



FARNHAM TOWN COUNCIL

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Report Strategy & Finance and Council

Date: 29th April 2025

Year End Accounts 2023-2024

1 Summary

This report gives an overview of the 2024-25 accounts, variances and specific issues that arose during the year.

2 Overview

2024-25 was another complex year with a full programme of events and activities including range of projects being implemented including a new Lantern Festival, and the new emphasis on supporting organisation provide an outreach service for younger people through additional grant funding, as well as school holiday activity grants.

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 projects was £443,689. This has all been earmarked against specific projects.

Outturn

- 3 The overall income position was £2,396,408 (against a budget of £1,784,568) whilst expenditure was £1,825,681 (against a budget of £1,806,950). The higher than anticipated income was primarily due to Section 106 and CIL receipts along with significantly higher interest as a result. After the planned transfers for Christmas lights and elections were and the earmarked CIL and section 106 allocations allocated to reserves, there was a positive surplus of £81,831 of income over expenditure. In light of the uncertainties over local government reorganisation, this saving will be beneficial for future service priorities.

Creditors and debtors

- 4 This year the Debtors figure (excluding recoverable VAT) is £48,028 (2023/24: £20,396) but none of the outstanding payments are cause for concern.

In 2024/25 the creditors figure is £31,846 (2023-24: £10,619). There are accruals of some £44,749 (2023-24: £37,985) whilst receipts in advance (for allotments and future events including the Christmas Market) is at £41,983 (2023-24: £16,396).

Investments

- 5 With the increase in interest rates there has been a significant increase in interest earned £122,629 (2022-23: £90,162). Dividends on the Local Authority Property Fund were £10,975.

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 £602,597 (2023/24: 505,765) The precept for the year ahead is £1,535,300 and the budget is £1,964,500, so the earmarked reserve represents 31% (2023/24: 28%) of operating expenditure or 39% 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 proposed changes have taken place.

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 for approved capital projects according to the Council's current policy. 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. With the advent of a new unitary council in 2027, the requirement in future is uncertain and 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 at Appendix E1 is an explanation for significant or unexpected variances to assist Council in understanding the 2024-25 Outturn. Also attached at Appendix H1 are the explanation of variances between 2023/24 and 2024/25 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 welcomed the proposals made and the response by officers.
- 11 Council should review the papers circulated with the Strategy & Resources report (the Assets Register and some additional detailed papers) and Appendices D 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 is recommended to agree the dates for the public rights of inspection of the accounts as being Tuesday 3rd June to Monday 14th July as recommended by the External Auditor.

Recommendation from Strategy & Finance Working Group to Council

It is recommended that:

- 1) The report at Appendix D be adopted;
- 2) the 2024-25 Outturn be welcomed;
- 3) the Annual Governance Statement (Section 1 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 2024-25 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.