



Penrith Town Council

Church House, 19-24 Friargate, Penrith, Cumbria, CA11 7XR
Tel: 01768 899773 Email: townclerk@penrithtowncouncil.co.uk

Date: 07 January 2019

Dear Councillor

You are hereby summoned to attend a meeting of the:

FINANCE COMMITTEE

to be held on:

Monday 14 January 2019 1.00 pm – 2.00 pm Board Room, Penrith Town Council Office, Church House.

Mrs V. Tunnadine

TOWN CLERK

(Please Note: Under the Openness of Local Government Bodies Regulations 2014 this meeting has been advertised as a public meeting and as such could be filmed or recorded by broadcasters, the media or members of the public)

When it is proposed to consider the following business: -

PENRITH TOWN COUNCIL

AGENDA FINANCE COMMITTEE 14 JANUARY 2019

1.00 PM – 2.00 PM Board Room, Penrith Town Council Office, Church House.

1. Apologies for absence

To receive apologies from members.

2. Declaration of interests and dispensations

Members will be asked to disclose their interests in matters to be discussed and to decide requests for dispensations.

3. Minutes of the previous meeting

To authorise the Chairman to sign the Minutes of the Meeting of the Finance Committee held on Monday 12 November 2018 and the Meeting of the Finance Committee held on Tuesday 20 November 2018 as a true record.

4. Public participation

Members of the public, who have requested in writing to speak prior to the meeting, are invited to speak on matters related to the agenda for up to three minutes.

5. Public bodies (admission to meetings) act 1960

To consider whether any items should be considered without the presence of the press and public, pursuant to the Public Bodies (Admission to Meetings) Act 1960 Section 2.

6. Payments for Approval

- a) To note that prior to the meeting Cllr. Baker and Cllr Bowen will access the EBS to reconcile the monthly report of all payments made for the relevant period and will then recommend for approval that each payment aligned with the invoices.
- b) Finance Committee to approve and record the monthly report of payments.

7. Proposed Budget for 2019/20

- a) To consider the proposed Draft Budget for 2019/20 and recommend the report go forward for final ratification by Full Council.
- b) To consider the Reserves Policy and Investment Policy and recommend the report go forward for final ratification by Full Council.

8. Bank Reconciliation

To approve and sign the bank reconciliation as at 30 November 2018.

9. Grounds Maintenance Fairhill

To note that the Grounds Maintenance Contractor for Fairhill has been retained for the 2019/20 Financial Year.

The contract commenced on the 01 April 2018 for an initial period of one year, with the option to extend the contract for two one-year extensions.

During the first year of operation the contractor has met the requirements of the specification in full. The quality of the work has been to an acceptable standard. Under the scheme of delegated authority, the Services and Contracts Manager has retained the Grounds Maintenance Contractor for a further one-year period.

10. Next meeting

To note that the next Finance Committee Meeting will be held on Monday 11 March 2019 in the Board Room, Penrith Town Council Office, Church House at 2.00 pm.

For the Attention: All members of the Penrith Town Council Finance Committee:

Cllr. Kenyon	Chairman
Cllr. Burgin	Vice Chairman
Cllr. Baker	
Cllr. Bowen	
Cllr. Jackson	

For Information only: All other members of the Penrith Town Council

Councillors

Cllr. Briggs
Cllr. Donald
Cllr. Clark
Cllr. Lawson
Cllr. Monk
Cllr. Whipp



Penrith Town Council

Unit 1, Church House, 19-24 Friargate, Penrith, Cumbria, CA11 7XR
Tel: 01768 899773 Email: townclerk@penrithtowncouncil.co.uk

Draft minutes of the meeting of the:

FINANCE COMMITTEE

Held on:

Monday 12 November 2018 2.00 pm – 4.00 pm Board Room,
Penrith Town Council Office, Unit 1, Church House, 19-24
Friargate.

PRESENT:

Cllr. Baker

Cllr. Burgin

Cllr. Bowen

Cllr. Jackson

Services & Contracts Manager

Responsible Finance Officer

**PENRITH TOWN COUNCIL
DRAFT MINUTES
FINANCE COMMITTEE 12 NOVEMBER 2018**

FIN.COM.18/34 Apologies for Absence

Apologies for absence were received from Councillor. Kenyon

FIN.COM.18/35 Declaration of Interests and Dispensations

Members were asked to disclose their interests in matters to be discussed and to decide requests for dispensations. There were no declarations of interest made at the meeting.

FIN.COM.18/36 Minutes of the Previous Meeting

Members authorised the Chairman to sign the Minutes of the Meeting of the Finance Committee held on Monday 10 September 2018 as a true record.

FIN.COM.18/37 Public Participation

No members of the public had requested in writing to speak prior to the meeting.

FIN.COM.18/38 Public Bodies (Admission to Meetings) Act 1960

It was agreed that Item 16. Potential Acquisition of Land Holdings be considered without the presence of the press and public, pursuant to the Public Bodies (Admission to Meetings) Act 1960 Section 2.

FIN.COM. 18/39 Payments for Approval

A. Members noted that:

All members received prior to the meeting, a copy of the monthly report of all payments made, with electronic copies of each invoice paid, an electronic copy of the bank statements for the relevant period and that all members had therefore verified that each payment aligned with the invoices.

Members confirmed that:

- i. The Banking transaction history runs concurrently from the last meeting and follows the payments schedule for the same period and agrees with the transactions circulated with the meeting documents.

B. Members considered the payments schedule.

RESOLVED THAT:

The payments schedule be approved.

C. Members considered the introduction of a rota for the authorisation of the Payments for Approval.

RESOLVED THAT:

Two Members review the information and report to Committee their recommendation. Cllr. Baker and Cllr Bowen, then Cllr. Baker and Cllr. Jackson were agreed as the rota for the forthcoming meetings.

FIN.COM.18/40 Annual Governance and Accountability Return 2017/18.

A. Members received a copy of the External Auditor Report and Certificate, 2017/18. Members noted that:

The external auditors have concluded the audit for the financial year 2017/18 and are satisfied that the Town Council's accounts and supporting information supplied are in accordance with proper practices and that relevant legislation and regulatory requirements have been met. Members noted that annual return is posted on the Council's noticeboard and the Council's website.

RESOLVED THAT

- i. The external auditors report be approved and recommended that the report go forward for final ratification by Full Council.

B. Councillor Jackson wished to record his thanks to the officers for their efforts in the preparation of the Annual Return.

FIN.COM.18/41 Internal Audit Report

Members considered the Internal Audit Report.

RESOLVED THAT:

- i. The Internal Audit Report be approved and recommended that the report go forward for final ratification by Full Council.

FIN.COM.18/42 Budgetary Control Statement: Quarter 2 2018/19

The Committee agreed to defer the matter and agreed for a Special Meeting to be arranged for the 20 November 2018.

FIN.COM.18/43 Memorial Seats Policy

Members considered the Memorial Seats Policy report.

RESOLVED THAT:

- i. The Memorial Seats Policy be approved and recommended that the report go forward for final ratification by Full Council.

FIN.COM.18/44 Banner and Advertisement Policy

Members considered the Banner and Advertisement Policy report.

RESOLVED THAT:

- i. The Banner and Advertisement Policy be approved and recommended that the report go forward for final ratification by Full Council.

FIN.COM.18/45 Approved Contractor Policy

Members considered the Approved Contractor Policy report.

