



FARNHAM TOWN COUNCIL

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Report Council

Date: 29th April 2021

Year End Accounts 2020/21

1 Summary

This report gives an overview of the 2020-21 accounts, variances and specific issues that arose during the year and should be read in conjunction with the notes of the Strategy & Finance Working Group which discussed the Year End in detail.

2 Overview

2020-21 was a unique year set against a background of the Coronavirus pandemic worldwide and with lockdowns and restrictions taking place that affected Farnham Town Council business activities. In addition, the Town Council had to operate in uncharted territory in supporting its communities meeting new needs and operating remotely for its decision-making processes. The Council showed foresight in agreeing an early scheme of delegation (March 2021) and adjustments in procedures to allow for both remote working and remote approvals of financial documentation, maintaining separation of duties but enabling payments to be made effectively. The adoption of Zoom meetings for decision making meetings and consultation events has enabled transparency and engagement in what would otherwise have been very challenging circumstances. Staff were equipped with tools to enable remote working where practicable and overall this has worked well. Grounds staff and office-based staff have been able to work in a covid-safe environment and as such the office has had staff working throughout the year based in the Town Hall and at the depot, with volunteers used in a covid-safe way as well.

Working alongside community partners and volunteers the Coronavirus Hardship Fund has operated as a separate part of the Town Council accounts; and a range of new support initiatives were undertaken. In addition to this, Farnham Town Council has been an active partner in the Farnham Infrastructure Programme, which has been resource intensive in staff and councillor time.

The circumstances led to great uncertainty in managing the Council finances and predicting the outturn but with the benefit of a two small Government Grants, prudent management of budgets, managing vacancies, difficulties in progressing some anticipated projects because of supply issues (as a result of both Coronavirus and Brexit) and additional income received as a result of the Farnham Infrastructure Programme, the overall outturn is positive.

Outturn

- 3 The overall income position (bearing in mind there are donations for the Support fund, a government grant and other earmarked contributions (such as for CIL), was broadly as budgeted £1,430,578 (against a budget of £1,400,327) whilst expenditure was significantly reduced with fewer events and activities able to take place at £1,246,266 (against a budget of £1,400,327). This has resulted in a surplus of income over expenditure of £184,312. However, this is not a straight surplus and some income will be held in earmarked reserves, as a result of the source of the income or Council decisions which have not yet been able to be implemented. This leaves a reduced net income over expenditure of £64,120 (2020: £19,063) to move to reserves.

Detail of how the movement to reserves is calculated is set out below:

Net income over expenditure:	£184,312
LESS	
Balance on contributions of Coronavirus Support fund	£29,422
Community Infrastructure Levy contributions:	<u>£15,570</u>
Earmarked commitments sub-total	£45,192
Agreed FTC sum to Hardship Fund from Covid EMR	£5,000
LESS	
Budgetted sum for Christmas Lights earmarked reserve	£5,000
Budgetted sum for Elections earmarked reserve	£5,000
Council decision for environmental project	£25,000
Delay in progressing Central Car Parks/Gostrey toilets	<u>£35,000</u>
Earmarked Reserves agreed commitments sub total	£70,000
LESS	
Pledges for agreed grants not in a position to proceed	£6,000
Business Improvement District pledged contribution	£15,000
Earmarked Reserves agreed commitments sub total	£21,000
LESS	
New Youth facilities EMR	£25,000
Addition to Tourism Development EMR	£5,000
Addition to World Craft Town EMR	£5,000
Addition to Toilets EMR	£5,000
Addition to general reserve	£3,120

Creditors and debtors

- 4 This year the Debtors figure is £10,077 (2020: £22,981). This is partly because there are payments on account with people who had paid for events we cancelled awaiting new invoices that will be matched off against them. None of the outstanding payments is cause for concern.

This year the creditors figure is £33,418 (2020: 14,026). The main reason for this relates to some £17,000 worth of disputed invoices. Nearly all of this is still due but we are not paying until we have resolved the outstanding elements.

Investments

- 5 The HSBC money market accounts are now paying only 0.01% for any investment up to two years. As a result, we have maintained the balance in the call account - hence the increase in

that particular account and the reduction to zero in the other three money market accounts as their terms expired.

