

POLICY, GOVERNANCE & FINANCE COMMITTEE

Date: Monday, 27 March 2023

Title: Financial Report & Associated Matters

Contact Officer: Responsible Financial Officer (RFO) – Nigel Warner

BACKGROUND

The purpose of this report is to provide information to Members on the financial position of the Council as part of its internal control and due diligence.

CURRENT SITUATION

Detailed income and expenditure statements for the whole of the Council's approved budgets for the period up to 28 February 2023 (appendix 1).

If Members have any specific questions, please email the RFO before the meeting so that he will be able to respond and provide an answer at the meeting.

A full review of the budgetary position was undertaken during the budget-setting cycle and most areas of interest were raised at that time. The RFO refers members to the finance/budget reports of the Town Clerk which were approved at those meetings for further details.

Current year budget: In terms of the report presented at this meeting, the current year (2022/23) budget is that which was projected when the estimates were revised and agreed by the Council at its meeting on 4 January 2023. It should be noted that the revised (projected) estimates were produced by your officers in the autumn of 2022. This means that with the year-end (31 March 2023) rapidly approaching, there will be some cases where the actual spend to date exceeds the revised estimates. Conversely there will be other lines where actuals at 31 March will not reach the projected estimate figure. Overall, the impact on budget should be broadly neutral when the year-end accounts are produced.

Members are reminded that expenditure is not necessarily incurred evenly over the course of the year. For example, the vast majority of expenditure in relation to nominal ledger code 4025 (insurance) is incurred in April each year when the annual premium is paid. There will also be similar patterns on the income side such as grants received.

Estimates for 2023/24: These are shown in the report in the three columns on the right-hand side of the page. The report of the Town Clerk to the Extraordinary Council meeting of 4 January 2023 stated that "it should be noted that the revised estimates and the estimates for

next year do not include the recharges from these (*works/central support*) cost centres; these will be calculated after the budget has been adopted.” This is standard practice and following agreement of the budget the recharges have been processed and these are reflected in the estimates for 2023/24.

Recharges: With the cessation of the grounds maintenance contract there have been a number of changes to the cost centres (CC) and these are summarised below:

CC 503, Agency services. The cost centre ceased on 30 September 2022, with recharges being made to that date. From 1 October 2022 these costs are accounted through CC 604, Works depot (includes most property, vehicles and equipment) and CC606 Grounds maintenance (mainly staffing costs). Note that at present recharges have not been processed in “actual YTD” column although they are represented in the projected estimates for 2022/23 and the estimates for 2023/24.

CC 601, Works department – cost centre ceased 30 September 2022. These costs are now accounted through CC 604, Works depot (includes most property, vehicles and equipment) and CC605, General maintenance (mainly staffing costs). Recharges for CC605 have been made to 28 February 2023.

CC 602, Central support. This cost centre remains in place and recharges made to 28 February 2023.

YEAR-END AND EARMARKED RESERVES

The Council appointed me as its RFO in January 2023. Part of my role is to monitor the Council’s financial position and with the extra resource in place of a separate RFO I have time to produce regular reports for committees.

Income to date for the Council compares very favourably to the projected budget, the income for 11 months amounting to £2,209,395 compared with the projected (revised) budget of £2,184,239. The major variances are increased bar revenue, which is £89,453 at 28 February 2023 (revised estimate £76,750); Windrush Cemetery burial income £52,618 at 28 February 2023 (revised estimate £49,750); grants etc for community infrastructure £11,332 at 28 February 2023 (revised estimate £9,665), bank interest £19,329 at 28 February 2023 (revised estimate £16,000).

More material are expenditure variances. Expenditure to date at £1,737,560 at 28 February 2023 is below the projected (revised) estimate of £2,184,239. On a simple straight-line basis this will increase to £1,895,520, this being 87% of revised budget.

The table below details some of the major variances, but more detail will be shown against the cost centre report.

