



GRENDON UNDERWOOD PARISH COUNCIL

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Responsible Financial Officer (RFO) Annual Report 2018/19 Dated: May 2019

EXECUTIVE SUMMARY

The financial year is from 1st April to 31st March.

The statutory duties of a RFO are outlined in Appendix I. The budget preparation process is outlined in Appendix II. The precept application process is outlined in Appendix III.

General –

Further to advice last year, Council embarked on a progressive programme of transferring reserves back into the community in increments over a multi-year time frame.

As a consequence, overall expenditure was £28864 (gross), up from £19789 (gross) previous year, reflecting council's desire to reduce reserves - to include a £3000 s133 grant, a £1400 s137 grant, £3000 on CCTV, £1175 on Main Street gully clearance. This means council will not be able to claim full external audit exemption this year as overall spend exceeded the £25000 limit for exempt councils.

All Council expenditure is carried out electronically which must be authorised by at least two Councillors & executed by Direct Debit, Standing Order or by BACS. A formal Purchase Order system is designed to ensure compliance. All suppliers are supportive, have provided necessary bank details and welcome the change. Except by rare, unavoidable exception, there is no petty cash & no paper cheques in the system.

Precept FinYr 2018-19: A Precept of £19385, same as previous year, was submitted to AVDC by their deadline in mid-January 2018 & duly accounted for.

FinYr 2019-20: A Precept of £19720 has been requested for 2019-20 to reflect the increased number of residents in the parish whilst still maintaining a zero effect on Band D equivalence i.e Council Tax for Grendon residents.

Total Other Receipts £1639, down from £3706 due to non-availability of external grants but to include a £1559 BCC 'Devolved Services' contribution,

Personnel. (inc salary, overtime, HMRC, NI, pension, travel, training, expenses) £6473, up from £2703, due to no Clerk in post for several months previous year (time absorbed by committee at no charge), full inclusion of all the elements shown & increased training for on-job development during a short-term recruitment plan this year;

Loan interest the council does not hold any loans. FinYr 19-20; Council will enter into a loan arrangement, at 0% interest, with Government agent SALIX for the upgrade of all parish footpath lights to LED, resulting in a projected 43% cost saving.

All other payments – £22391, up from £17086, to reflect greater spend out of reserves

Balance carried forward: £26646, down from £34486, achieving the planned reduction in reserves, this year, to about 1x annual operational budget..

Total Fixed Assets £117562, down from £120047, to reflect the removal of three items from the playground and the addition of the council laptop, printer & phone (GDPR requirements).

Assets remain insured under a current insurance policy, the sum assured far exceeding book values, standing at £140294. Whilst the Asset Register is reviewed annually, it is some time since it was reconciled with the insurance policy. However, the variance between sums insured and book values as shown in the Asset Register are not considered an accounting risk.

STATUTORY DUTIES

VAT - Grendon Underwood Parish Council is a 'Section 33 Body' under the VAT Act 1994 and is therefore able to reclaim VAT even though it is not VAT registered. VAT is calculated for each financial year as it relates to suppliers

invoicing directly on the council **and** which are VAT registered. VAT of £1190 for YE 31.03.18 and £1513 for YE 31.03.19 was reclaimed in May 2019.

Budget

In order to support AVDC Precept request submission timing (no later than mid-January of each year) Council prepares an interim budget in the previous December. As there is no full council meeting in December, Council authorises, at its November meeting, the preparation, by subcommittee, of an interim budget during December. This is submitted to AVDC in line with their timing requirement and subsequently submitted to full council at its January meeting for ratification. As AVDC are legally obliged to grant a precept request (within reason) the full amount requested is assumed for budgetary purposes. Inevitably, being based on a 9 month spend during the relevant year, the interim budget is usually subject to revision, as more data becomes available, and finalised, for the following year, at FinYr end.

For FinYr 2018/19 an interim budget, in December 2016, indicated a projected operational spend of £24139 resulting in a general reserve holding of £30078. From this a precept request for £19385 was submitted to AVDC in January 2017. Additional considerations for operational expenditure coming to light since the preparation of the interim budget resulted in a final operational budget at just under £25000. Actual spend, to include an £8000 take from reserves, was £28864 (gross) – up from £19789 (gross) in 2017-18.