RESOLVED THAT:

- i. The Approved Contractor Policy be approved and recommended that the report go forward for final ratification by Full Council.

FIN.COM.18/46 Staff Sub Committee Recommendations.

Members considered the Staff Sub Committee Recommendation report.

RESOLVED THAT:

- i. The Officer and Member Protocol be approved and recommended that the report go forward for final ratification by Full Council.
- ii. The Staff Pay recommendations be approved and go forward for final ratification by Full Council.
- iii. The Service and Contracts Manager registers for CiLCA; and the decision for the Town Clerk to undertake the CMI Level 7, Senior Leadership Programme be deferred pending further information.

FIN.COM.18/47 Work for Kirkby Stephen Town Council

The Committee noted that in response to request from Kirkby Stephen Town Council, the Responsible Finance Officer has reviewed their asset records and produced a report recommending an approach to ensure that they comply with proper accounting practices. The cost of the work is to be recharged to Kirkby Stephen Town Council.

FIN.COM.18/48 Services and Contracts Work Plan

The Committee noted the progress of the Services and Contracts Work Plan as at 30 September 2018.

PART II – Members of the Press and Public were excluded.**FIN.COM.18/49 Potential Acquisition of Land Holdings**

Members considered the report on the potential acquisition of land holdings.

RESOLVED THAT:

- i. The Committee approved the draft Acquisition of Property Policy and associated delegation of authority and recommended that the report go forward for final ratification by Full Council.
- ii. The Committee approved the recommendations as set out in Section 12 of the report including:
 - a) The Council agree a strategic approach to land and property acquisitions. The requirement to invest in land and property should be identified as part of the Council's development of its Financial Plans and Capital Programme.
 - b) Officers continue to monitor the open market for investment and service growth opportunities.

- c) No further activities take place regarding acquiring the lease for Unit 2.
- d) The Committee agreed for officers to develop a project that would include the transfer of the Two Lions from Eden District Council and the freehold purchase of the White Horse.

Chairman:

Date:

For the Attention: All members of the Penrith Town Council Finance Committee:

Cllr. Kenyon **Chairman**

Cllr. Burgin. **Vice Chairman**

Cllr. Baker

Cllr. Bowen

Cllr. Jackson

For Information only: All other members of the Penrith Town Council

Councillors

Cllr. Briggs

Cllr. Clark

Cllr. Donald

Cllr. Lawson

Cllr. Monk

Cllr. Whipp

Cllr. Thorley



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Draft minutes of the meeting of the:

SPECIAL FINANCE COMMITTEE

Held on:

Tuesday 20 November 2018 10.30 am – 12.00 noon Board
Room, Penrith Town Council Office, Unit 1, Church House, 19-24
Friargate.

PRESENT:

Cllr. Baker

Cllr. Bowen

Cllr. Jackson

Responsible Finance Officer

**PENRITH TOWN COUNCIL
DRAFT MINUTES
FINANCE COMMITTEE 20 NOVEMBER 2018**

FIN.COM.18/50 Appointment of Chairman

In the absence of the Chairman and Vice Chairman, Councillor Jackson was appointed Chairman for the meeting.

FIN.COM.18/51 Apologies for Absence

Apologies for absence were received from Councillors Kenyon and Burgin.

FIN.COM.18/52 Public Participation

No members of the public had requested in writing to speak prior to the meeting.

FIN.COM.18/53 Public Bodies (Admission to Meetings) Act 1960

It was agreed that no agenda items be considered without the presence of the press and public, pursuant to the Public Bodies (Admission to Meetings) Act 1960 Section 2.

FIN.COM.18/54 Budgetary Control Statement: Quarter 2 2018/19

A. Members considered the second quarter's budgetary control report. This recorded an overall underspending of £31,313 against the profiled budget for the year to date. The RFO responded to Members' questions for clarification of details contained in the report.

RESOLVED THAT:

The budgetary control statement for the quarter be approved.

B. Members considered the Bank Reconciliation for the second quarter.

RESOLVED THAT:

The bank reconciliation for the second quarter of the 2018/19 year be approved and signed by Cllrs. Jackson and Baker.

FIN.COM.18/55 Staff Sub Committee Recommendations

Members noted that the Staff Sub Committee Recommendation report, which had been circulated with the agenda for the meeting, had been withdrawn.

Chairman:

Date:

For the Attention: All members of the Penrith Town Council Finance Committee:

Cllr. Kenyon **Chairman**

Cllr. Burgin **Vice Chairman**

Cllr. Baker

Cllr. Bowen

Cllr. Jackson

For Information only: All other Members of the Penrith Town Council

Councillors

Cllr. Briggs

Cllr. Clark

Cllr. Donald

Cllr. Lawson

Cllr. Monk

Cllr. Whipp

Cllr. Thorley

Item 6b - Payments Schedule 15 – 31 October 2018

N/C	Date	Ref	Details	Net £	VAT £	Total £	Budget
7400	15/10/2018	K112828	KTD - sage support	79.00	15.80	94.80	IT
7850	15/10/2018	3600	Lamont Pridmore - professional services to 30.09.18	1,500.00	300.00	1,800.00	Accountancy Fees
7030	15/10/2018	expenses	Expenses - Ian Parker Mileage	22.05	-	22.05	Training & Expenses
7030	15/10/2018	expenses	Expenses - Ros Richardson eye test	10.00	-	10.00	Training & Expenses
7030	15/10/2018	expenses	Expenses - Viv Tunnadine eye test	35.00	-	35.00	Training & Expenses
6403	15/10/2018	grant	Fellrunner Village Bus grant	2,000.00	-	2,000.00	Transport Act 1985 Section 106A Grants
2210	19/10/2018		HMRC - Tax & NI, September 2018	3,462.55	-	3,462.55	Salaries
2210	19/10/2018		CLGPS - Superannuation, September 2018	2,757.88	-	2,757.88	Salaries
7400	22/10/2018	K112984	KTD - antispam services	87.25	17.45	104.70	IT
7510	22/10/2018	K112985	KTD - domain services	39.75	7.95	47.70	Website
6404	22/10/2018	grant	Penrith Divers scottish sub-aqua grant	1,000.00	-	1,000.00	Open Spaces Act 1906 Grants
7400	22/10/2018	K113005	KTD - cyber security	695.00	139.00	834.00	IT
7400	22/10/2018		Adobe acrobat	12.64	2.53	15.17	IT
7400	23/10/2018		New star network	159.12	31.82	190.94	IT
7230	25/10/2018		Workwear express	260.87	-	260.87	Armistice Centenary Project Fund
7820	29/10/2018	-	Jean Airey - Internal Audit 01 April to 30 Sept 18	200.00	16.20	216.20	Audit Fees
7800	29/10/2018	K113237	KTD - managed print use 26 September to 25 October 2018	106.87	21.38	128.25	Printing, Postage & Stationery
7680	29/10/2018	90711345	Amey - community caretaker October 2018	654.38	130.88	785.26	Community Caretaker
7680	29/10/2018	90711344	Amey - community caretaker September 2018	553.50	110.70	664.20	Community Caretaker
7400	16/10/2018		Sage software	234.47	46.89	281.36	IT
6210	22/10/2018		Valuecabs Ltd	8.20	-	8.20	Britain In Bloom
6210	22/10/2018		Valuecabs Ltd	5.40	-	5.40	Britain In Bloom
2210	26/10/2018		Net Pay, October 2018	2,315.32	-	10,295.51	Salaries
6210	22/10/2018		Hospitality Belfast	44.00	-	44.00	Britain In Bloom
6210	22/10/2018		Valuecabs Ltd	11.20	-	11.20	Britain In Bloom
6210	22/10/2018		Ryanair	16.00	-	16.00	Britain In Bloom
7230	22/10/2018		Therebutnothtere	1,552.61	-	1,552.61	Armistice Centenary Project Fund
7800	23/10/2018		post office	4.20	-	4.20	Printing, Postage & Stationery
7800	31/10/2018		B & M retail	37.79	-	37.79	Printing, Postage & Stationery
7800	31/10/2018		W H Smith	24.95	-	24.95	Printing, Postage & Stationery
6200	31/10/2018		Sainsburys supermarket	12.00	-	12.00	Penrith In Bloom
Total				17,902.00	840.60	26,722.79	