Cost centre (variance +/- £20K)		Expenditure to 28.02.23	Expenditure projected to 31.03.23	Projected (revised estimate)	Over budget or (under budget)	Items of note (+/- £10K)
104	Corn Exchange	£108,691	£118,572	£147,888	£29,316	See cost centre report
105	Burwell Hall	£58,522	£63,842	£95,218	£31,376	Recharges to be made
202	Leys Recreation	£108,459	£118,319	£169,753	£51,434	Recharges. Rollover £10K professional fees
206	Lake and Country Park	£42,198	£46,034	£74,403	£28,369	Salaries to be allocated.
301	Tower Hill cemetery	£102,149	£111,435	£137,561	£26,126	Recharges
302	Windrush Cemetery	£98,873	£107,861	£189,850	£81,989	Recharges
402	Community Infrastructure	£211,452	£230,675	£322,717	£92,042	Arboriculture £24K but £7K committed Recharges
408	Community Activities	£133,715	£145,871	£172,520	£26,649	Children and Youth £28K spent of £44K budget but remainder committed. Water education/safety £10K part committed, part to earmarked
604	Works Dept unallocated	£30,960	£33,775	£0	£33,775	Will reduce to £0 and increase other cost centre expenditures
606	Grounds maintenance unallocated	£46,510	£50,738	£0	£50,738	Will reduce to £0 and increase other cost

						centre expenditures
	Cost centre (variance +/- £20K)	Expenditure to 28.02.23	Expenditure projected to 31.03.23	Projected (revised estimate)	Over budget or (under budget)	Items of note (+/- £10K)
800	Capital projects	£242,162	£264,177	£163,369	£100,808	See detail. This is capital rolling programme over several years
	Other "under and over" budget				-£106,739	
	Sub-total net under budget				-£288,719	
	Vehicle purchases approved				£89,852	Mixed funding streams
	Transfers to earmarked reserves relating to items noted above				£53,000	
	Transfers to earmarked reserves				£134,447	Estimate

On a very simple basis the adjustments to account for vehicle purchases and earmarked reserves would reduce the "under budget" to £11,420 this being 99.5% of revised budget. Note however that this is an estimate largely based on high-level analytical review and at year end and with the various fund transfers (capital/revenue/earmarked etc, may not translate entirely to the revenue accounts as implied above.

The financial position is therefore favourable with the Council's services being delivered within budget.

As part of the year end process your officers will thoroughly examine the various budget lines and proposals will come forward to the next meeting of the Policy, Governance and Finance Committee to allow for transfers to the earmarked reserves where specific budgets are underspent. This is in line with the Council's de facto policy to maintain prudential reserves where expenditure has not been required this year (but will in future years) or projects are not completed.

If Members have any specific questions, please email the RFO before the meeting so that he will be able to respond and provide an answer at the meeting.

FINANCIAL IMPLICATIONS OF RECOMMENDATIONS MADE BY SPENDING COMMITTEES

It is the Council's usual practice that all matters discussed, and recommendations made by spending committees which have financial implications, are reported to this committee. This committee is responsible for the overall fiscal management of the Council.

Additional financial matters and updates are also included in this report for transparency.

Parks & Recreation Committee – 6th March 2023

PR116 – Leys Traffic Calming. The Committee agreed to support the OCC Leys Traffic Calming Scheme. £5,000 is committed towards this project by the Town Council from Earmarked reserve (EMR) 373.

PR117 – West Witney Cricket Boundary Advertising. The Committee agreed to the purchase of boundary rope and an associated winder for the sum of £755 from the Sports Equipment Budget 203/4046.

PR118 - West Witney Bowls Green Irrigation System. The Committee agreed to take over the responsibility of the irrigation system for the sum of £300 (exc. VAT) as a one-off cost and then £300 each year for maintenance visits from the West Witney Property Maintenance Budget 203/4036.

Halls Cemeteries & Allotments Committee- 13th March 2023

H134 – Finance Report. The Committee agreed to the purchase and install two re-purposed post boxes for 'Letters to Loved Ones' at Tower Hill & Windrush Cemeteries from the Tower Hill property maintenance budget 301/4036.

H135 – Public Halls Report. The Committee agreed to the creation of a Loyalty Customer Scheme at the 1863 Café Bar and replacement furniture in the bar. Sum not yet known but should be minimal.

H137 – Burwell Heating System. The Committee agreed in principle to the purchase of a Fuel Cell Boiler for the sum of £19,000 subject to a further report to this Committee. The EMR for this project is £30,000 (part of EMR 372).

H139 – Tower Hill Cemetery Pedestrian Access. The Committee agreed to the purchase and installation of a sign to advise the gate will be closed when cemeteries are taking place. This would be a minimal cost from the Tower Hill Property Maintenance budget 301/4036.

Stronger Communities Committee- 20th March 2023

S146 – Finance Report. The Committee agreed to periodic professional cleaning of the war memorial at the cost of approx. £3,000 from the Memorial Maintenance EMR 318.

