



Annual Report of the Responsible Financial Officer (RFO) 2020/21 Dated: May21

INTRODUCTION

The financial year is from 1st April to 31st March. The budget is prepared in November for submission in January. The Internal Audit was conducted on 1st May 21; the External Audit is scheduled for completion by September.

The Council follows the requirements for adequate financial governance as defined in the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide – March 2020 and its own Financial Regulations, available on the web site.

The statutory duties of a RFO are outlined in Appendix I. the management of reserves is laid out in Appendix II. The budget/precept process is detailed in Appendix III. The statutory requirements of Annual Audits are expanded in Appendix IV. How the Council discharges its responsibilities as an employer are explained in Appendix V.

EXECUTIVE SUMMARY

Overview –

This year the Council has seen its trajectory of the previous year towards its manifesto goal of maintaining a steady, prudent reduction in reserves such as to pro-actively transfer funds back into the community somewhat curtailed by Government restrictions on movement and meetings. Consequently, reserves have risen slightly.

The Council has overseen an overall spend of some £23468, being in the main limited to core operational spend with minimal discretionary spend, which, together with a total income of £28764, has resulted in a net increase in reserves of some £5000 up to £29k from £24k at start year.

This is comfortably in line with a precept of just over £20k but leaves reserves some 3 times above the council target of 50% of operational spend.

Council procedures successfully withstood the Annual Internal Audit on 1st May 21. Council ratified the External Audit submission at its April 21 meeting and it was submitted in May 21. The External Auditor's report is expected before September.

The demise of Aylesbury Vale as a stand-alone District Council has resulted in a cessation of grant funding from them. But the new County Council has initiated various funding streams through the Haddenham & Waddesdon Community Board primarily in aid of their greening initiatives and the Council will seek to participate.

Collaboration with stakeholders and community groups for joint funding initiatives have been on hold for most of the year. The Council still retains its intentions to develop a tranquillity zone behind the church, to part fund a safer pedestrian crossing at the church with HS2 Road Safety Fund money, work with school and woodland organisations to build their sensory garden and to bring the County owned land at church end of Main Street back into community use.

Precept the precept for this year was £20290, up from £19720 previous year, to reflect the increased population of the parish without having any detrimental effect on band D equivalence or residents' council tax.

Other Receipts other than the precept, council was in receipt of some £8 ½ k, comprising a refund of inappropriate, historic energy overpayments, contributions from community for previous year initiatives & some \$106 money for renovations of the playground.

Personnel. (To include salary, overtime, HMRC, NI, pension, travel, training & expenses) - £4056 down from £4449 to reflect no overtime, no travelling and no training requirement.

Loan interest This year, Council started making repayments for the Ministry of Housing, Communications & Local Government 5 year loan award of £5105, at 0% interest, taken out with the intention of significantly reducing running costs, maintenance costs & our carbon footprint of running by upgrading our footpath lights to LED.

Repayments are payable in two instalments of about £500 each (£1021pa) in August & February of each financial year for 5 years – up to February 2025. Necessary funds are ringfenced as earmarked reserves.

Balance carried forward: The net effect of this year's spend/income has been an increase in reserves of some £5000 up to £29k from £24k at start year.

Reserves Management

Overall, the net effect of expenditure & income this year has been to increase reserves by £5000 to some £29k or 3 times that of the council target of holding reserves broadly equivalent to 50% of annual total operational spend - in line with common accounting practice [in GU: £12,000]. Consequently, this represents an increase in fiscal head room for further discretionary spend next year as options open up after the pandemic.

Note: Reserves in excess of double the precept may trigger an external audit explanation of excess reserves [in GU: £40,000].

The Council has taken due regard of the need to put in place a General Reserve Policy and has reviewed the level and purpose of all Earmarked Reserves. Council remains committed to its multi-year strategy of steadily & prudently reducing reserves to about half of annual statutory operational spend, in line with common accountancy practice. This maximises fund leverage into the community and will also reduce the propensity of Council being put at a disadvantage in achieving successful outcomes when making applications for grants from external bodies & authorities.