Item 6b - Payments Schedule November 2018

N/C	Date	Ref	Details	Net £	VAT £	Total £	Budget
7320	08/11/2018		Just Sew	8.71	-	8.71	Member Expenses
7320	08/11/2018		Just Sew	3.36	-	3.36	Member Expenses
7230	09/11/2018	135	Royal British Legion - Donations 2 No Poppy Wreaths	40.00	-	40.00	Armistice Centenary Project Fund
7870	09/11/2018	136	National Allotment Society - Membership fee	67.20	-	67.20	Subscriptions
7860	09/11/2018		TV Licence	150.50	-	150.50	Licences
7230	16/11/2018	137	Penrith Lions Club - Donation for Armistice Support	500.00	-	500.00	Armistice Centenary Project Fund
7635	16/11/2018	138	Lowther Forestry Group - Fairhills Grounds Maintenance	1,010.60	202.12	1,212.72	Fairhill Park
7230	16/11/2018	139	Cumbria DJ Store - Armistice Lighting of Beacon	150.00	30.00	180.00	Armistice Centenary Project Fund
7635	16/11/2018	140	Playdale Playgrounds - Replacement parts for Fairhill Play Area	37.17	7.43	44.60	Fairhill Park
7500	16/11/2018	141	Eden FM Radio - 12 month local listing dedicated show	200.00	40.00	240.00	Advertising
7400	16/11/2018	142	KTD - ADSL telephone support	156.00	31.20	187.20	IT
7230	16/11/2018	143	Cumberland & Westmorland Herald - Remembrance Day advert	30.00	-	30.00	Armistice Centenary Project Fund
7830	16/11/2018	144	Came and Co - Insurance premium, new assets	166.29	-	166.29	Insurance
2210	19/11/2018		CLGPS - Superannuation, October 2018	3,064.90	-	3,064.90	Salaries
2210	19/11/2018		HMRC - Tax & NI, October 2018	4,161.71	-	4,161.71	Salaries
7400	22/11/2018		Adode Acrobat subscription	12.64	2.53	15.17	IT
7230	23/11/2018	147	The Pot Place Garden Centre - St Andrews War Memorial Plants	200.00	40.00	240.00	Armistice Centenary Project Fund
7400	23/11/2018	148	KTD - IT care system	664.75	132.95	797.70	IT
7230	23/11/2018	149	Penrith Town Band - Donation for Armistice Day	500.00	-	500.00	Armistice Centenary Project Fund
7400	23/11/2018	150	KTD - Internet fault	185.00	37.00	222.00	IT
7100	23/11/2018	151	Walton Goodland - Rent 22/12/18-24/03/19	1,875.00	-	1,875.00	Accommodation - Rent
7400	23/11/2018		New Star Networks	160.52	32.10	192.62	IT
7500	27/11/2018		Shutterstock	34.80	-	34.80	Advertising
7800	28/11/2018		Post Office	13.00	-	13.00	Printing, Postage & Stationery
2210	28/11/2018		Net Pay, November 2018	9,317.30	-	9,317.30	Salaries
7625	29/11/2018		British Gas Trading	14.19	2.84	17.03	Bandstand
6400	30/11/2018	145	Eden Mencap - Grant for Changing Spaces Facility	4,995.00	-	4,995.00	Local Govt Act 1972 Section 137 Grants
7120	30/11/2018	152	Eden District Council - BID rates Levy 01.04.18-31.03.19	91.00	-	91.00	Accommodation - Service Charges
7625	30/11/2018	153	N Power - Electricity Cornmarket Bandstand 02/08-29/08/18	18.78	-	18.78	Bandstand
7800	30/11/2018	156	KTD - managed print use 25/10/18-26/11/18	124.32	24.86	149.18	Printing, Postage & Stationery
7800	08/11/2018	cashcard	Post Office	8.87	-	8.87	Printing, Postage & Stationery
7800	14/11/2018	cashcard	Post Office	6.30	-	6.30	Printing, Postage & Stationery
7800	16/11/2018	cashcard	Post Office	15.12	-	15.12	Printing, Postage & Stationery
Total				27,983.03	583.03	28,566.06	



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FINANCE COMMITTEE

14 JANUARY 2019

PROPOSED BUDGET 2019/20

AUTHOR: Jack Jones - RFO

SUPPORTING MEMBER: Cllr R Kenyon

ITEM NUMBER: 7 a

To consider budget proposals for 2019/20 and an indicative medium-term financial forecast.

RECOMMENDATIONS

The Committee is recommended to consider:

- a) The Forecast Outturn expenditure 2018/19 of £513,504;
- b) The Proposed Budget 2019/20 representing a precept of £437,813 and a 2.0% increase in Council Tax;
- c) The proposed level of financial reserves;
- d) The indicative Medium-Term Financial Forecast;

and forward these proposals, with any amendments, to Council for approval.

1. LAW

The Town Council, as a “local precepting authority”, has power to issue a precept for each financial year on the principal authority, Eden District Council. The precept or budget requirement must state the Town Council’s Council Tax requirement as calculated under section 49A LGFA 1992 and such amount is payable by the billing authority.

2. LINK TO COUNCIL FUNCTIONS

SUBJECT	POWER	LEGISLATION
Setting a legal budget.	The Council is required to calculate its annual budget requirement and its resulting precept by 28 February.	Local Government Act 1992, Sections 41 and 50.

3. LINKS TO COUNCIL PRIORITIES

The annual budget should provide resources to deliver the Council’s priorities for the financial year ahead.

4. REPORT DETAILS

4.1 INTRODUCTION

Draft estimates for 2019/20 were considered by the Budget Task and Finish Group on 3 December 2018, prior to their referral to Planning and CCEG Committees. Changes made during that process have been included in the latest iteration of the estimates, together with information from central government and Eden District Council.

This report presents the resulting Proposed Budget for 2019/20 (Appendix A), which can be financed by a modest increase in Council Tax.

Based on the assumptions described in the report, an indicative medium-term financial forecast (Appendix B) suggests that the Council will be able to set sustainable budgets for subsequent years with similar modest tax increases.

4.2 PROPOSED BUDGET 2019/20

APPENDIX A

The statement at **Appendix A** shows the following detailed information for the Council's Committees and services:

- a) The Amended 2018/19 Budget, which represents the Approved Budget as supplemented by the approved carry forward of £66,000 of unspent 2017/18 budgets.
- b) The Forecast Outturn for the current year, which largely replicates the Amended Budget.

Members will appreciate that there is some uncertainty over whether the budgeted expenditure will be achieved, particularly budgets such as the Neighbourhood Plan and Grants, however Officers believe that it is appropriate to retain the full amended budget.

