

POLICY, GOVERNANCE AND FINANCE COMMITTEE

Date: Monday 25 September 2023

Title: Finance Report

Contact Officer: Responsible Financial Officer (RFO)

Should Members have any queries about this report advance notice would be appreciated, in writing, by 12noon on the day of the meeting, to allow for a full response at the meeting.

BACKGROUND

The Council has appointed five standing committees which have delegated powers to make decisions, including financial decisions, regarding the services which are included within their terms of reference, subject to the committee having the necessary budget. The Council's coding system and management accounts reflect the committee structure.

The Committee's terms of reference details the various responsibilities of this Committee:

- The Committee has budgets which are its direct responsibility.
- The Committee also has the responsibility for oversight of the all the Council's resources, its terms of reference including: "b. To conduct effectively the Council's budgetary, financial and precepting responsibilities in accordance with statutory requirements, and to keep the smooth functioning of the Council's work under review" and "d. To consider the resources available to meet the Council's objectives in terms of land, property, finance and manpower and to advise other committees and the Council as required." Consequently the management accounts of other committees are also brought forward to the Policy, Finance and Governance Committee, in cost centre order.

Within each committee, there are individual **cost centres**, comprising three digits and representing a discrete service entity, to which income and expenditure is allocated against previously agreed revenue budgets.

The cost centres for which this committee has **direct responsibility** are:

Page of report	Cost centre (CC)	Service
15	401	Civic activities
17	407	Grants and donations
18	502	Town Hall Maintenance
18	503*	Agency services (to 30/09/22)
19	505	Precept
19	506	Interest received

19	601*	Works department (to 30/09/22)
20	602*	Central support
21	604*	Works depot and vehicles
22	605*	General maintenance (from 01/10/22)
22	606*	Grounds maintenance (from 01/10/22)
23	700	Strategic planning initiatives
23	701	Corporate management
23	702	Democratic representation and management

** Note on cost centres which are recharged. Costs in relation to the works team and the office are in the first instance consolidated in discrete costs centres and then recharged to the Council's services.*

With the cessation of the grounds maintenance contract on 30 September 2022 there were several 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 have been accounted through CC 604, Works depot (includes most property, vehicles and equipment) and CC606 Grounds maintenance (mainly staffing costs).*
- 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).*
- CC 602, Central support. This cost centre remains in place.*

The Committee is also responsible for the Council's rolling capital accounts, pages 21 to 22, cost centre 800 – Capital Projects.

Within each cost centre income and expenditure is then allocated to a four-digit nominal ledger code; these codes are common across the cost centres. Nominal ledger codes further analyse the costs associated with the cost centre and correspond to a specific type of account, such as materials or staffing costs. Codes commencing with "1" are income codes; codes commencing with "4" are expenditure codes.

A report is submitted to every ordinary meeting of the standing committees and previous reports are available on the relevant committee section of the website.

CURRENT SITUATION

The Council financial year runs from 1 April to 31 March following. Consequently the management accounts to 31 July represent the first four months of the 2023/24 year.

I shall table, at the meeting, a further report which will take the accounts through to 31 August.

Members may wish to note the following matters in relation to the management accounts:

1. Recharges. The following recharges have been processed for the period 1 April to 30 June:
 - (i) 4896 – Maintenance staff;
 - (ii) 4897 – Maintenance staff overhead;
 - (iii) 4892 – Central support staff;
 - (iv) 4893 – Central support overhead.
2. As yet recharges have not been processed in relation to 4894 – grounds staff, 4895 – grounds staff overhead and 4899 - Depot reallocation.
3. Energy costs – nominal ledger codes 4014 – electricity. Energy costs are running below budget. Although the costs in the summer months are lower than the winter months, the unit costs are also lower than the Council budgeted for and a significant saving will be shown when revised estimates for the year are calculated.
4. A commentary on the management accounts for the other committees will have been given in the report to those committees.
5. A commentary in relation to the cost centres which are the specific responsibility of this Committee will be given when the updated (to 31 August 2023) report is published.

Note also the following comments relating to the management accounts across all Council committees:

1. Expenditure is not necessarily incurred evenly over the course of the year. As noted above most expenditure in relation to nominal ledger code 4025 (insurance) is incurred when the annual premium is paid in April. There will also be similar patterns on income with some rents/fees/charges invoiced on an annual or quarterly basis.
2. There will always be a delay between expenditure being incurred and being shown in the accounts. However the introduction of the computerised purchase order system from later this month will mean that committed expenditure will be shown on future reports, improving the timeliness of financial information.
3. Fixed assets. Members will recall that the Council has moved away from the previous method of accounting for fixed assets so that they now reflect the requirements of the Joint Panel on Accountability and Governance Practitioners' Guide (2023) for the size of the Town Council (income 2022/23 £2.3mi; expenditure £2.1mi) rather than the requirements for larger authorities with an annual turnover more than £6.5mi. This means that the end of year financial accounts will more clearly reflect the management accounting information received by Members during the year and that codes 5198 – deferred grant released and 5199 – depreciation charge to service, both of which do not feature in the budget or in-year management accounts, will no longer appear on the month 12 management accounts. Appropriate adjustments have been made in the 2022/23 accounts.
4. Members will likewise recall that the Council is now accounting for earmarked reserve movements differently. The previous system, used by this and other councils, was to represent in-year funding from earmarked reserves as negative expenditure (4995 – transfer from earmarked reserves) and transfers to earmarked reserves as

expenditure (code 4991). These fund movements will in future be shown in the final accounting column “Transfer to/from EMR” so they do not impact on expenditure but are correctly shown as funding. Appropriate adjustments have been made in the 2022/23 accounts.

The financial summary for the year is as follows:

	Actual April to July 2023	Budget for 2023-24	Proportion of budget incurred April to July 2023		<i>Actual April to July 2022</i>	<i>% of budget incurred April to July 2023</i>
Income	£1,062,980	£2,249,010	47.3%		<i>£1,030,409</i>	<i>48.5%</i>
Expenditure	£700,828	£2,341,138	29.9%		<i>£551,679</i>	<i>25.3%</i>
Net expenditure	(£362,151)	£92,128	-		<i>(£479,729)</i>	-

Beyond and subject to the items detailed above there are no other significant variances to which I would draw to the attention of Members at this stage, and the position is as one would expect at this stage in the financial year.

INVESTMENTS

The Council holds the following investments:

1. Public Sector Deposit Fund (CCLA Investment Management Ltd.) – Value of £1,074,824.58 as of 30 June 2023 (31/05/2023 - £1,070,600.88).
2. The Local Authorities’ Property Fund (CCLA Fund Managers Ltd.) - as of 30 June 2023 – Mid market value £59,856.81 (30 June 2023 mid-market value [net asset value]) (£59,939.98).

A further update will be given at the next meeting.

Members are requested to note this section of the report.

ENVIRONMENTAL IMPACT

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

Officers are continually assessing the environmental impact of services and assets to ensure that where possible measures are taken to support the Council's climate declaration of carbon neutrality by 2028. This extends to the procurement of goods and services.

RISK

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

Members are reminded that collectively they are custodians of the public purse with most of the funding coming from the taxpayers of Witney. Officers ensure they get best value, value for money, and comply with the Council's Standing Orders, Financial Regulations, and Procurement Policy.

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.

Any specific financial implications are detailed in the report.

RECOMMENDATION

Members are invited to note the report and approve the Council's management accounts for the period 1 April to 31 July 2023.