For FinYr 2019/20, at its 27 November 2018 meeting, minute 1811.05.3, Council authorised the preparation, by subcommittee, of an interim budget for FinYr 2019-20. In December 2018, preliminary estimates indicated a budget of £24000 operational and £9000 earmarked reserve. Based on this budget, a Precept request of £19720 for 2019-20 was submitted to AVDC on 18th December 2018 and later ratified at the full council meeting held on 29th January 2019, minute 1901.06.(b).

Actual spend & receipt data at year end 2018-19 indicate a more realistic projection of the operational budget for 2019-20 to be in the region of £22000, an acceptable latitude in relation to the precept, with an earmarked reserve of £13000, to cover projects already initiated – LED upgrade (£3000), church crossing feasibility study (£5000), toilet upgrade at Village Hall (£3000) - and resulting in a significant reduction in the Councils balance carried forward to the following year at £14000, down from £26646, or about 0.5x operational budget. Whilst this is normally accepted accountancy practice, it is strongly recommended that any other significant capital projects are held over to next year.

S106 Accounting

Section 106 money is a levy on developers wishing to build non-affordable housing in parishes. This is held by AVDC and drawn on by local councils according to development approved in their locality. Following the rejection of some large-scale planning applications in Grendon, at government appeal level, the amount of S106 money claimable by Council stands at some £10000. This has been attributed to the provision of a MUGA at the Village Hall. All income from S106 must be accounted for entirely separately & independently from other council expenditure and cannot be included in any budgets, reserves or projections.

GDPR

Council is a Data Controller under the Data Protection Act and General Data Protection Regulation (GDPR) of 2018. It must pay an annual fee of £40 to the Information Commissioners Office (ICO).

In addition, council has incurred expenditure of some £900 on controlled IT equipment and a phone. All councillors have council email addresses. No personal data capable of identifying an individual is sought or held by council unless by permission.

Contracts & Agreements

This year Council resolved not to renew a three-year agreement with BCC for 'Devolved Services' – grass cutting of roadside verges, maintenance of public rights of way such as footpaths & bridleways, land owner notifications & various signage duties. This was costing council some £500 more than a contribution of £1550 from BCC, which is now forfeit. This removes a risk to Council funds of up to twice the whole annual budget in a worst-case scenario.

Council initiated two grant applications from AVDC relating to their New Home Bonus funding – a recognition of the impact new homes (population growth) have on local infrastructure. A successful micro grant application for £1800 would incur installation costs of some £800 on council.

A successful project grant of £17000 to upgrade the Village Hall toilets would incur a contribution of £3000 on council in the coming year.

As the footpath lighting authority, Council resolved to initiate a £7830 capital project to upgrade all footpath lighting in the parish to LED over the coming year.

Subject to approval by the Secretary of State for Housing, Council is expecting to receive a 55% government loan of £4325 at 0% interest and contribute 45%, £3505 itself. There will be two repayments per year for 5 years of £432 each. The projected energy saving (& CO2) is about 43% (of £3600pa). The projected maintenance cost saving is about 90% (of £1000) over 10 years.

Reserves Management

As advised in the 17-18 FinYr RFO report, council reserves stood at some 1.5 times that of Annual Operational Expenditure (AOE) whilst general reserves are normally considered adequate at around 0.5 that of AOE.

This has resulted, over the past year, in Council being put at a disadvantage in achieving successful outcomes when making applications for grants from external bodies & authorities.

Consequently, Council embarked on a progressive programme of transferring reserves back into the community in increments over a multi-year time frame.

This year has seen a steady, controlled reduction in reserves to just above 1 times AOE and council could safely consider further reducing that to just above a target 0.5 of AOE in due course.

As advised in the FinYr 2017-18 RFO report, reserve projections for 2018/19 did show an Earmarked Reserve of about £10k for that year for exceptional, non-operational spend leaving an overall General Reserve of around £25k to 'top up' the precept to budgeted operational spend & for unforeseen contingencies. This was realised to plan resulting in an actual overall balance of £26646.

The various types of reserves recognised in accountancy practice are explained more fully in Appendix IV

Audits

The requirements of Internal and External audits are detailed in Appendix IV.