Both CCEG and Planning Committees have requested that any outturn underspendings are allowed to be carried forward into 2019/20.

The Budget Task and Finish Group has advised that these requests should be reconsidered later in this financial year. Other than monies earmarked for Castle Park, at present, no definite underspending of either Committee's budget has been identified.

Members will recall that approval to carry forward unspent provisions is not automatic as it would require an exception to Financial Regulations, which state that outturn underspendings should be retained in general reserves.

Total outturn expenditure for 2018/19 of £513,504 is forecast to increase by £21,707 from the Amended Budget, for the following reasons:

	£	£
Expenditure per Amended Budget 2018/19		491,797
Castle Park Development Group budget slipped to 2019/20 (prior to re-allocation).	(30,000)	
Salaries:		
2018 pay award budgeted in contingencies	3,727	
Recalculation of NI and superannuation to actual levels.	1,781	
Additional IT/Data Protection expenditure to meet GDPR requirements.	2,720	
Reduction of Repairs and Renewals budget to part-year provision.	(4,000)	
Creation of an Acquisitions Reserve.	50,000	
Reduction of Contingency budget to part-year provision.	(2,796)	
Other minor variations (net)	275	
		21,707
Forecast Outturn Expenditure 2018/19		513,504

- c) The Proposed Budget for 2019/20, which allows for a continuation (standstill) budget that identifies and provides for the current committed level of service to be maintained. This involves the current year's budget being adjusted to remove any one-off items (principally the brought forward underspendings from 2017/18) and to include the estimated costs of contractually committed changes to expenditure or income; inflationary increases have only been allowed where necessary. The agreed budget process requires growth items (service development proposals) to be identified separately from the base budget. Three growth proposals have been made; as these can be accommodated within the proposed budget, they have been included within the summary budget.

The proposed precept for 2019/20 is £437,813; the increase of £20,074 from the 2018/19 figure can be explained as follows:

	£	£
2018/19 Precept		417,739
Planning Committee: removal of £11,000 brought forward from 2017/18 and £10,000 reduction to reflect less involvement with the Neighbourhood Plan	(21,000)	
Events Grants: Planned reduction of £14,000 in net budget, offset by £7,000 transferred from Inward Investment	(7,000)	
Greening: Removal of £15,000 brought forward from 2017/18 and £500 planned reduction, offset by £3,000 transferred from Inward Investment	(12,500)	
Re-allocation of Inward Investment budget	(10,000)	
Planned increase in Grants budget	4,500	
Salaries: <ul style="list-style-type: none"> • 2018 and 2019 pay awards • Incremental advances 	7,529 4,958	
Removal of one-off Armistice Centenary Fund budget	(10,000)	
Provision for May 2019 Elections	5,420	
Reduction in IT/Data Protection expenditure following GDPR implementation	(1,000)	
2019/20 Growth Items	6,800	
Adjustment to contribution from General Reserve, mainly reflecting the use in 2018/19 to meet 2017/18 carried forward budgets	50,969	
Other minor variations (net)	1,398	
		20,074
Proposed Precept 2019/20		437,813

d) The position on the Council's three reserves over the two financial years.

- e) The resulting Council Tax based on the budgets for the two financial years, taking account of the notified Council Taxbase for 2019/20.

4.3 MEDIUM TERM FINANCIAL FORECAST

APPENDIX B

Appendix B shows an indicative forecast of income and expenditure for the years 2019/20 to 2023/24, based on the figures in the 2019/20 Proposed Budget. These are adjusted for planned variations, with inflation being allowed for as a global figure. The forecast includes a small allowance for growth items in the later years; aspirations beyond this allowance would have to be funded by a Council Tax increase or by the reduction or redirection of budgets.

4.4 DETAILED BUDGETS

The following commentary provides details of the individual estimates within the Proposed Budget and the Medium-Term Financial Forecast.

a) INCOME

Eden DC have confirmed that the Council Taxbase for 2019/20 has been set at 5,358.79. This represents a welcome increase of 2.8% over the current year's Taxbase of 5,214.83. EDC have also notified the Council Tax Reduction Scheme grant of £7,940 for 2019/20, a small reduction of £118.

The precept income of £437,813 for 2019/20 is based on a 2.0% increase in Council Tax and an assumed small increase in the Council Taxbase. This will be sufficient to provide for the recommencement of a phased contribution to the General Reserve. The Forecast projects income which will allow sustainable budgets, based on the assumptions described later in this report.

b) PLANNING COMMITTEE

The 2018/19 Forecast Outturn of £41,000 maintains the Amended Budget provision (which included £11,000 brought forward from 2017/18), on the assumption that the Neighbourhood Plan will progress early in 2019. The 2019/20 budget is reduced to £20,000 for ongoing costs related to the Plan, after which a £10,000 residual budget is assumed for future years.

c) **CCEG COMMITTEE**

The Committee's 2018/19 Budget benefited from a total of £45,000 unspent provision from 2017/18; this has been retained in the year's Forecast Outturn then removed from the 2019/20 Proposed Budget.

Sports & Recreation/Town Projects

The one-off full budget of £30,000 funding towards the Castle Park Development Group has been slipped to 2019/20 and re-allocated to Town Projects. This deferral was proposed by the Budget Task & Finish Group, following which CCEG Committee suggested retitling the Sport and Recreation budget as Regeneration.

Officers believe that a more appropriate title would be Town Projects, as the Town Council does not have a statutory role in regeneration.

The background to the budget is that Members considered a request dated 03 November 2016 to support the Castle Park Development Group's Heritage Lottery Fund Application by match funding Eden District Council's contribution of £167,000. Council resolved (minute CCEG/16/62 Castle Park Development Group):

- i. *"That match funding of £15,000 be earmarked for 2017/18 and retained by the Council in the Council's reserves until the outcome of the HLF bid is known.*
- ii. *That match funding of £15,000 be earmarked for 2018/19 and retained by the Council in the Council's reserves until the outcome of the HLF bid is known.*
- iii. *That if the HLF bid is not successful the retained reserves of £30,000 be awarded to Castle Park."*

The Town Council is awaiting further communication from Eden District Council as to what its plans are for progressing the Castle Park Vision Plan.

The Town Council is also in the process of developing its own projects for the Town. All projects and expenditure will need to be approved by the CCEG Committee prior to commencing.

Arts & Entertainment

The Events Grants budget is reduced from £60,000 to £30,000 for 2019/20 onwards; the reduction reflects the removal of the £20,000 brought forward and a planned decrease of £17,000, however a transfer of £7,000 from Inward Investment will top-up the budget.

In addition, the Proposed Budget shows the termination of the £23,000 devolved grants income from Eden DC.

Environment

The Committee has requested that the two budget headings of Penrith in Bloom and Britain in Bloom be combined and described as "Greening". For convenience, this change has been made in the descriptions in the 2018/19 Amended Budget onwards.

The combined budget is reduced to its "normal" level of £18,000 for 2019/20 onwards, by the removal of £10,000 brought forward and £5,000 one-off budgets, however a further £3,000 has been transferred from Inward Investment.

The Community Gardeners/Greening 2019/20 budget is similarly reduced by a non-recurring amount of £500.

Tourism

In 2019/20, the £10,000 budget for Inward Investment has been re-allocated to Events Grants £7,000 and Greening £3,000.