S147 – Communications Report. The Committee agreed to the purchase of a replacement noticeboard at The Leys Recreation Ground for the minimum sum of approx. £350 from the community infrastructure budget 402/4036.

S149 – Projects Update. The Committee agreed to increase the budget for the Covid-19 Memorial by £750 in order to erect a sign, a bench and lettering on the proposed stones. This being funded from the Community Infrastructure EMR (EMR 369).

S149 – Projects Update. The Committee agreed to increase the budget for the QEII Jubilee Garden, Unterhaching Park by up to £500, if required, from the Community Infrastructure EMR to complete the project (EMR 369).

S149 – Projects Update. The Committee agreed to create a budget for the Windrush Generation Tribute at the Corn Exchange to the sum of £500, funded from the Community Infrastructure EMR 369.

S151 – In Bloom. The Committee agreed to the purchase of a Composter for the Edible Gardens community gardening group from the In Bloom budget 402/4215.

S151 – In Bloom. The Committee agreed to increase the voucher amount to community gardeners and schools for the Schools In Bloom project, due to the current cost of living crisis. The increase would be covered from the existing 2023/24 budget 402/4215.

S151 – In Bloom. The Committee agreed the Town Council should enter the Lake & Country Park into the 2023 Thames & Chiltern In Bloom competition for the sum of £50 from the existing budget 402/4215.

S152 – King Charles III Coronation. The Committee agreed the budget should be increased by £3,500 from existing underspends of projects under the auspices of this committee to ensure the best possible event can be held. The sum being vired from budget lines 402/4141 (£2,899) and 404/4170 (£601).

ASSOCIATED FINANCIAL MATTERS

Asset Disposal

At the meeting of this committee on 30 January 2023 the Committee discussed the disposal of the Corn Exchange seating platform which, following the recent improvements to the premises, is now surplus to the Council's requirements. Disposal of the platform was delegated to officers (minute F70 and associated report refers). The asset was purchased in 2011 at the cost of approximately £15,000.

The platform was advertised via Facebook and one bid was received in the sum of £35 from 2120 (Witney) Squadron the Air Cadets. They have stated: "we'd be interested as the cadets for ownership, but also so it can be used by other community groups or WTC."

Whilst the bid is a modest one the offer for the platform to be available to others for use is attractive. The Council has a long history of partnership working with the Air Cadets. Whilst there is an extent resolution to delegate authority to the officers to dispose of the asset, the matter is brought back to Committee for consideration by Members and to ask if Members are content with the officer recommendation to proceed with the disposal to the Air Cadets. If Members are content with the above, then the further details of the disposal will be part of the existing delegation.

Energy contract

The Council's existing contracts with Green Energy UK end on 31 March 2023.

The Council's budget is under considerable pressure due to the cost-of-living crisis and energy is obviously a key driver of this. It is Council policy to reach carbon neutrality across the Council estate by 2028 and procure as near to 100% green energy as possible. The Council's procurement policy requires that we take into account importance of sustainability and the environmental, social, and economic impacts of the Council's purchasing decisions.

Members will be aware that due to the war in Ukraine the energy market is volatile and the RFO worked with a broker to obtain quotes for the Council's energy contracts. In the eventuality your officers agreed a one-year contract with Green Energy UK which, if current usage of is maintained, will result in an overall annual charge for gas and electricity amounting to £78,901. This compares favourably with the agreed budgets for 2023-24 which total £151,071.

Value-Added Tax (VAT) on sporting fees including football and cricket pitch hire.

Until earlier this year HMRC advised that except for series bookings VAT should be charged at the standard 20% rate on sporting fees. However, it was verbally reported to the Parks and Recreation Committee at its meeting on 6 March 2023 that the Council had recently been informed that sporting fees, including pitch hires, should now be treated as outside the scope of VAT. This was the result of a tribunal case, brought by Chelmsford City Council, which ruled

that sports pitch hire and some associated supplies constitute non-business activity; this was confirmed on appeal and the matter is now resolved. The Council have been advised that we should cease charging VAT immediately.

The latest advice from the Parkinson Partnership, who are one of the local council sector's leading advisers on such matters, is attached (appendix 2).

Being outside the scope of VAT is for a local authority beneficial. It means that VAT does not need to be charged to customers, but VAT incurred in supplying the goods and services (input tax), may be reclaimed under the special regime which applies to councils under section 33 of the VAT Act 1994. Note that being outside the scope is different to being zero-rated (which means that VAT is chargeable but at 0%) and exempt (which means that tax is not chargeable on supplies, but neither is input tax reclaimable).

