



# FARNHAM TOWN COUNCIL



Report  
Council

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Date: 27th April 2023

## Year End Accounts 2022/3

### 1 Summary

This report gives an overview of the 2022-23 accounts, variances and specific issues that arose during the year.

### 2 Overview

2022-23 was a fairly unique year given the capital projects that took place (completion of the refurbishment of the Central Car Park Public Conveniences, the completion of the restoration of the listed West Street cemetery gates, the commissioning of the public art work at Longbridge with Section 106 funding from the UCA developments, and the undertaking of the conversion of the Hale Cemetery Chapels into a Community Garden.

The celebration of the Platinum Jubilee of Her Majesty Queen Elizabeth II, followed by her death and the proclamation of His Majesty King Charles III, and the visit of His Royal Highness Prince Edward, gave an exceptional Royal flavour to civic and community events. The efforts of staff and volunteers with Farnham In Bloom was again rewarded with an RHS Britain in Bloom Gold Medal.

Working alongside community partners and volunteers the Farnham Support Fund has continued to operate as a separate part of the Town Council accounts and further grants were obtained for distribution locally to those in need from the Government's Household Support fund. In total using top of funds from local partners almost £70,000 was distributed after careful consideration of each application, with FTC undertaking the administration.

Farnham Town Council has continued to be an active partner in the Farnham Infrastructure Programme, with progress made on new wayfinding signs and the installation of 20MPH zones, but progress has been slow on other elements of the scheme with some frustration at Farnham Town Council in difficulties in getting its voice heard.

Similar frustration has been felt in the delay getting the Farnham Design Statement adopted by Waverley Borough Council and in finding a way to continue to sustain the hard work that went into the Neighbourhood Plan as a result of developers not delivering approved development to maintain a five year Housing Land Supply.

The international situation with the War in Ukraine and post Brexit issues leading to rising energy prices, high inflation and supply-chain issues has led to significant cost uncertainties in managing the Council finances. The implementation of an additional increment for all staff following the success in achieving Council of the year in 2021, the 2022 pay award and filling vacancies has seen the staffing budget completely used for the first time for many years but staff have continued to work at a high pace and deliver excellent results for the community. Council made a prudent approach to the 2023-24 precept bearing in mind the pressures on the community and made a small increase in its share of the Council Tax which is expected to again be below the sector average for the 11<sup>th</sup> successive year.

The first significant CIL payment was received in the year and placed into the earmarked reserves, and Council made a commitment to progress the refurbishment of the Gostrey Meadow toilets, the Gostrey Meadow playground and the building of a new community space/café in partnership with the Ridgeway School to help train their pupils for the hospitality sector. An initial £200K allocation of CIL funding has been made to this project and additional funding will be sought in the year ahead.

Despite all the pressures and uncertainties in 2022-23, the financial outcome has been positive. The CIL income and donations/contributions for the Farnham Support Fund and insurance refund in particular saw income significantly above budget (approximately £440,000), and there was also a higher than expected number of grave purchases, whilst the capital expenditure projects saw expenditure approximately £340,000 above budget.

### **Outturn**

- 3 The overall income position was £1,914,697 (against a prudent budget of £1,474,800) whilst expenditure was £1,816,684 (against a budget of £1,474,800). This has resulted in a surplus of income over expenditure of £98,013. However, this is not a straight surplus and some £290,322 was required to be transferred to earmarked reserves (as budgeted or ringfenced) and there was £191,850 of reserves designated for capital projects undertaken during the year used as expected.

### **Creditors and debtors**

- 4 This year the Debtors figure is £21,770 but none of the outstanding payments are cause for concern.

This year the creditors figure is £51,631. The main reason for this relates to a refund of some £27,000 for repayments to community groups from the Household Support Fund and the first payment for the repair of the Town Hall lift. There are accruals of some £102,000, half of which are for provisions for expected utility bills and the balancing payment for the Hale Chapels. Receipts in advance (for allotments and future events) is at £23,170.

### **Investments**

- 5 With the increase in interest rates there has been a significant increase in interest earned (some £28,364 compared to £3,104 in 2021-22) but the value of the savings is still being eroded with inflation at its very high level.

### **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 below 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 £492,932. The precept for the year ahead is £1,315,900 and the budget is £1,643,750 so the earmarked reserve represents 30% of operating expenditure or 37% of precept. This is probably a prudent level for Farnham Town Council.

## **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 by the Strategy & Finance Working Group as some reserves have been used for their intended purpose, whilst others are no longer required and have been deleted.

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 but used this year has been used on the Hale Chapels project. The Cemeteries Reserves have now been combined. The bus shelters reserve is a commuted sum for replacement or repair of shelters installed by SCC.

