

Agenda item 7

For information and discussion - Financial update at 31 May 2016

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Summary

This report provides a summary of all things financial in a more detailed way than presented to Council over the past year. It is intended to generate discussion and I am very happy to answer any questions at the meeting but if you require any specific information please let me know beforehand.

Cllrs might like to discuss:

- The withdrawal of the Council Support Tax
- The makeup of reserves (ear-marked reserves and general reserves)

1. *Income and expenditure*

A breakdown of Income and Expenditure as at 31 May 2016 is shown at [Appendix 1](#). This table will be presented at each committee meeting with a commentary highlighting significant income and expenditure items.

a. Income Highlights

In April, the first precept payment of £569.8k was received along with the final Council Support Tax (CTS) grant £109.9k (ref 802/1007 on page 4). The CTS grant was introduced in 2013/14 when the Government introduced localised council tax support scheme.

MDC has decided not to pass on this grant to parishes again. There are three years before the Government stops it nationwide.

The CTS grant has never been factored into this Council's budget calculation because we have never had re-assurance from Mendip that it will continue to pass it on. We have always treated this grant as a windfall and decided how it will be spent if and when we received it. In previous years we have used the grant to support Fair Frome and training for young people, for example.

Other highlights include:

- The Sport England grant of £26,773 (ref 500/1045) part funding the new Tennis Courts in Mary Baily Playing Field.
- The second EU funding payment for the Twinning Thematic Network of £8,250 (ref 600/1026 on page 2) is expected at the end of the year and is being underwritten by the Council until then.
- Mendip Tourism grant of £8,500 (ref 700/1013 on page 3) was received for marketing and promoting Frome.

b. Expenditure Highlights

Aside from normal monthly running costs, that are approximately £60k per month, significant expenditure during April and May comprised the following:

- New Tennis Courts, £50,985 (ref 500/4907 on page 1), part funded by Sport England, LTA and Selwood Tennis Club.
- First repayment of the PWLB loan for the purchase of the Old Showfield, £3,631 (ref 500/4050 page 1).
- Frome Festival grant £10,000 (ref 600/4326 page 2), Youth and FE training funding of the Community College Apprentice coordinator (ref 700/4126 page 3).
- Essential Town Hall exterior winter maintenance of £21,036 (ref 610/4503 page 2) was completed, over and above the £750k project contract, financed by the EMR Office Relocation.

2. Payments over £500

The Financial Regulations state payments can be signed off retrospectively. Currently, the finance project sponsors do that on a regular basis. As part of our commitment to be open and transparent to residents, all payments over £500 are noted at these meetings and posted on our website.

Payments over £500 are shown at [Appendix 2](#).

3. Budget

The budget for the current financial year was agreed in January and every time a payment is made or received it appears in the budget in the “actual” column. This makes it relatively easy to compare actual income/expenditure against the amount budgeted. The budget table is quite a large document so it will be available at the meeting.

Sometimes, a one off payment uses all the budget; our annual insurance premium is paid in this way, for example. The majority of expenditure is spread roughly evenly over the next 12 months.

Early indicators of overspend

I do anticipate an overspend of the meeting room hire budget due to the increase in committee meetings. Also, we have been notified by the Valuation Office Agency that the Town Hall business rates will increase by £7.5k pa in June 2016. This is because the County Council received a partial exemption. I am exploring whether the exemption can apply to FTC. Lastly, utilities, including rates, have been combined for the Town Office and the Town Hall. These payments may exceed the budget this year, although once the renovation project commences an application to suspend the rates will be made.

4. The Balance Sheet

The Balance Sheet at [Appendix 3](#) shows assets and liabilities on the first page. Assets are represented by investments, debtors and an amount in the current account.

a. Investments

There are three investment applications totalling £600k that are still under consideration with the Co Op and the Charity Bank and further information has been requested before these investments are approved. Current investments are held on short term basis with Lloyds, Triodos, CCLA, Mendip Credit Union. For example, there is £200,351 lodged with the Triodos Bank.

The net amount (Assets minus liabilities) on the Balance sheet stands at £1824,284.

b. Reserves

The second page of the Balance Sheet shows how this net amount is allocated to various reserves. The reserves are a combination of General Reserve (GR) and Earmarked Reserves (EMR's). The GR will always be above the agreed minimum of £180k and includes the current precept amount and the CTS grant until it is earmarked for specific expenditure. The GR figure varies depending on income and expenditure.

The GR started the financial year £55k above the minimum. The Town Hall renovation project starts in June and it is prudent that this amount is considered as a 7% contingency until this project is complete in January 2017. Any proposed expenditure from GR must be taken to Council for ratification.

The EMR's have been 'topped up' over several years to be able to finance big projects such as the Town Hall renovation, Market Place redevelopment and Saxonvale. EMR expenditure has totalled £40.5k in this financial year.

In January 2015 Council approved a £22k loan over 5 years to Frome Cheese & Grain Ltd to purchase LED lights. That is the long term debtor on the Balance Sheet at £16.2k.

5. Current Account

Arrangements have commenced to transfer the day to day banking from Lloyds to Barclays.

6. Insurance

There are very few companies that have the expertise to provide cover in the parish sector. Our policy was coming to an end and quotes were invited to provide cover for Town Council. Zurich were the preferred option and a three-year agreement has been put in place.

Recommendations

1. Note the council's financial position as at 31 May 2016
2. Note the payments over £500

Discussion

Possible items for discussion include withdrawal of council tax support and reserves.