

## **Cover Report to the Financial Statement as at March 2018**

### **PURPOSE OF REPORT**

1. To provide the Council with an update on the current year's financial position as it approaches the end of the year, including a projection of the cash balance as at 31<sup>st</sup> March 2018. The report identifies specific elements that may require further decisions.

### **RECOMMENDATIONS**

#### **2. Payments and Invoices for approval**

**ACTION:** The Council is asked to approve the six payments detailed in paragraph 13.

**ACTION:** The Council is asked to approve in principle the three payments detailed in paragraph 14, and delegate authority to the Clerk/Cllrs to make the payments.

3. the Council **NOTES** the projected year end cash position of £8,611 (paragraph 19) with the potential allocation of sums to the four Earmarked Reserves totaling £3,100, thereby retaining a General Reserve with a balance of £5,500 Reserve as at 31<sup>st</sup> March 2018. (paragraph 23)
4. **NOTES** the projected VARIANCES in year, as detailed in paragraph (22) and,
5. **CONSIDERS** the establishment of a FIFTH 'Earmarked Reserve' for the 'Maintenance of the Wellhead' (paragraph 24)

### **BACKGROUND**

6. A Revised Budget 2017/18 was presented to the last Council meeting in September 2017. The Revised Budget included the decisions taken at the May 2017 Council meeting. The nett effect of the changes had been to reduce the projected cash balance as at 31<sup>st</sup> March 2018 from £8,337 to £7,158.
7. The Financial Statement as at 31<sup>st</sup> August 2017 analysed projected payments and receipts into three periods: April to September, October to December, and January to March. The period April to September period included all the payments previously approved by Council up to May 2017 ie up to and including cheque number 370 dated 9<sup>th</sup> May. The four further payments made between May and September (cheque numbers 371 to 374 inclusive) together with the three further payments approved at the September meeting (cheque numbers 375 to 377 inclusive) have now all been made and cashed.
8. The Financial Statement as at 4<sup>th</sup> December reported that three further payments had been made since the September 2017 meeting for which budget provision had been made (cheque numbers 378 to 380 inclusive). At that meeting the Council also agreed three further payments be made (cheque numbers 381 to 384 inclusive)
9. The Financial Statement as at 4<sup>th</sup> December showed in the final column the 'Projected' position as at 31<sup>st</sup> March 2018 with a predicted cash balance at 31<sup>st</sup> March 2018 of £8,105. The report explained the reasons the projected cash balance had changed from the previous report in September. Accordingly, the Council noted that it would be possible and prudent to establish four 'Earmarked Reserves' for the Council's potential costs regarding the repair and maintenance of the unadopted roads (£1,700), and cover for a Locum Clerk (@ £400), Legal Costs (@ £500)

and IT replacement (@ £500), and retain a General Reserve at or around the target figure of £5,000 at 31<sup>st</sup> March 2018.

### **Financial Position as at 16<sup>th</sup> March 2018**

10. Since the meeting in December, the Council has only approved (by email correspondence) one further payment. That payment was for the repair and repainting of the Wellhead at a cost of £174 (cheque number 385).
11. In constructing its Budget, the Council made some provisions for 'one-off items' of originally £1,100 reduced to £500 in December; repair to the Wellhead £400; and repairs to footpaths £200. As previously reported the costs to the Wellhead were less than provided for (releasing £226). There has been no expenditure in the year on footpaths (releasing £500). The provision of £1,100 for 'one-off items' has been used to fund the cost of meeting the General Data Protection Regulations that come into force in May 2018. The costs estimated at £500 (excl VAT) cover JISC domain name £80 (excl VAT), 6 x email licences £164pa (excl VAT), Cryoserver licence £216pa (excl VAT) plus a possible HCC admin fee of £40.... Releasing £600.
12. The above activity results in annual financial commitments that will be built into the Budget 2018/19 and the Three Year Medium term Financial Strategy. Following on from last year's purchase of a dedicated laptop for the Clerk, there is an annual fee of £20 83 (excl VAT) for the Norton antivirus software. A new Budget line will be included in subsequent financial statements for the ongoing costs of 'Information Technology'.
13. The Council is asked to approve the following payments totaling £1,337.66 :-
  - £24.99 reimbursement to Cllr Hertz for the costs of the Norton antivirus software (cheque number 386),
  - £196.99 (incl VAT) reimbursement to Cllr Hertz for the costs of SBL provision of 6 x email licences (cheque number 387),
  - £25 Hannington Village Hall for hire in December and March (cheque number 388)
  - £765.50 to Clerk/HMRC for the fourth quarter salary (cheque numbers 389 and 390)
  - £259.20 (incl VAT) Cryoserver licence (cheque number 391)
  - £65.98 (incl VAT) reimbursement to Clerk for expenses ink printer cartridges (cheque number 392).
14. In addition, the Council will also have the following payments to make before the end of the year, totalling an estimated £363.06.
  - £177.06 (incl VAT to Basingstoke Glass Compnay for replacement of two reinforced glass panels on the noticeboard at White Lane (cheque number 393)
  - £106.00 to HCC for the JISC domain name (£96 incl VAT) and their admin costs (say £10) (cheque number 394)
  - £80.00 to HALC for attendance of Clerk and Cllr Hertz at GDPR training session (395).
15. The inclusion of BOTH the above projected payments, totaling £1,700.72, has been incorporated in the final column of the Financial Statement attached at Appendix A.