A new sum of £30,000 has been allocated for an expected review of the Neighbourhood Plan, and a sum of £60,000 has been added to the Public Conveniences Reserve for either the Hart upgrades or the Gostrey Meadow upgrades. The Elections reserve will be mostly used in 2023 (estimated cost £41,000) and an increasing commitment will be needed in future years to spread the cost over the four years. The Council Chamber reserve has been deleted on the basis that it could be met from the Town Hall Reserve and the Mosaic reserve has been deleted now the funded BID project is underway. The UCA 106 Reserve has been reduced for the expenditure on the new Public Art project off Longbridge.

A new Reserve has been created for the replacement Greenhouse now the insurance payment has been received and a new reserve for the pledge towards the Museum costs has been added with £10,000 allocated from the CIL fund (subject to Council approval). A reserve for the Farnham Flame has been added as the work was not completed in 2022-23. The Crime Prevention reserve has been combined with the CCTV reserve.

## **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.

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.

**9 Comment on variances**

Set out below is an explanation for significant or unexpected variances to assist Council in understanding the 2022-23 Outturn. Also attached in the papers for Council in the documents for the External Auditor is the explanation of variances that must accompany the Annual Governance and Accountability Return.

**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	£32,798	£218,812	0	CIL contributions for agreed projects – Earmarked reserve
1081	Allotment rents	£757	£2,025	£500	Push on reletting plots this year.
1100/1120	Interment/grave purchase income	£70,303	£105,310	£70,000	Higher number of burials
1202	Contributions	£12,973,	£16,387	£7,000	Covers some in Bloom and events.
1203	Donations	£4,482	£16,736	0	Mostly hardship fund, also Ukrainian and in bloom. donations
1205	Tickets sales	£4,135	4,342	£13,000	Cancellation of Gin Festival because of death of Monarch. Income from Literary Festival
1300	Banners income	£6,620	£285	£7,000	Most banners cancelled because of covid. Offset by expenditure.
1910	Interest	£3,104	£28,364	£10,000	Increasing interest rates as a result of inflation.

**Expenditure**

4000	Salaries	£493,987	£591,614	£582,900	National pay increase (approx. £25k), Incremental rises (approx £20k), additional ground staff (approx. £20K) net overtime and increased hours (approx. £13K).
4003	Contracted services	£100,111	£327,759	£57,000	Includes public conveniences, Craft co-ordinator, Hale Chapels, Sculpture project some contracted staffing cemetery pathways etc
4070	Protective clothing	£2074	£4,862	£3,000	Replacement uniforms for current and new staff, boots etc.
4120	Energy Costs	£18,986	£61,562	10,500	Included some corrected bills for estimated bills, and significant rises in costs of energy.

4140	Office costs	£8,897	£8,247	4,000	Some costs should have been in 4540 (underspent)
4170	Property Maintenance	253,621	£81,358	£97,00	Some costs covered under 4003 contracted services.
4310	New vehicles, machinery	£19,839	£2,350	£15,000	Decisions not made on new items
4525	Member training	£0	118	£2,000	Members not attending events.
4540	Civic & community functions	£3,842	£4,210	£7,500	Some costs under 4140 which was overspent
4555	Legal/professional	£6,305	£7,852	£4,000	Largely surveyor fees for projects
4560	Bookkeeping, accounts, payroll	£26,564	£28,628	£21,000	More activity requires more processing plus increase in payroll costs..
4625	Entertainment/performers	£16,140	£20,804	£13,250	Post covid increase in events, plus literary festival fees.
4630	Event costs	£4,970	£7,606	£22,500	Some events cancelled eg Gin, offset by reduction in income.
4641	Christmas Lights install	££51,841	£78,424	£45,000	Some 2021-22 costs were invoiced late. Costs reflect additions during life of contract.
4655	Banners	£1,765	£9,022	£5,000	Some costs from 2021/22 plus ribbons etc for death of monarch
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	£64,763	£59,974	0	Allocated from income received. Total higher but admin costs absorbed
4821	Elections	£0	0	£5,000	Budgetted to go into earmarked reserve
6666	Bad debts	£467	£357	0	Two small payments written off. Business insolvency

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

**It is recommended that the:**

- 1) report at Appendix B be adopted;**
- 2) 2022-23 Outturn at the end of an exceptional year be welcomed;**
- 3) the Annual Governance Statement (Section 1 of the Annual Governance and Accountability Return, page 4) be approved;**
- 4) Internal Auditor's report be welcomed and the recommendations agreed;**
- 5) updated Asset Register be approved;**
- 6) Report and Financial Statements for 2022-23 be adopted for signature;**
- 7) variances list for the Annual Return be agreed;**
- 8) general and earmarked reserves be agreed;**
- 9) Annual Governance and Accountability Return and associated papers be approved for signature and submission to the External Auditor.**