Grants

Last year's Medium-Term Financial Forecast proposed a £4,500 increase in the Grants budget in 2019/20; this has been included in the Proposed Budget and maintained in subsequent years.

Corporate Communications

Following a request from Members, the majority of the Corporate Communications budget has been moved from the Finance Committee to the CCEG Committee budget, on the basis that the Community Engagement Officer reports to that Committee.

This change, affecting all detailed headings other than Signage, has been made for the statements in both Appendix A and B.

The Website Proposed Budget for 2019/20 includes £250 which had inadvertently been omitted, while the 2018/19 Forecast Outturn for Community Engagement has been increased by £450 to cover expenditure on the Newsletter. Otherwise the only variations are due to inflation.

d) FINANCE COMMITTEE

Staffing

The 2018/19 Forecast Outturn for Salaries is based on September 2018 actual expenditure, projected to the year end.

The 2019/20 Proposed Budget includes the known 2.0% pay award and staff incremental advances.

Increments are included for subsequent years, while pay awards are provided as a global sum.

Accommodation

Existing accommodation arrangements are assumed to continue into the future; the Budget will need to be adjusted for any changes to these arrangements when they can be quantified.

Civic Functions

The £10,000 budget for the Armistice Centenary Fund is removed in the Proposed Budget; the only other change is a small increase in the Civic Regalia budget.

Cost of Democracy

Expenditure of £5,420 is provided for the 2019 and 2023 Elections; this assumes that all seats are contested, with premises costs shared with Eden DC.

IT

In the 2019/20 Budget, an allowance of £1,000 has been transferred from the GDPR budget to meet the costs of compliance with that legislation.

Devolved Services

The Forecast Outturn for 2018/19 provides for the latest estimated costs and grant income for assets already transferred from Eden DC and those which could reasonably be transferred in the remainder of the financial year. Previous plans allowed for Toilets to be transferred in 2018/19; the latest position is that Council has resolved not to transfer the toilets, yet has agreed to maintain a dialogue with Eden District Council to consider future toilet provision. As a result, the medium-term forecast now provides for a possible transfer in 2020/21, the earliest practical start date. Expenditure on all assets is

continued into future years, with grant tapering out on a phased basis.

- Allotments

The allotments are managed by the Penrith Allotment Association and the Council receives a rental income of £450 per annum. A break-even budget is assumed on the basis that the Town Council may incur some expenditure; this assumption is projected forward into subsequent years.

- War Memorial

An extra £300 is included in 2018/19 for planting and a further £300 in 2019/20 for flower beds.

- Benches

The 2018/19 Forecast expenditure reflects the late transfer of the benches to the Town Council; for 2019/20 onwards the full expected annual cost is shown.

- Bandstand

The 2018/19 Forecast Outturn has benefited from an additional £1,524 grant from Eden DC, which will continue on a tapering basis into 2019/20 onwards.

- Fairhill Park

The 2018/19 Approved Budget provided for £13,000 expenditure and £9,750 grant income; these estimates have been revised to £4,184 and £13,218 respectively in the Forecast Outturn. For 2019/20, estimated expenditure is £3,570 and income £9,910.

- Coronation Garden

Previously the expenditure on the Garden has been estimated as £1,100; this has been revised to £2,000 in each year, however it is now probable that it will not transfer until 2019/20.

- Fairhill UU Planting Maintenance

The provisional estimate of maintenance work is £1,310 from 2019/20 onwards. The Council has received £4,000 income from United Utilities, which it is assumed will be used in four annual instalments of £1,000 to offset the expenditure.

- Fairhill Site Improvements

The Council has received £4,500 income following the sale of land to United Utilities; it is assumed that this will be spent on improvements in 2019/20.

- Signage

Most of the Corporate Communications budgets have been transferred to CCEG Committee, leaving the signage budget of £750 in Finance Committee, within the Devolved Services heading.

- Community Caretaker

The 2018/19 Forecast Outturn introduces the £4,000 part-year costs of the new contract; this is increased to £8,200 from 2019/20 onwards.

- Contribution to Devolution Reserve

The 2018/19 Approved Budget set a target of £45,594 for Devolved Services, being the reduction in Special Expenses charged by Eden DC.

This target has been increased by £750 to £46,344 as a result of the Signage budget being added to the Devolved Services heading.

In the early years to 2022/23, it is forecast that the total cost of services will be lower than £46,344 and that the difference is contributed to the Devolution Reserve. After 2022/23, the reducing grants from Eden DC mean that the total costs will exceed the £46,344 target and so no contribution will be made to the Reserve.

Data protection (GDPR)

The 2018/19 costs of GDPR compliance are forecast as £3,500, compared to the £2,000 budget. For 2019/20 onwards, ongoing costs of £1,000 have been consolidated into the IT budget.

Other Overheads

Most budgets have been repeated with inflation where appropriate. The Printing, Postage and Stationery budget has been increased by £500 in each year to reflect usage.

The 2018/19 Outturn for Legal Fees is expected to be £500 higher than budget due to extra work relating to Allotments.

Finally, the 2019/20 Subscriptions budget has been revised to £2,000 to allow for increases in LGA, CALC and the application costs associated with the Local Council Award Scheme Gold award.

Repairs & Renewals

There has been minimal expenditure on repairs and renewals in the year to date, so the outturn is shown as £1,000; the budget reverts to its full £5,000 for 2019/20 onwards.

e) PROPOSED GROWTH ITEMS

Three growth proposals have been made during the budget process, as follows. Additionally, the medium-term forecast allows for modest additional growth for 2020/21 onwards:

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Youth Forum Event: Venue hire, publicity, refreshments, etc	500	-	-	-	-
CILCA Training: Services & Contract Manager	1,300	-	-	-	-
Benches: Replacement programme	5,000	5,000	5,000	-	-
Allowance for future growth	-	3,000	3,000	6,000	5,000
Total	6,800	8,000	8,000	6,000	5,000

Earlier in the year, a proposal was made for a website search facility; this has already been implemented within the current year's budget.

f) CONTINGENCY

The contingency provision is reduced to £2,000 for the remainder of 2018/19, then reverts to £5,000 for subsequent years.

g) INFLATION

Anticipated price inflation has been included in the detailed budgets for 2019/20. For 2020/21 onwards, the Forecast allows for pay and price inflation at a rate of 2.25% pa.

4.5 RESERVES

The Proposed Budget and Medium-Term Forecast develop the existing plans for building up reserves, as follows:

Acquisitions Reserve

Council on 26 November 2018 approved a scheme of delegation for land and property, which included the allocation of “up to £50,000 for a Capital Programme to support the activities associated with buying, surveying, legal fees, investing and managing land and property”.

In order to facilitate this decision, an amount of £50,000 has been transferred to create a new Acquisitions Reserve in the 2018/19 Forecast Outturn.

Members should note that the Reserve’s balance is shown as £50,000 throughout the years of the Medium-Term Forecast. This will clearly not be the case as the intention is to spend the funds, however their use cannot be built into the budget until a spending programme is formulated.

General Reserve

The Amended Budget for 2018/19 provided for £66,000 to be used from the General Reserve to fund the carry forward of unspent budgets from 2017/18; this figure has been revised to £87,667 in the Forecast Outturn.

The main reasons for the increase are the £50,000 contribution to the Acquisitions Reserve, offset by the deferral of the £30,000 budget previously allocated to the Castle Park Development Group.