The RFO has also attended a couple of briefings, including one on 22 March 2023 led by Steve Parkinson with Ian Harris of Leicester City Council, who advises CIPFA (Chartered Institute of Public Finance and Accountancy) in relation to VAT; both these individuals are experts in this field. It was confirmed that HMRC have now stated that sporting fees are part of the local authority services which are provided under a statutory framework and are therefore non-business activities. These activities are considered by the VAT experts in the sector to extend to: pitch and equipment hire but not to hire of community hall facilities to third parties who are offering sports-related activities, catering, vending, goods, clothing and parking.

The Council should now be in a position to reclaim the output tax which it has paid over, going back to the relevant VAT quarter four years ago, i.e., since 1 January 2019. Consequently, the RFO is now calculating VAT output tax which we have collected since January 2019, which we will apply to HMRC to have refunded. In the first instance, in line with other councils, a "protective claim" for the January to March 2019 will be made, as this needs to be done by 31 March 2023. The VAT in the current quarter (1 January to 31 March 2023) can be adjusted before the claim is made for this quarter. This will then be followed by a claim for the period April 2019 to December 2022. The amount of VAT from sports lettings which was invoiced for the period 1 March 2022 to 28 February 2023 amounted to £2,214 and there will have been similar amounts each year from 2019, with a reduction during the height of the pandemic.

Subject to the above the Council is likely to receive a significant VAT refund, although the timing is uncertain – it is estimated that there will be approximately 1,000 similar claims made to HMRC by 31 March 2023 to cover off the first quarter of 2019 and then a further 1,000 claims after that to cover the period to 31 December 2022. However eventually refunds will be received and there are a number of options for the Council in how it deals with these:

- (i) Pass the refunded VAT back to each individual club according to how much VAT input tax has been paid – there are some invoices where VAT was not charged on the basis of an exempt supply so in these cases no refund would be made.
- (ii) Retain the refunds and a contribution towards the provision of the services – this is allowed by HMRC as the services are subsidised (hence the non-business classification) and so a refund would not enrich the Council, simply reduce the deficit.

There is further decision to make regarding the fees and charges for all the sports facilities, which are currently listed as including VAT.

The current charges are:

SCHEDULE OF SPORTING CHARGES			
EFFECTIVE FROM 1ST APRIL 2023	2022-23	2023-24 - charge agreed which includes VAT	2023.-24 net of VAT rounded
	INC VAT	10% rounded	
CRICKET			
ADULTS	£ 71.50	£ 78.50	£ 65.50
JUNIOR TEAMS (UNDER 16)	£ 36.50	£ 40.00	£ 33.50
BOWLS			
GREEN FEES PER HOUR PER PERSON	£ 5.50	£ 6.00	£ 5.00
WOODS - HIRE OF PAIR PER HOUR	£ 3.00	£ 3.50	£ 3.00
SEASON TICKETS	£ 93.00	£ 102.50	£ 85.50
TENNIS - Premier Tennis			
MINI GOLF - Premier Tennis			
PAVILLION HIRE - Premier Tennis			
CHANGING ROOMS - The Leys	£ 38.50	£ 42.50	£ 35.50
FOOTBALL			
ADULTS/OVER 16'S	£ 66.50	£ 73.00	£ 61.00
JUNIOR TEAMS (UNDER 16)	£ 33.00	£ 36.50	£ 30.50
MINI TEAMS (UNDER 10) SMALL PITCHES ONLY	£ 22.50	£ 24.50	£ 20.50
HARDCOURT PLAY AREA - BURWELL - LIGHTING CHANGE	£ 27.50	£ 30.00	£ 25.00
DEPOSIT FOR HIRE OF EQUIPMENT	£ 10.50	£ 11.50	£ 9.50

The Committee is requested to consider whether:

- (a) To reduce charges by deducting the element of VAT currently charged. For the Council this would keep income the same as the reduction to the clubs is simply VAT which would have been passed on to HMRC. Similarly, the subsidy to the facilities would remain the same.
- (b) These charges should remain at the level stated, which would effectively keep charges the same for the hirers but increase council income and reduce subsidy. If this approach consideration would need to be given to the charges made to for supplies which were previously considered as exempt.

Logically but not necessarily if (i) above is agreed then (a) should be; similarly if (ii) is agreed then (b) should be.