General Reserves

- 6 Local Councils may keep general reserves in a range of 3 months to 12 months. The Council's current policy is to keep approximately six months' worth of reserves based on the precept or operating expenditure. The reserve this year will be £521,473 (2020: £518,353). The precept for the year ahead is £1,169,830 and the budget is £1,399,850 so the earmarked reserve represents 38% (4.5 months) of operating expenditure or 45% (5.3 months) of precept. For larger councils such as Farnham, the Practitioners' Guide now suggests a figure closer to three months is appropriate. However, many larger councils running services such as Leisure Centres found the past year particularly challenging as a result of Covid, and this section of the Practitioners' Guide may well need to be reviewed. This matter is also pertinent to Farnham in the context of taking on more services in the context of any local government re-organisation. It is proposed that the general reserve be reduced in the coming financial year to be closer to 3 months of net revenue expenditure unless the Practitioners' Guide is further reviewed.

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. Some reserves must be kept as they are retained for specific purposes such as those agreed for Section 106 projects or CIL. Similarly, the sale of a capital asset such as the cemetery chapel in Green Lane should be spent on capital purposes and is retained as such. The bus shelters reserve is a commuted sum for replacement or repair of shelters installed by SCC.

The pledges listed are for grants agreed in the past two years for projects that are fundraising significant sums or awaiting progress, and will be released at the appropriate time.

During the year Council has made specific proposals for end of year earmarked funds for contributing to new young people's facilities and for a contribution to the potential acquisition of an environmental asset hence the proposed creation of a new account for Youth facilities (set at £25k) and the increase of £25k for Environmental projects. The addition of £40k into the Public conveniences budget reflects the slippage of this project and the proposal being considered at the April meeting to spend around £90k on the Central Car park toilets initially.

The World Craft Town reserve is increased by £5k, and the tourism development by £20k to provide for a contribution to a new destination centre or arts project if one were to emerge. The standard budgeted amounts for Christmas lights and elections are added to their codes as expected. The Council Chamber earmarked reserve is reduced by £10,000 following the work undertaken this year.

Assets

- 8 The Assets register has been updated to reflect purchases or refurbishments made during the year. The calculation of local authority assets is somewhat confusing 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.

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.”

As a reminder, 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 Assets value for 2019/20 has been restated to include assets worth £5,069 omitted in the year end calculation.

Comment on specific codes

- 9 Set out below is an explanation for significant or unexpected variances top assist Council in understanding the 2020/21 Outturn.

Income

Code	Detail	Last year	This year	Budget	Comment
1000	Hall income	£7,030	0	£5,500	Council decision to waive rent for Wrecclisham Community Centre
1065	CIL	£2,169	£15,770	0	CIL contributions for agreed projects – Earmarked reserve
1080	Allotment rents	£14,606	£15,306	£17,000	Relates to vacancies/ cancellations during year
1100/1120	Interment/grave purchase income	£89,704	£52,015	£70,000	Fewer burials this year. Possibly due to restrictions on numbers attending.
1200	Grants Income	£58,400	£46,817	0	Defra grant for Hardship fund (£16k) and Govt Covid grant (£30k) via WBC.
1201	Sponsorship	£32,899	£8,999	£31,000	Covid impact and fewer events
1202	Contributions	£8,210	£46,038	£8,000	Covers some in Bloom. This year SCC contribution to CCTV also included.
1203	Donations	£5,144	£37,034	0	Mostly hardship fund donations
1204	Bookings hire	69,966	£12,935	£55,000	Cancellation of events/markets
1205	Tickets sales	£16,763	0	£16,000	Cancellation of Gin Festival
1209	Seeds income	£1,219	£1,474	0	Balanced by expenditure - allotment holders
1300	Banners income	£6,620	£285	£7,000	Most banners cancelled because of covid. Offset by expenditure.

1910	Interest	£14,789	£6,157	£10,000	Historically low interest rates (0.1%)
1999	Miscellaneous income	£1,405	£6,496	0	Includes some donations for the hardship fund.