The Council has had a target of increasing the General Reserve to a balance equivalent to 50% of its forecast net expenditure by 2022/23. In preparing the Proposed Budget, it became apparent that the transfer of £50,000 to the Acquisitions Reserve, and the consequent reduction in the General Reserve, would require unpalatable increases in Council Tax to achieve this timescale.

The reserve’s target has therefore been revised to reach 50% of net expenditure in 2023/24. This slower accumulation of the General Reserve is acceptable as in the early years the Devolution Reserve is expected to be buoyant.

For 2018/19, there was a “holiday” from the required contribution to achieve this; the Proposed Budget and Medium-Term Forecast reinstate the transfer to the Reserve, on a phased basis calculated from a reasonable annual increase in Council Tax.

The alternative “straight line” phasing of contributions towards the target would have required unreasonable Council Tax increases over the period of the Forecast.

The target for 31 March 2024 of £230,785 can be met, as shown in Appendix B.

Devolution Reserve

As noted above, the Reserve will be built up from contributions from the Devolved Services budget heading until the total cost of those services reaches £46,344. Appendix B shows that the final contribution will be in 2022/23, when the Reserve will have a balance of £152,791. Again, this is a relatively artificial figure as there are likely to be demands on the funds before 2023. Given the uncertainties and risks involved in taking over responsibility for devolved assets, at this stage no decision should be made on the use of the reserve, which could be to meet unexpected expenditure, improve assets or mitigate rises in Council Tax.

4.6 COUNCIL TAX

The current year’s Band D Council Tax is £80.10 per property. The Proposed Budget for 2019/20, including the notified Council Taxbase, would result in the Tax increasing by £1.60 to £81.70, a rise of 2.0%. This means that a household in a Band D property paying full Council Tax will see a rise of 3p per week. It is considered that this is an acceptable increase, particularly as inflation (measured by CPI) is currently 2.3%.

Central government retains the ability to limit Council Tax increases proposed by local Councils; this can be imposed by requiring a referendum to be held to ascertain the taxpayers’ opinion. For 2018/19, the Government deferred the setting of referendum principles for town and parish councils for three years, subject to them exercising “restraint”. Its latest consultation on local government finance confirms this conditional deferral, referencing the national average increase of 4.9% in 2018/19, compared to 6.3% in the previous year.

Looking ahead, the Medium-Term Forecast at Appendix B shows that the General Reserve target of £230,785 at 31 March 2024 can be met by a 2.0% increase in Council Tax in each of the years 2019/20 to 2023/24.

Although the Forecast assumes only a small allowance for new budget growth, based on continuing modest increases in Council Tax, it indicates that sustainable budgets are possible over the medium-term without substantial budget reductions being required.

4.7 NEXT STEPS

The Committee is asked to consider this report in conjunction with the draft reserves and investment policies elsewhere on the agenda. Firm budget proposals will then be submitted for decision by Full Council on 28 January 2019.

5 FINANCIAL IMPLICATIONS

This report deals solely with financial issues.

6 RISK MANAGEMENT

RISK	CONSEQUENCE	CONTROLS REQUIRED
The Council sets an invalid or inadequate budget.	An inability to raise a valid precept or insufficient resources to deliver the Council's objectives.	A robust budget process.

7 APPENDICES ATTACHED TO THIS REPORT

- 2019/20 Proposed Budget
- Medium-Term Financial Forecast 2019/20 to 2023/24

8 BACKGROUND PAPERS

- 2019/20 Budget Working Paper file
- Local Government Finance Settlement Consultation 2019/20



Penrith Town Council

PROPOSED BUDGET 2019/20


AMENDED BUDGET 2018/19		BUDGET HEADING	FORECAST OUTTURN 2018/19		PROPOSED BUDGET 2019/20	
£	£		£	£	£	£
		INCOME				
		Precept:				
	417,739	Council Tax		417,739		437,813
	8,058	EDC - CTRS Grant		8,058		7,940
		Other Income:				
	0	Investment Interest		30		30
	0	Miscellaneous Income		10		10
	425,797	TOTAL INCOME		425,837		445,793
		EXPENDITURE				
		PLANNING COMMITTEE:				
	8,000	Officer Support		8,000		0
	9,500	Planning Consultancy		9,500		0
	23,500	Consultation		23,500		0
	0	Block Allocation		0		20,000
	41,000	Planning Committee Total		41,000		20,000
		CCEG COMMITTEE:				
		Sports & Recreation:				
	30,000	Castle Park Development Group		0		0
	0	Town Projects		0		30,000
		Arts & Entertainment:				
5,000		Officer Support	5,000		5,000	
60,000		Events Grants	60,000		30,000	
(23,000)		Devolved Events EDC Grant Income	(23,000)		0	
	42,000			42,000		35,000
		Environment:				
33,000		Greening	33,000		21,000	
1,000		Community gardeners/greening	1,000		500	
	34,000			34,000		21,500
		Tourism:				
	10,000	Inward Investment		10,000		0
	27,500	Grants		27,500		32,000
		Corporate Communications:				
750		Advertising	750		770	
750		Website	750		1,020	
1,250		Community Engagement	1,700		1,280	
1,000		Press Support	1,000		1,040	
	3,750			4,200		4,110
	147,250	CCEG Committee Total		117,700		122,610
		FINANCE COMMITTEE:				
		Staffing:				
148,394		Salaries	150,900		156,010	
8,904		National Insurance	13,960		14,450	
29,069		Superannuation	26,340		27,260	
2,000		Training & Expenses	2,000		2,000	
	188,367	Sub-Total		193,200		199,720
		Accommodation:				
7,500		Rent	7,500		7,700	
1,800		Heat, Light & Water	1,800		1,850	
600		Service Charges	800		650	
210		Room Hire	210		220	
300		Insurances	300		330	
0		Letting Income	(100)		(100)	
	10,410	Sub-Total		10,510		10,650

AMENDED BUDGET 2018/19		BUDGET HEADING	FORECAST OUTTURN 2018/19		PROPOSED BUDGET 2019/20	
£	£		£	£	£	£
1,500		Civic Functions:				
1,000		Civic Functions	1,500		1,550	
500		Mayoral Expenses	500		1,000	
300		Deputy Mayor's Expenses	500		500	
10,000		Civic Regalia	300		400	
		Armistice Centenary Project Fund	10,000		0	
	13,300	Sub-Total		12,800		3,450
300		Cost of Democracy:				
0		Annual Meeting	300		300	
200		Elections	0		5,420	
500		Members' Expenses	200		200	
		Notice/Honours Board	300		500	
	1,000	Sub-Total		800		6,420
	14,280	IT		15,500		15,280
		Devolved Services:				
(1,400)		Bring Site	(1,400)		(1,400)	
450		Allotments	0		0	
25		War Memorial	325		650	
375		Benches	(344)		870	
195		Bus Shelters	(677)		(310)	
558		Bandstand	(966)		(170)	
202		Monument	110		290	
3,250		Fairhill Park	(9,034)		(6,340)	
0		Toilets	0		0	
0		Play Areas	0		1,100	
0		Coronation Garden	900		1,175	
0		Fairhill United Utilities Planting Maintenance	0		310	
0		Fairhill Site Improvements	(4,500)		4,500	
750		Signage	750		750	
0		Community Caretaker	4,000		8,200	
41,939		Contribution to Devolution Reserve	57,180		36,719	
	46,344	Sub-Total		46,344		46,344
	2,000	Data Protection (GDPR)		3,500		0
		Other Overheads:				
1,800		Printing, Postage & Stationery	2,300		2,300	
1,500		Audit Fees	1,500		1,600	
2,300		Insurance	2,300		2,300	
0		Bank Charges & Interest	100		100	
7,700		Accountancy Fees	7,700		7,800	
3,000		Legal Fees	3,500		3,200	
250		Licences	250		250	
1,500		Subscriptions	1,500		2,000	
	18,050	Sub-Total		19,150		19,550
	5,000	Repairs & Renewals		1,000		5,000
	298,751	Finance Committee Total		302,804		306,414
	4,796	Contingency		2,000		5,000
	0	Proposed Growth Items		0		6,800
	0	Transfer to Acquisitions Reserve		50,000		0
	491,797	TOTAL EXPENDITURE		513,504		460,824
		INCREASE/(DECREASE) IN				
	(66,000)	GENERAL RESERVE		(87,667)		(15,031)

