reserves based on the precept or operating expenditure. For larger councils such as Farnham, the *Practitioners' Guide* now suggests a figure closer to three months is appropriate.

The General Reserve this year will be £505,765 (2023/24: 492,932) The precept for the year ahead is £1,424,818 and the budget is £1,806,950, so the earmarked reserve represents £28% (2023/24: 30%) of operating expenditure or 36% of precept (2023/24 37%. This is a prudent level for Farnham Town Council given the level of earmarked reserves in addition.

### **Earmarked Reserves**

- 7 Council should review its earmarked reserves as part of the year end process to ensure they are still required or if there are different priorities. This year there has been a wider review as some reserves are no longer required and have been reallocated and some have been added to. Appendix F shows where the suggested changes have taken place and could be reviewed further. In particular, Members may wish to consider increasing the CIL allocation for town centre environmental improvements.

Some reserves must be kept as they are retained for specific purposes such as those agreed for Section 106 projects or CIL and these are clearly identified. The sale of a capital asset such as the cemetery chapel in Green Lane should be spent on capital purposes and is retained for as long as needed. As it is used, the amount is reduced from the reserve. The bus shelters reserve is a commuted sum for replacement or repair of certain shelters installed by SCC.

The Elections reserve is added to each year to cover the four yearly election and any FTC by elections but the 2023 estimated by WBC was significantly exceeded after the election took place around the coronation bank holiday and there were new requirements for checking voters. As a result the election reserve will need a greater commitment for future years.

### Assets

- 8 The Assets register (circulated separately with the Strategy & Resources papers) has been updated to reflect purchases or refurbishments made during the year. The calculation of local authority assets is somewhat confusing to those new to local government as it is not a current valuation or an insurance valuation and does not take into account depreciation. A gifted asset is calculated at zero or £1 but it is then increased when capital expenditure is added.

As a reminder, the *Practitioners Guide* explains

“5.147 For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year, unless the asset is materially enhanced. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will usually stay constant throughout their life until disposal.”

“ 5.61 In the special case where an authority receives an asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the asset should be included in the asset register with a nominal one-pound (£1) value as a proxy for the zero cost. The use of the £1 proxy is particularly important in cases where an authority operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use should be expensed as revenue items.”

Also, longer term investments (such as that in the Local Authority Property Fund) are shown in the Asset Register rather than in the list of investments. When they are sold, the receipt will be taken as income in the year of sale. The property fund is still shown at the purchase value, rather than at the current valuation.

### Comment on specific codes

- 9 Set out below is an explanation for significant or unexpected variances to assist Council in understanding the 2023-24 Outturn.

#### Income

Code	Detail	Last year	This year	Budget	Comment
1000	Hall income	£6,250	£9,067	£6,250	Rental of Byworth Room to Home Office for Ukrainian Visa extensions
1065	CIL	£218,812	£97,516	0	CIL contributions for agreed projects – Earmarked reserve. Varies according to when developers are required to pay
1081	Allotment rents admin	£2,025	£1,100	£600	Fee for new tenancies
1082	Terminated plots	£75	£643	0	Represents lost income from terminated plots
1200	Grants Income	£69,000	£0	19,000	Grants are never guaranteed. Sum in budget was a balancing sum to

					keep precept down. £3,350 was miscoded to donations.
1202	Contributions	£16,387	£11,792	£9,000	Covers some in Bloom and events.
1203	Donations	£16,736	£29,523	0	Included Grant from Locality for Neighbourhood Plan, £2,850 for In Bloom, £19,890 for hardship fund (some from FTC)
1205	Tickets sales	£4,342	£10,449	£11,000	Cancellation of Gin Festival because of death of Monarch. Income from Literary Festival
1204	Bookings	£70,993	£75,780	£63,500	Events bookings
1207	Sale of books	£0	£3,450		Literary Festival. This year managed by FTC (offset by costs too)
1245	Advertising	£7,230	£6,695	£5000	Residents' Guide. Reel advert mostly offset by two cinema adverts for Literary Festival and one in autumn to come.
1300	Banners income	£4,705	£2,685	£7,000	Banners income reduced as fewer bookings. Offset by expenditure.
1910	Interest	£20,000	£90,162	£20,000	Increasing interest rates as a result of inflation.