### **FINANCIAL OVERVIEW and PROJECTED CASH BALANCE AS AT 31<sup>st</sup> MARCH 2018**

16. The financial statement attached at Appendix A provides the details of all Receipts and Payments made to date PLUS the further payments planned to be made between 16<sup>th</sup> March

and 31<sup>st</sup> March 2018. The projected cash balance also presumes that all cheques drawn would have been cashed by 31<sup>st</sup> March 2018.

17. Because of the large number of payments planned and the uncertainty of their receipt and processing it is not practical to produce a DRAFT Final Accounts 2017/18 at this stage.
18. The structure of the financial statement is somewhat convoluted. This is because the Government's Auditors require Councils to present their Year End figures in a particular analysis i.e they require separation of Precepts from Income and similarly Clerk Salary from Other Expenditure. The statement therefore attempts to meet both the standard format of Accounts and also the Government's structure... using the same base figures!!
19. In summary, the Financial Statement shows:-

|  |                  |                  |
|--|------------------|------------------|
| • Precept Income   | £6,703.00        |                  |
| • Other Grants and VAT reclaimed                         | <u>£1,853.18</u> |                  |
| • TOTAL INCOME   |                  | <b>£8,556.18</b> |
|  |                  |                  |
| • Clerk Salaries   | £3,062.00        |                  |
| • Running Expenditure                                    | <u>£2,061.73</u> |                  |
| • Total `Operating Expenditure                           | £5,123.73        |                  |
| • Capital & one off Items                                | <u>£1,026.85</u> |                  |
| • TOTAL EXPENDITURE                                      |                  | <b>£6,150.58</b> |
| • NET SURPLUS IN YEAR                                    |                  | <b>£2,405.60</b> |
|  |                  |                  |
| Cash balance as at 1 <sup>st</sup> April 2017            |                  | <b>£6,205.54</b> |
| NET SURPLUS IN YEAR                                      |                  | <b>£2,405.60</b> |
| Predicted Cash Balance as at 31 <sup>st</sup> March 2018 |                  | <b>£8,611.14</b> |

Note: excuse the spurious accuracy of showing figures to the 'penny', but by doing so it makes it easier to trace the figures quoted in the report back to the financial statement at App A.

20. Council were informed in December 2016, when setting the 2017/18 Budget, of the potential size of the cash balance as at 31<sup>st</sup> March 2018 could be in the region of £6,637, even after approving the increase of £700 to the Earmarked Reserve for the 'Unadopted Roads'; taking it to £1,700.
21. At the December 2017 meeting, the Council agreed to three further 'Earmarked Reserves' totaling another £1,400. This would bring the Earmarked reserves up to £3,100, and reduce the General Reserve back down to nearer the agreed target level of £5,000.

## EXPLANATION OF VARIANCES

22. The financial analysis at Appendix A also shows the 'variances' between each of the budget lines i.e between the Revised Budget Sept 2017 and the Projected Year end position. This shows:-
- There is NO VARIANCE between the projected Receipts and Budgetted Receipts at £8,556.

- There is NO VARIANCE between the projected Clerk salary and the Budget figure of £3,062.
- There is only a projected UNDERSPEND of £100 between the projected operational costs and the Budget figure of £5,224. This is almost entirely the underspend on the Clerk's expenses of £114.
- There is a £1,353 UNDERSPEND on the Capital and One-off Items of Expenditure. The main factors being:-
  - £630 underspend: being the use of only £470 (plus VAT) on GDPR out of the provision of £1,100 for 'one-off items of expenditure'.
  - £500 underspend: being no planned spend in year on the repair of footpaths out of the provision of £500.
  - £226 underspend: being the planned use of only £174 plus VAT on replacement of glass and repair to Noticeboard at White Lane out of the £400 provision.

23. The previous financial report in December identified likely underspends in these areas, which enabled the Council to consider the creation of THREE additional 'Earmarked reserves'. The Projected cash balance as at 31<sup>st</sup> March 2018 is shown as £8,611.14. The financial statement attached at Appendix A shows that, after allowing for the all FOUR 'Earmarked Reserves', the predicted General Fund Balance as at 31<sup>st</sup> March 2018 would be £5,511.14 compared with the projection in September in the Revised Budget of £5,458.

#### **Level of Earmarked Reserves and potential for one for the Wellhead?**

24. Over the last few years the Council has commissioned two works to repair and maintain the Wellhead. The first was structural and for health and safety reasons. The second was to help to maintain the structure in a fit state. The Council was fortunate that it was able to meet BOTH these costs from within its annual budget and the levels of cash held in the General Reserve. This might not always be the case, and it has been suggested by Cllr Hertz that the Council should consider a further 'Earmarked Reserve' for the Repair and Maintenance of the Wellhead. With a projected cash balance of £5,500 at 31<sup>st</sup> March 2018 compared with a target General Reserve of £5,000, the Council has the resources to review the planned levels of contribution to the FOUR 'Earmarked reserves' already agreed to, and to consider the establishment of one for the Wellhead.

Chris Pottinger,

Clerk, Hannington Parish Council

16<sup>th</sup> March 2018