For FinYr 2018/19 – Internal Audit;

- The Internal Audit will be held on 22nd May 2019 and the Annual Internal Audit Report 2018/19 completed.
- Submission will be to Council on 28th May 2019;
- Submission of the Annual Governance & Accountability Return 2018/19 Part3 to the government appointed External Auditor will be by 11th June 2019. **Note:** Part 3 is necessary as council is not eligible for exemption this year (gross expenditure exceeds £25000)

– External Audit;

The council resolved to self-certify as exempt from a limited assurance review at the Annual Parish Council Meeting held on 30th May 2018, minute 05.09(iii)

- the Notice of the period for the exercise of public rights (set at between 17 June 2019 & 26 July 2019) will be published before 1st July 2019.
- A declaration that the accounting statements are as yet unaudited will be published by 1st July 2019
- Section 1 – Annual Governance Statement 2018/19 approved & signed will be published by 1st July 2019
- Section 2 – Accounting Statements 2018/19, approved & signed will be published by 1st July 2019
- The External Auditor Certificate must be signed off by September 2019;
- A notice of conclusion of audit will be published by 30th September 2019
- Section 3 of the External Auditor Report & Certificate will be published by 30th September 2019
- Sections 1 & 2 of the AGAR will be published by 30th September 2019

For FinYr ending 31st March 2018;

- The Council's Annual Governance Statement (Section 1 of AGAR) was approved at Annual Parish Council Meeting held on 30th May 2018, minute 05.09(ii).
- The Council's Accounting Statements (Section 2 of AGAR) were approved at Annual Parish Council Meeting held on 30th May 2018, minute 05.09(iv).
- The Council's Annual Governance & Accountability Return was published to the web site on 2nd June 2018.

- The annual 'Notice of appointment of data for the Accounts for the year ended 31st March 2018' was published to the web site on 2nd June 2018

SPEND BREAKDOWN FOR FINYR 1 APRIL 2018 TO 31 MARCH 2019;

Overall expenditure was £28864, up from £19789 previous year, and reflects council's desire to reduce reserves, to include a £3000 s133, grant, a £1400 s137 grant, £3000 on CCTV, £1175 on Main Street gully clearance.

Operational expenditure included;

Office Overhead - £1658 marginally down from £1765 last year;

Professional services - £312 up from £229 for planning & lease arrangements;

Insurances - £1635 up from £1555 to reflect inflation of premiums;

Subscriptions - £235 slightly up from £232. The council subscribes to membership of B&MKALC, ICO (statutory), NBPPC, BPFA;

Footpath Lighting (energy & maintenance) - £5466 down from £5588 to reflect removal of standing charge for an unused supply MPAN;

Waste Management - £445 for Waste Management; significantly down from £2936 previous year due to re-alignment of contractual arrangements. Comprises £445 for commercial waste at the Village Hall & £0 for 6 dog waste bins as this (£638) was paid this FinYr. Two contracts are in force with AVDC both under separate DDs – dog payable annually in December; commercial payable monthly.

General Maintenance - £1944 for General Maintenance of verges, hedges etc;

Proposed Actions before Annual Audit.

Proposal 1.

With Council's balance carried forward projected to be £14000 at year end, down from £26646, it is strongly recommended that no more significant capital projects are considered until next year.

Proposal 2.

Council takes a view as to the value of its assets in regard to the sums insured.

Proposal 3.

Council considers how best to account for S106 incomes against designated project outgoings.

Responsible Finance Officer
Grendon Underwood Parish Council

May 2019

Appendix I – Powers & Duties of an RFO

The RFO of a Local Government Authority, irrespective of its size, is required to execute the directives of a duly elected Council in regard to ensuring the Council complies with certain key statutory duties specified in the Local Government and Finance Act 1992, Part 1, Chapter III, Section 32, the Accounts & Audit Regulations Act 2015, Governance & Accountability Regulations March 2017 (JPAG) and others as relevant. Duties applicable to the Grendon Underwood Parish Council RFO are;

In collaboration with the Chair and at least one other Councillor, to prepare an annual budget for submission to full Council for approval;

By directive of the Chair and by using District Authority supplied software, to set & apply in due time, to the District Authority, for an annual precept;

To hold and maintain in a form suitable for audit, a Register of Assets held by the Council and disposed of by Council;

To hold and maintain in a form suitable for audit, a Cash Book itemising all expenditure, how payment was made, when payment was authorised, when payment was made, recipient & reason for payment. This is managed on council owned IT equipment on approved software;

To hold and maintain in a form suitable for audit, a register of all invoices, either in hard copy or electronically, for each financial year;

To hold and maintain, in collaboration with the Clerk, in a form suitable for audit, a register of all meeting minutes held in any financial year to ensure all expenditure is by Council minuted resolution;

To hold and maintain in a form suitable for audit, bank statements showing income & expenditure for the financial year;

To hold and maintain in a form suitable for audit, a record of Accounts using Council authorised software on Council owned hardware, held on Council property and conforming to recognised accountancy practice;

To reconcile the Cash Book and the bank account such as to identify the dates expenditure is authorised against the dates taken;

To identify from the Cash Book the VAT element of expenditure and to prepare the VAT reclaim for next year;

To assist & support any professional service Council may wish to commission for the preparation and submission of a monthly declaration for HMRC and to submit for payment by full Council HMRC & NI payments in due time and to issue all employment documentation as required.