Note that other recreational charges to hire of land and property for by clubs and for commercial uses is not affected by the VAT-status change as they are exempt from output tax under VAT Notice 742 (Land and Property).

Membership of Oxfordshire Association of Local Councils (OALC)

The Town Council has been in OALC/NALC for many years along with the majority of larger Town Councils in Oxfordshire. Twice per year OALC hold a meeting for the larger Councils and this is very beneficial and relevant. They hold an annual AGM with a topical speaker. It provides essential support to the Council and Councillors on democratic processes and NALC lobby parliament on behalf of councils to shape legislation and matters relevant to the local parish and town council sector. Whilst the subscription is significant, the benefit and relevance are such, that it is a worthwhile investment. The important matter of the changes to VAT for sporting fees was drawn to our attention by the OALC which has given us the opportunity to make the first claim for a refund. Within the subscription the Council receive regular updates on matters relevant to local council and is able to get free legal and financial advice. It also has access to a suite of legal topic notes via a members only website (both locally and nationally). Attached is an email from the Chair of OALC regarding continuing membership (appendix 3).

Your officers recommend that Members agree to the continued membership of this most vital organisation.

Closed Circuit Television (CCTV)

There was discussion at the Stronger Communities meeting in November 2022 regarding the £10,000 the Town Council provides to the Witney CCTV scheme. After the meeting the following was sent in a letter to West Oxfordshire District Council (WODC):

Thank you for providing me with an update via telephone back in October, when the town centre CCTV scheme encountered a critical failure. It is disappointing that the scheme has reached crisis point and that a new scheme for Witney still hasn't been identified.

I write further to my letter of 21st June 2022 regarding the future financial contributions from Witney Town Council.

At a recent budget-setting meeting of the Council, Members were concerned to hear the system had needed costly, urgent repairs and that plans for improvements or replacement still appeared vague and distant. It is reluctant to continue budgeting £10,000 per annum without assurances the system is up to standard and that an improvement plan is in place.

I would be grateful if you could provide an update to me on this so the Council can decide whether to provide Council Taxpayer funds for the next fiscal year.

The response from WODC is attached (appendix 4).

The contribution for 2022-23 has been paid and the Council has set aside £10,000 in its budget for 2023-24.

Members are requested to note this section of the report.

Investments

At the last meeting of the Committee Members enquired regarding the investments held by the Council, which are in addition to the bank balances.

The Council holds the following investments:

1. Public Sector Deposit Fund (CCLA Investment Management Ltd.) - £1,060,450.64 at 28 February 2023.
2. The Local Authorities' Property Fund (CCLA Fund Managers Ltd.) - £61,121.02 (mid-market value [net asset value]) at 31 December 2022.

An update will be given to each meeting.

Members are requested to note this section of the report.

ENVIRONMENTAL IMPACT

Having declared a Climate Change Emergency at its Council meeting on 26 June 2019 – with this in mind Councillors should have due regard to the environmental impact of any decisions they make regarding its facilities and services it operates.

RISK

In decision making Councillors should consider any risks to the Council and any action it can take to limit or negate its liability.

All the Council's Committees receive financial reports to conduct its checks and balances, and consideration is given to budgets and funding availability when agreeing expenditure.

FINANCIAL IMPLICATIONS

This report forms part of the Council's mechanisms for budgetary control, as it enables income and expenditure incurred to be reviewed and to be compared with the Council's budgets.

Specific financial implications are detailed in the report.

RECOMMENDATIONS

Members are invited to note the report and to:

1. Consider and approve the management accounts for the Council for the period 1 April 2022 to 28 February 2023.
2. Consider and agree the recommendations of the spending committees as detailed above.
3. Consider and approve the officer recommendation to sell the Corn Exchange seating platform, which is surplus to the Council's requirements, as further detailed in the report.
4. To note that the Council has entered a contract with Green Energy UK for supply of gas and electricity to Council premises.
5. To note the new VAT position regarding sporting fees including football and cricket pitch hire and to consider (i) what to do with any refunds obtained from HMRC for the period 1 January 2019 to 31 December 2022 and (ii) the impact on fees and charges for 2023-24 which are currently shown as including VAT.
6. To consider and approve the officer recommendation to remain in membership of the Oxfordshire Association of Local Councils during 2023-24.
7. To note and consider correspondence from West Oxfordshire District Council in relation to CCTV.
8. To note the Council's investments as detailed in the report.