AMENDED BUDGET 2018/19		BUDGET HEADING	FORECAST OUTTURN 2018/19		PROPOSED BUDGET 2019/20	
£	£		£	£	£	£
		RESERVES:				
		General Reserve:				
	191,741	Balance brought forward 1 April		191,741		104,074
	(66,000)	Increase/(decrease) in year		(87,667)		(15,031)
	125,741	Balance carried forward 31 March		104,074		89,043
		Devolution Reserve:				
	0	Balance brought forward 1 April		0		57,180
	41,939	Contribution from Annual Budget		57,180		36,719
	41,939	Balance carried forward 31 March		57,180		93,899
		Acquisitions Reserve:				
	0	Balance brought forward 1 April		0		50,000
	0	Increase/(decrease) in year		50,000		0
	0	Balance carried forward 31 March		50,000		50,000
	167,680	TOTAL RESERVES AT 31 MARCH		211,254		232,942

AMENDED BUDGET 2018/19		BUDGET HEADING	FORECAST OUTTURN 2018/19		PROPOSED BUDGET 2019/20	
		COUNCIL TAX:				
	£417,739	Precept		£417,739		£437,813
	5,214.83	Taxbase (Band D properties)		5,214.83		5,358.79
	£80.10	Council Tax		£80.10		£81.70
	10.27%	Increase (%)		10.27%		2.00%

Appendix B

 Penrith Town Council PROPOSED MEDIUM TERM FINANCIAL FORECAST 2019/20 TO 2023/24					
BUDGET HEADING	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
INCOME					
Precept:					
Council Tax	437,813	452,065	466,735	481,792	497,242
EDC - CTRS Grant	7,940	7,800	7,650	7,450	7,200
Other Income:					
Investment Interest	30	30	30	30	30
Miscellaneous Income	10	10	10	10	10
TOTAL INCOME	445,793	459,905	474,425	489,282	504,482
EXPENDITURE					
PLANNING COMMITTEE:					
Officer Support	0	0	0	0	0
Planning Consultancy	0	0	0	0	0
Consultation	0	0	0	0	0
Block Allocation	20,000	10,000	10,000	10,000	10,000
Planning Committee Total	20,000	10,000	10,000	10,000	10,000
CCEG COMMITTEE:					
Sports & Recreation:					
Castle Park Development Group	0	0	0	0	0
Town Projects	30,000	0	0	0	0
Arts & Entertainment:					
Officer Support	5,000	5,000	5,000	5,000	5,000
Events Grants	30,000	30,000	30,000	30,000	30,000
Devolved Events EDC Grant Income	0	0	0	0	0
	35,000	35,000	35,000	35,000	35,000
Environment:					
Greening	21,000	21,000	21,000	21,000	21,000
Community Gardeners/Greening	500	500	500	500	500
	21,500	21,500	21,500	21,500	21,500
Tourism:					
Inward Investment	0	0	0	0	0
Grants	32,000	32,000	32,000	32,000	32,000
Corporate Communications:					
Advertising	770	770	770	770	770
Website	1,020	1,020	1,020	1,020	1,020
Community Engagement	1,280	1,280	1,280	1,280	1,280
Press Support	1,040	1,040	1,040	1,040	1,040
	4,110	4,110	4,110	4,110	4,110
CCEG Committee Total	122,610	92,610	92,610	92,610	92,610
FINANCE COMMITTEE:					
Staffing:					
Salaries	156,010	158,720	160,190	161,170	161,170
National Insurance	14,450	14,700	14,840	14,950	14,950
Superannuation	27,260	27,640	27,820	27,990	27,990
Training & Expenses	2,000	2,000	2,000	2,000	2,000
	199,720	203,060	204,850	206,110	206,110
Accommodation:					
Rent	7,700	7,700	7,700	7,700	7,700
Heat, Light & Water	1,850	1,850	1,850	1,850	1,850
Service Charges	650	650	650	650	650
Room Hire	220	220	220	220	220
Insurances	330	330	330	330	330
Letting Income	(100)	(100)	(100)	(100)	(100)
	10,650	10,650	10,650	10,650	10,650

BUDGET HEADING	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Civic Functions:					
Civic Functions	1,550	1,550	1,550	1,550	1,550
Mayoral Expenses	1,000	1,000	1,000	1,000	1,000
Deputy Mayor's Expenses	500	500	500	500	500
Civic Regalia	400	400	400	400	400
Armistice Centenary Project Fund	0	0	0	0	0
	3,450	3,450	3,450	3,450	3,450
Cost of Democracy:					
Annual Meeting	300	300	300	300	300
Elections	5,420	0	0	0	5,420
Members' Expenses	200	200	200	200	200
Notice/Honours Board	500	500	500	500	500
	6,420	1,000	1,000	1,000	6,420
IT	15,280	15,280	15,280	15,280	15,280
Devolved Services:					
Bring Site	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Allotments	0	0	0	0	0
War Memorial	650	675	700	700	700
Benches	870	1,080	1,290	1,500	1,500
Bus Shelters	(310)	50	420	780	780
Bandstand	(170)	630	1,430	2,230	2,230
Monument	290	460	630	810	810
Fairhill Park	(6,340)	(3,040)	270	3,570	3,570
Toilets	0	0	9,100	18,200	27,300
Play Areas	1,100	2,200	3,300	4,400	4,400
Coronation Garden	1,175	1,450	1,725	2,000	2,000
Fairhill United Utilities Planting Maintenance	310	310	310	310	1,310
Fairhill Site Improvements	4,500	0	0	0	0
Signage	750	750	750	750	750
Community Caretaker	8,200	8,200	8,200	8,200	8,200
Contribution to Devolution Reserve	35,719	34,979	19,619	4,294	0
	46,344	46,344	46,344	46,344	52,150
Data Protection (GDPR)	0	0	0	0	0
Other Overheads:					
Printing, Postage & Stationery	2,300	2,300	2,300	2,300	2,300
Audit Fees	1,600	1,600	1,600	1,600	1,600
Insurance	2,300	2,300	2,300	2,300	2,300
Bank Charges & Interest	100	100	100	100	100
Accountancy Fees	7,800	7,800	7,800	7,800	7,800
Legal Fees	3,200	3,200	3,200	3,200	3,200
Licences	250	250	250	250	250
Subscriptions	2,000	2,000	2,000	2,000	2,000
	19,550	19,550	19,550	19,550	19,550
Repairs & Renewals	5,000	5,000	5,000	5,000	5,000
Finance Committee Total	306,414	304,334	306,124	307,384	318,610
Uplift 2019/20 price base for inflation	0	9,090	18,270	27,510	37,590
Contingency	5,000	5,000	5,000	5,000	5,000
Allowance for Growth Items	6,800	8,000	8,000	6,000	5,000
Transfer to Acquisitions Reserve	0	0	0	0	0
TOTAL EXPENDITURE	460,824	429,034	440,004	448,504	468,810
INCREASE/(DECR) IN GENERAL RESERVE	(15,031)	30,871	34,421	40,778	35,672