To submit to each meeting of full Council a summary of expenditure for the period from the previous meeting;

To regularly review the budget against actual expenditure such as to provide members with early warning of the likelihood of a shortfall (or surplus);

To arrange and attend an Internal Audit to be held by an external, independent auditor and to have to hand all documentation requested by the auditor;

To arrange and comply with all requirements for an External Audit to be held by an independent external auditor appointed by Government Agency and to have to hand all documentation specified by the auditor;

To publish on the Council web site an Annual Return and an Annual Notification of Public Inspection of Accounts as required by statute;

In line with the Council's Financial Regulations and Risk Management Policy, all financial transactions must be agreed by full Council and minuted and executed against minute by written signature of at least two Councillors, one to include the Chair. As such, under no circumstances is an employee empowered to take overall authority to make spending decisions or commitments or make payments on behalf of Council.

In the event of an unforeseen requirement for an urgent expenditure, the Council's Rapid Response Protocol will be initiated to ensure no one individual is ever empowered to spend public money unilaterally.

To identify any monies held by the Council that may be accounted for as reserves or contingencies and to provide early warning of potential risk to the operational capability of Council.

To monitor the following;

- The Council Bank Account is managed by the Chairman with the Deputy Chairman as a second signatory & card reader holder.
- Bank Statements are provided monthly and published to the minutes of Council Meetings & for consolidation at quarter & year end.
- All invoices for the year are held in hard copy or electronically.
- Minutes & agendas posted to the website are signed electronically for web security reasons.
- All minutes are held in hard copy & signed off as a true & accurate record of proceedings.
- The statutory Annual Governance & Accountability Return (AGAR) to include an Annual Internal Audit Report, signed by a qualified independent, external auditor, an Annual Governance Statement, signed by Council, an Accounting Statement, signed by Council and an External Auditors Report signed by the duly appointed external auditor are all held in hard copy & published to the web site as required.
- The statutory Notice of Conclusion of the Annual Return is signed by Council and held in hard copy and posted to the web site as required.

Appendix II - Reserves

Reserves can be broken down into General Reserves (Operational), Earmarked (Project) and Capital Reserves.

General reserves can be used for the purposes of running the Council's business and it is desirable to maintain these reserves at a level of 6 Months of the anticipated annual Expenditure. Adopting a 6- month General Reserve will enable the Council to continue to operate in the event of late or non-payment of the Precept. The External Auditor will review the level of General Reserve held and may instruct the Council to adjust the Precept if these reserves are considered either too high or, too low, to maintain a reasonable operating reserve.

Earmarked Reserves (Project) These are reserves allocated to special projects by resolution of the Council. Typically, these can be created by the transfer of surplus General Reserve at the end of the financial year or generated from other income such as the windfall income from S106.

Capital Reserves. The Capital Finance Regulations 2010 requires that the proceeds of the sale of Council Assets over £10,000 must be held in Capital reserves and used for Capital Expenditure only. Capital Reserves can be used to repay Capital Debt, make significant enhancements to existing assets or to purchase new Capital assets. They cannot be used for revenue purposes without the permission of the Secretary of State (rarely granted)

Appendix III Annual Budget & Precept;

The budget for any given year is established & itemised as a projection from actual expenditure in the previous year plus any additional, known forthcoming expenditure plus an allowance for any unforeseen contingencies (reserves). It provides the basis on which the Council sets the precept request for that year;

The key stages in the budgeting process are;

1. decide the form and level of detail in the budget;
2. review the current year budget and spending;
3. determine the cost of spending projections;
4. assess levels of income;
5. correlate spending and income projections;
6. provide for contingencies and consider the need for reserves;
7. finalise the budget with explanations for any variances from the current budget and from current year expenditure and submit it for approval by full Council;
8. use the budget as the basis for projected expenditure and the amount requested for the precept (which has to be granted with consequential effect on the Council Tax of Grendon residents).
9. the budget then provides a basis for monitoring progress during the year by comparing actual spending against planned spending.