The only earmarked reserves are for the footpath light upgrade loan repayments being £1021 annually until 2025.

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

Total Fixed Assets: these remain unchanged from last year at £104,495.

This has yet to be reflected in insurance premiums, the sum assured standing at £140,294.

Due Diligence & Risk Analysis

To reflect risk identified in the Risk Analysis and to maximise transparency & accountability, 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 are no petty cash, no paper cheques and no credit or debit cards in the system.

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.

This FinYr, VAT of £2,702 will be reclaimed together with £2,838 VAT due from previous year.

Budget

The budget / precept request submission process is detailed in Appendix III.

The interim budget for FinYr 2020-21 was authorised in November 2019, submitted in December 2019 and ratified at the January 2020 meeting. A projected total core operational spend was budgeted at £25326. This, in addition to an uplift in line with an increase in the electoral register, supported a precept request for £20290, up from £19720, without having any effect on local Council Tax. The actual 2020-21 core operational spend was £ 23439.

Incidentally, the budget indicating a spend in excess of £2500 prevented a submission for exemption from external audit.

S106 Accounting

Section 106 money is a levy on developers wishing to build non-affordable housing in parishes. This is held by County and released to local authorities subject to prior approval of eligible local proposals and strict planning & project management criteria being in place. Following the approval of some and rejection of other large-scale development proposals, the amount of S106 money claimable by Council stands at some £132,074. This is currently attributed to the provision of a MUGA at the playing field and other amenity improvements as described in PC document "Disposition of S106 money" available on request.

All income derived from S106 must be considered solely transitional – direct from Authority to one or more approved project(s) - and cannot be redirected into operational budgets without approval. It must be accounted for transparently as dedicated solely to the approved project(s). It must be used within 10 years of availability or it becomes repayable to the developer - with interest.

Contracts & Agreements

A 5-year agreement continues this year for Liability Insurance to terminate in May 2021 running at £1376 per annum.

Agreed subscriptions consist of: ICO, B&MKALC [NALC], NBPPC, BPFA about £235 per annum.

There are no Standing Orders in force and several Direct Debits remain in force to cover liability insurance, memberships, dog waste and general waste management, professional services & lighting energy.

Repayment of a 5 year, zero % interest loan of £5105, being a part payment of an £8000 capital project to upgrade all footpath lighting in the parish to LED, commenced this year at a rate of £1021per annum paid in two instalments of £500 each in August & February.

The projected energy saving (& CO2) is about 43% (of £3600pa). The projected maintenance cost saving is about 90% (of £1000) over 10 years.

Audits

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

For FinYr 2020-21:

- The Accounting Statements were prepared by the RFO in April 2021 for submission to the Internal Auditor.
- The Internal Audit submission was ratified by Council at its April meeting.
- Annual Governance Statement 2020/21 (Section 1 of AGAR) was ratified by resolution at the April 21 Council Meeting, minute
- Subsequently, the Accounting Statements 2021/21 (Section 2 of AGAR) was ratified by resolution at the April 21 Council Meeting, minute
- The Internal Audit was successfully withstood on 1st May 21.
- The Chairman & Clerk signed the Annual Governance Statement and the Chairman signed the Accounting Statements in May 21.
- The Asset Register to be reviewed and accepted by resolution at Annual Parish Council Meeting to be held in May 2021, minute
- The RFO set the period for the exercise of public rights at 14th June 21 to 23rd July 21, as recommended.
- The External Audit submission comprising -
 - The Annual Internal Audit Report;
 - The Annual Governance Statement- AGAR Section 1;
 - The Accounting Statements- AGAR Section 2;
 - An analysis of significant variances;
 - A bank reconciliation as at 31 March 2021;
 - Confirmation of the dates of the period for the exercise of public rights;
 - Confirmation of contact details;
 - And any other information the auditor may have specifically requested.be agreed by resolution and authorised for submission at Annual Parish Council Meeting to be held in May 2021.
- The RFO submits the External Audit pack in May 2021.
- The External Auditor Report & Certificate (AGAR Section 3) to be signed off and returned to the authority no later than November of same fiscal year.