Expenditure

4003	Contracted services	£97,986	£70,414	£47,000	Includes public conveniences, Craft co-ordinator, Hale Chapels reviews, some agency staffing (should be 4002), cemetery pathways,
4020	Additional staffing	£8,326	£3,646	£11,200	Reduction as fewer events. Each event had additional covid staffing.
4030/ 4025	Training	£3,598	£2,285	£5,000	Staff and member training combined
4070	Protective clothing	£2,466	£4,024	£2,000	Additional covid requirements. Replacement uniforms for current and new staff.
4101	Venue hire	£3,677	0	£6,000	Covid impact. No external meetings or receptions. Gin Festival cancelled.
4170	Property Maintenance	£112,665	£101,800	£105,000	Includes Council chamber refurb and new sound system, new electrical and water connections at Gostrey, new gas provision at Depot; Gostrey path repairs; public convenience proposals; playground repairs
4181	Equipment maintenance	£4,148	£6,855	£3,500	Mostly grounds equipment repairs
4182	Equipment purchase	£33,840	£44,117	£25,000	Covid and remote working items. Planters for social distancing measures. Recycling bins, tree guards, play equipment, Gostrey. Covered costs from code 4310 too.
4190	CCTV	£10,582	£61,644	£20,000	CCTV upgrades (hardware and software) and new cameras (funded by SCC) for Infrastructure Programme analysis.
4310	New vehicles, machinery	£46,217	0	£15,000	Costs covered under code 4182
4415/4425/4426	Printing, publicity, advertising	£58,265	£35,564	£44,950	Fewer printed flyers and publications for events as a result of covid but additional advertising and covid-related printing.

4482/4483	IT Support and service software	£17,838	£24,507	£10,000	Additional remote working costs and software for modern.gov, Zoom and webinars
4525	Member training	£554	0	£2,000	Included under staff training.
4540	Civic & community functions	£6,579	£1,878	£7,500	Covid impact
4560	Bookkeeping, accounts, payroll	£6,164	£8,888	£6,000	Includes as misposting of £2,387 which relates to code 4170.
4625	Entertainment/performers	£13,372	£2,320	£12,750	Covid impact fewer events
4630	Event costs	£11,616	£1,987	£8,500	Covid impact fewer events
4641	Christmas Lights	£48,710	£49,834	£38,000	New additions in 2020 included St John's Church,
4643	Christmas lights 2022	£0	0	£5,000	Budgetted to go into earmarked reserve
4655	Banners	£6,866	£749	£7,000	Covid impact.
4805	Carnival	£1,500	0	£1,500	Cancelled because of covid
4807	Environmental /community initiatives	£13,970	0	£30,000	Moved into reserve
4821	Elections	£31,688	0	£5,000	Budgetted to go into earmarked reserve
4910	Loan repayments	£40,925	0	10,227	Loan repaid at end of previous year after budget agreed for 2020/21
6666	Bad debts	£900	(£170)	0	Two small payments written off. Uneconomical to pursue.

- 9 Attached at Annex 1 and Annex 2 are the explanation of variances that must accompany the Annual Governance and Accountability Return. In Section 4 of the Annual Return and in the Statement of variances, it can be seen that the Staff Costs have been restated. This is in line with a new Practitioners' Guide requirement of what can be in Section 2 Box 4 in respect of staff costs and which costs should therefore be presented in Box 6. The effect is that a sum of £5,026 (essentially travel and training) has been adjusted in the 2019/20 figures for both Box 4 (subtracted) and Box 6 (added).

Recommendation of Strategy & Finance Working Group to Council

It is recommended that:

- 1) the 2020/21 Outturn at the end of a difficult year be welcomed;**
- 2) the Annual Governance Statement (Section 1 of the Annual Governance and Accountability Return) be approved;**
- 3) The Internal Auditor's report and officers' comments be agreed;**
- 4) The updated Asset Register be approved;**
- 5) The Report and Financial Statements for 2020/21 be adopted for signature;**
- 6) The variances list for the Annual Return be agreed;**
- 7) The Annual Governance and Accountability Return and associated papers be approved for signature and submission to the External Auditor.**
- 8) The general and earmarked reserves be reviewed in the autumn.**