Appendix IV Annual Audits

(a) Internal Audit; Council must demonstrate to an external, independent Internal Auditor that

- A. Appropriate accounting records have been kept properly throughout the year;
- B. Council has complied with its financial regulations, payments are supported by invoices, all expenditure was approved and VAT was properly accounted for;
- C. Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these;
- D. The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate;
- E. Expected income was fully received, based on up to date information & agreements, properly recorded and promptly banked; and VAT appropriately accounted for;
- F. Any petty cash payments were properly supported by receipts, any petty cash expenditure is approved and VAT is appropriately accounted for;
- G. Salaries to employees and allowances to members were paid in accordance with Council approvals, and PAYE & NI requirements were properly applied;
- H. Asset & investments registers were complete and accurate and properly maintained;
- I. Periodic & year-end bank account reconciliations were properly carried out;
- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts, & payments or income & expenditure) agreed to the cash book, supported by an adequate audit trail from underlying records and, where appropriate, debtors & creditors were properly recorded;
- K. If council certified itself as exempt from a limited assurance review in previous year, it met the exemption criteria and correctly declared itself as exempt;
- L. During the Summer of relevant year, Council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts & audit Regulations;
- M. As applicable, for any Trust Funds (including charitable), the Council met its responsibilities as a trustee;
- N. For any other risk areas identified by the Council adequate controls exist;
- O. Date of audit; name of person who carried out the audit.

To this end, the RFO must make available for audit;

- The previous year's Annual Return;
- The previous year's invoices;
- The previous year's minutes;
- The Minute the precept was set;
- The Minute the budget was set;
- Council Policies including Standing Orders, Financial Regulations, Risk Assessment;
- The Asset Register.

(b) External Audit; Council must demonstrate to an external, independent External Auditor that

Council has diligently, transparently and correctly complied with its responsibility to ensure its financial management is adequate and that it has a sound system of internal control.

To this end the Council must prepare an Annual Governance & Accountability Return for each financial year to demonstrate mandatory accounting records for that tax year such as to confirm & provide assurance on those matters relevant to the External Auditor's duties & responsibilities as follows;

- A Notice of the Period for the Exercise of Public Rights (set at between 17 June 2019 & 26 July 2019) will be published before 1st July 2019.
- A declaration that the accounting statements are as yet unaudited will be published by 1st July 2019
- Section 1 – Annual Governance Statement 2018/19 approved & signed – before Section 2 - will be published by 1st July 2019
- Section 2 – Accounting Statements 2018/19, approved & signed will be published by 1st July 2019
- The External Auditor Certificate must be signed off by September 2019;
- A notice of conclusion of audit will be published by 30th September 2019
- Section 3 of the External Auditor Report & Certificate will be published by 30th September 2019
- Sections 1 & 2 of the AGAR will be published by 30th September 2019
- A confirmation of the dates of the period for the exercise of public rights
- A bank reconciliation pro forma

- An explanation of 'high' reserves
- A reconciliation between the balance carried forward and total cash & short-term investments
- Contact details
- An explanation of any significant variances between current year and previous.

In addition, at the conclusion of the External Audit, the Accounts and Audit (England) Regulations 2015 set out that Council must;

1. Publish (which must include publication to the Council web site) a statement to the effect;
 - The audit has been concluded and that the Statement of Accounts has been published,
 - Of the rights of inspection conferred on local government electors by section 25 of the Local Audit & Accountability Act 2014,
 - The address at which, and the hours during which, those rights may be exercised;
2. Keep copies of the Annual Return for purchase by any person on payment of a reasonable fee;
3. Ensure that the Annual Return remains available for public access for a period of not less than five years beginning with the date on which the Annual Return was first published;

The 2015 Act does not specify the period the signed off accounts need to be on the Council's web site but this period must be reasonable.

Appendix V Personnel (HMRC, Payroll, Pensions, NI).

Grendon Underwood Parish Council is responsible for and is required to demonstrate, both as a Local Government Authority and as an employer, that it complies with all employment legislation regarding HMRC/ NI, pensions, payroll. In recognition of a specific risk identified in the May 2018 Risk Assessment review, Council has resolved to supplement the RFO role with an external professional provision to ensure timely compliance with all relevant legislation.

As a small employer, the Council discharges its statutory duties on line to prescribed timing.