Further and in addition, the Clerk must publish, before 1st September of fiscal year -

- The Annual Internal Audit Report.
- The Annual Governance Statement.
- The Accounting Statements.
- A declaration that the accounts are as yet unaudited.
- Details of the arrangements for the exercise of public rights.
- The name & address of the external auditor.
- The External Auditor Report & Certificate (AGAR Section 3).

In addition, and before 1st December of fiscal year, the Clerk must publish -

- The Notice of Conclusion of Audit.
- The audited Annual Governance Statement (Sections 1&2 of AGAR).
- The audited Accounting Statements.
- The External Auditor Report & Certificate.

SPEND BREAKDOWN FOR FINYR 1 APRIL 2020 TO 31 MARCH 2021;

The total core operational expenditure of £23468 comprised;

Personnel [salary, HMRC, pensions, PAYE, training, expenses] - £4056 down from £4449, due to no o/t, training or expenses;

Office Overhead [IT, consumables, web site, phone, room rental, broadband] - £1400 up from £510, due to website & laptop upgrade & software subscriptions;

Professional services [audits, planning, lease, HMRC, inspections] - £835 down from £1060;

Insurances [liability, tractor] - £1723 up from £1670 due to premium inflation;

Subscriptions [ICO, B&MKALC, BPFA, NBPPC] - £292 up from £235, due to inflation;

Publicity - £340 up from zero, due to anti prison campaign flyers;

Footpath Lighting (energy & maintenance) - £1443 [to include loan repayment] down from £4565 due to correction of lantern responsibility designation;

Amenities - £4947 up from £4600, due to CCTV upgrade, Springhill notice board & memorial waste bins

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Waste Management [dog, general] - £917 down from £1687 due to renegotiated contract.

General Maintenance [environment, tractor, playground, war memorial, notices, MVAS, defibrillator, bus shelter, salt bins] - £6367, to include £3000 for grass cutting, up from £1656 due to grass cutting machinery repairs & playground maintenance;

Grants – £73 for community;

Proposed Actions before Annual Audit.

Proposal 1.

Council should take a view as to the value of its assets in relation to the sums insured.

Proposal 2.

Council to formally adopt its preferred method of ensuring transparency of accounting for S106 funding.

----- Report Ends -----

Responsible Finance Officer, Grendon Underwood Parish Council

May 2021

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, Part1, 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.
- 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;

Budget

In order to support Grendon Underwood Unitary Ward (GUUW) Precept request submission timing (no later than mid-January of each year) the Council budget process is as follows: -

At the November meeting, Council authorises the preparation, by subcommittee, of an interim budget before the next meeting at end January of same Financial Year.

As there is no full council meeting in December, this authorisation and an authority for the RFO to submit the budget to County, is by electronic agreement through the Remote Protocol.

Given this agreement, the RFO submits the interim budget no later than mid-January to comply with County deadlines.

The Budget and application are formally ratified by resolution of full Council at its end-January meeting.

As County is legally obliged to grant a precept request (within reason) the full amount requested is assumed for budgetary purposes in the following FinYr. 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 at FinYr end.

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 (recommended to be set at between 14 June & 23 July of same fiscal year) to be published before 1st June.
- A declaration that the accounting statements are as yet unaudited will be published by 1st July.
- AGAR, Section 1 – Annual Governance Statement approved & signed – before Section 2 - to be published by 1st July.
- AGAR, Section 2 – Accounting Statements, approved & signed, to be published by 1st July.
- The External Auditor Certificate must be signed off by September of same fiscal year;
- A notice of conclusion of audit will be published by 30th September.
- AGAR, Section 3 - External Auditor Report & Certificate to be published by 30th September.
- The audited Sections 1 & 2 of the AGAR will be published by 30th September.
- A confirmation of the dates of the period for the exercise of public rights
- A bank reconciliation pro forma
- An explanation of 'high' reserves – if applicable.
- 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.