



# FARNHAM TOWN COUNCIL

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Report  
Council

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Date: 28<sup>th</sup> April 202

## Year End Accounts 2021/22

### 1 Summary

This report gives an overview of the 2021/22 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

2021/22 was again set against a background of the Coronavirus pandemic worldwide and with opportunities to support the business and wider community with grants from government.

Working alongside community partners and volunteers the Coronavirus Hardship Fund was renamed the Support Fund and has operated as a separately identified part of the Town Council accounts.

During the year two significant capital projects were implemented, the refurbishment of the Central Car Park Public Conveniences and the restoration of the Grade II listed West Street Cemetery Gates. During the year, the first significant Community Infrastructure Levy Funding was received, and a portion of the funds was allocated to the Public Convenience refurbishment.

### 3 Outturn

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 125% of that budgeted £1,728,639 (against a budget of £1,374,700) whilst expenditure was also up at £1,548,470 (against a budget of £1,399,850). This meant an additional £180,168 of additional income over expenditure was received.

However, this is not a straight surplus as £174,573 was received for CIL and section 106 planning contributions for specific earmarked purposes, and £13,333 was received for a Business Improvement District project). Other funds were received and expended on Hardship grants through the Farnham Support Fund.

After appropriate transfers are taken place for designated reserves, there is a net expenditure over income of £28,541 with the reserves reduced by this amount.

### **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 reduce from £521,473 to £492,932 representing 40% of the precept level (4.8 months) and 33% of the operating expenditure.

### **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. These are attached in the Report and accounts (Appendix F). 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.

The Council Chamber earmarked reserve may be required in the coming year as the boiler is at the end of its useful life. The Crime Prevention Panel reserve has been given to the council on the cessation of the Panel. The Mosaic reserve is scheduled for the agreed work for commissioned consultants to take the Business Improvement District to the vote stage in conjunction with the Chamber of Commerce. The Coronavirus Support Fund has now been renamed the Farnham Support Fund. The elections Fund will be next used in 2023.

### **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 Register, circulated to all councillors separately and available on request, has been updated to reflect purchases (and a vehicle disposal) made during the year and stands at £2,634,489.

### **Comment on variances from the previous year**

- 9 Attached at Appendices I and li are the explanation of variances that must accompany the Annual Governance and Accountability Return.

### **Recommendation of Strategy & Finance Working Group to Council**

It is recommended that:

- 1) the 2021/22 Outturn be welcomed;
- 2) the Annual Governance Statement (Section I of the Annual Governance and Accountability Return) be approved;
- 3) The Internal Auditor’s report and recommendations be agreed;
- 4) The updated Asset Register be approved;
- 5) The Report and Financial Statements for 2021/22 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.