## Expenditure

4000	Salaries	£591,614	£594,807	£645,500	Salary costs and agency contract staffing should be read together. New grounds staff are employed through an agency for probation period. Also vacancies are covered via agency.
4001	Agency	£67,012	£96,796	£60,000	
4003	Contracted services	£327,759	£105,577	£110,000	Last year included public conveniences, Hale Chapels, and sculpture project etc
4120	Energy Costs	£61,562	£60,204	40,000	Levels of energy prices continue to be high as a result of international events. Budget adjustment likely required..
4140	Office costs	£8,897	£8,247	4,000	Some costs should have been in 4540 (underspent)
4170	Property Maintenance	£81,358	£56,806	£85,500	Some costs covered under 4003 contracted services.

4175	Graffiti	£8,527	£9,846	£8,000	Increased graffiti around town.
4190	CCTV	£17,500	£12,002	£20,000	Some expenditure slipped into 2024/25
4195	Alarms/security	£4,319	£12,837	£6,000	New Paxton door entry system installed.
4205	Waste disposal	£9,486	£13,050	£8,500	Increase mainly due to increased Gostrey expenditure, events etc.
4483	Software service	£14,123	£12,811	0	Budget adjustment required for software costs (formerly in IT support)
4555	Legal/professional	£7,852	£10,312	£4,000	Includes Waverley Lane costs and surveyor fees for projects
4630	Event costs	£7,606	£28,176	£22,500	Some costs allocated from 4540 which was underspent.
4641	Christmas Lights install	£78,424	£73,000	£50,000	Tender to take place in 2024/25
4655	Banners	£1,765	£9,022	£5,000	Some costs from 2021/22 plus ribbons etc for death of monarch
4800	Grants	£17,549	£27,875	£20,500	Additional grants agreed during year, No Interest Loan Scheme.
4807	Environmental/community initiatives	£11,601	£9,803	£50,000	Project funding met from service budgets
4808	Hoppa	£10,000	£30,000	£10,000	Earmarked Pledge for Electric Vehicle released.
4815	Hardship Fund Grants	£59,974	£15,455	0	Allocated from grant income received.
4821	Elections	££52,673	0	£5,000	Election 2023/24. £5k allocated for reserve.
6666	Bad debts	£357	£383	0	Three small payments written off. 2 will be pursued further.

- 9 Also attached at Appendix I are the explanation of variances between 2022/23 and 2023/24 that must accompany the Annual Governance and Accountability Return.
- 10 The Appendices D and E set out the detailed background papers to accompany the end of year accounts, whilst Appendix F is the Internal Auditor's Report on the year. Members have considered the Interim report and there is one recommendation proposed with this report related to cyber security testing which is also agreed by officers.
- 11 The Working Group should review the papers circulated with the Strategy & Resources report (the Assets Register and some additional detailed papers) and Appendices B to G prior to agreeing the Governance Statement, to confirm that Farnham Town Council has followed proper procedures during the year, and then recommend signing the AGAR for submission to the External Auditor. Council agreed its dates for public rights of inspection at its January meeting.

**Recommendation from Strategy & Finance Working Group to Council**

**It is recommended that:**

- 1) The report at Appendix D be adopted;**
- 2) the 2023-24 Outturn be welcomed;**
- 3) the Annual Governance Statement (Section I of the Annual Governance and Accountability Return, page 4) be approved;**
- 4) The Internal Auditor's report be welcomed and the recommendations agreed;**
- 5) The updated Asset Register be approved;**
- 6) The Report and Financial Statements including the general and earmarked reserves at Appendix G for 2023-24 be adopted for signature;**
- 7) The variances list for the Annual Return be agreed;**
- 8) The Annual Governance and Accountability Return and associated papers be approved for signature and submission to the External Auditor.**