RESERVES:	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
General Reserve:					
Balance brought forward 1 April	104,074	89,043	119,914	154,335	195,113
Increase/(decrease) in year	(15,031)	30,871	34,421	40,778	35,672
Balance carried forward 31 March	89,043	119,914	154,335	195,113	230,785
Target General Reserve					230,785
Devolution Reserve:					
Balance brought forward 1 April	57,180	93,899	128,878	148,497	152,791
Contribution from Annual Budget	36,719	34,979	19,619	4,294	0
Balance carried forward 31 March	93,899	128,878	148,497	152,791	152,791
Acquisitions Reserve:					
Balance brought forward 1 April	50,000	50,000	50,000	50,000	50,000
Contribution from Annual Budget	0	0	0	0	0
Balance carried forward 31 March	50,000	50,000	50,000	50,000	50,000
TOTAL RESERVES AT 31 MARCH	232,942	298,792	352,832	397,904	433,576

COUNCIL TAX:	2019/20	2020/21	2021/22	2022/23	2023/24
Precept	£437,813	£452,065	£466,735	£481,792	£497,242
Taxbase (Band D properties)	5,358.79	5,425.00	5,491.00	5,557.00	5,623.00
Council Tax	£81.70	£83.33	£85.00	£86.70	£88.43
Increase (%)	2.00%	2.00%	2.00%	2.00%	2.00%



Penrith Town Council

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FINANCE COMMITTEE

14 JANUARY 2019

DRAFT RESERVES POLICY 2019/20

AUTHOR: Jack Jones - RFO

SUPPORTING MEMBER: Cllr R Kenyon

ITEM NUMBER: 7 b

To consider a draft policy for the management of the Council's financial reserves.

RECOMMENDATIONS

The Committee is recommended to consider the draft policy and forward it, with any amendments, to Council for ratification.

1. LAW

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation.

The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement:
 - England, sections 31A, 42A of the Local Government Finance Act 1992, as amended
- Chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the proper officer has responsibility for the administration of those affairs section 151 of the Local Government Act 1972.

For best practice Penrith Town Council have referred to:
LAAP BULLETIN 99, Local Authority Reserves and Balances
July 2014

2. LINK TO COUNCIL FUNCTIONS

SUBJECT	POWER	LEGISLATION
Determination of the financial reserves which the Council estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.	The Council is required to calculate a budget requirement which includes an adequate level of reserves.	Local Government Finance Act 1992, Section 50

3. LINKS TO COUNCIL PRIORITIES

The annual budget and reserves should provide resources to deliver the Council's priorities for the financial year ahead and, as appropriate, for future years.

4. REPORT DETAILS

Legal Framework

Legislation recognises that local councils require financial reserves and must take account of them in determining their precept, however there is no statutory guidance on the nature or level of funds to be set aside in reserves, unlike in other tiers of local government, where the responsible finance officer has a duty to report on the adequacy of reserves at each budget setting. All reserves are legally part of the general fund, i.e. the Council's revenue account.

Types of Reserve and Accounting Framework

Two types of reserve are relevant to the Town Council:

- The general reserve or general fund working balance, which is used to provide working capital, smooth the impact of uneven cash flows to avoid unnecessary temporary borrowing and act as a contingency in the event of sharp budgetary changes or unexpected events or emergencies. Unless allocated for a specific purpose, revenue budget underspendings and windfalls are added to the working balance. The size of the working balance should be set at a prudent level based on a risk assessment.
- Earmarked reserves, which are set aside for a specific purpose, being used to build up funds to meet known, planned or predicted spending requirements.

It used to be common for councils to build up a large number of small reserves for very specific, narrowly defined purposes; it is now more usual for fewer reserves to be set up in a way which permits their use for a range of purposes.

In accounting terms, similar to the legal position, all reserves belong to the general fund and are interchangeable, unless restricted by deed or covenant. Distinct book entries in the budget and accounts should be made to record the transactions to and from reserves. It should also be noted that the terms "reserve" and "fund" are interchangeable, and it is common to refer to each by either name.

Accounting convention does not permit the payment of interest directly to reserves. If it is decided that interest should be allocated to a reserve, the mechanism is for an equivalent contribution to be made from the revenue account (where the interest is earned) to the reserve.

Similarly, expenditure should not be charged directly to a reserve; the expenditure is accounted for in the revenue account and an equivalent amount transferred from the reserves to replenish the revenue account.

Creation and Use of Reserves

As a general and prudent rule, reserves should not be used to fund recurring expenditure (i.e. the day to day operational costs of running the Council) as this could lead to funding problems in subsequent years when the expenditure continues after the reserve has been

exhausted. An exception is the general reserve, which can be used as a regulator to limit precept and council tax increases or to avoid an unacceptably high level being carried forward.

Because they have a potential to affect the Council's budget, the creation of reserves and the transfers between the revenue account and those reserves should be explicit and conscious decisions taken by the Council as a whole, as should any decision to allocate interest to a reserve.

Draft Policy

The attached draft policy summarises the principles from this report and suggests target levels for each of the Council's reserves. One point to note is that, because of the working capital provided by the Council's earmarked reserves, it is currently possible for the general reserve to be set at a lower level than it might otherwise be. If those reserves were drawn down substantially, the risk attaching to the general reserve would increase and its target level would need to increase accordingly.

FINANCIAL IMPLICATIONS

The approach to reserves is a fundamental aspect of the financial management of the Council.

5. RISK MANAGEMENT

RISK	CONSEQUENCE	CONTROLS REQUIRED
The Council is unable to meet regular or unforeseen expenditure due to a lack of readily available funds	Overspendings leading to unwelcome curtailment of spending programmes; possible unpalatable council tax increase; potential reputational damage	An analysis of the financial risks and the maintenance of adequate reserves to meet all reasonably foreseeable eventualities

6. APPENDICES ATTACHED TO THIS REPORT

Draft Reserves Policy.

7. BACKGROUND PAPERS

Local Government Finance Act 1992

CIPFA LAAP Bulletin 99 Reserves & Balances



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DRAFT RESERVES POLICY 2019/20

PURPOSE

The Town Council maintains two types of reserves, for differing reasons:

- a General Reserve (the General Fund working balance), which provides working capital and a buffer against financial risks; and
- earmarked reserves to meet known, planned or predicted spending requirements which have been identified specifically.

The Council acknowledges that there is a balance to be struck between holding excessive reserves raised from public monies and retaining a prudent level of funds. It will therefore take advice from its Responsible Finance Officer on the adequacy and appropriateness of its reserves, primarily when setting its revenue budget.

1. GENERAL RESERVE

This reserve represents the balance on the Council's revenue account, i.e. the account which records all its financial transactions. Unless allocated for a specific purpose, revenue budget underspendings and windfalls are added to the working balance, while overspendings are taken from the balance.

The balance provides working capital to assist the Council's cash flow and acts as a buffer against unexpected events or expenditure. The optimum level for the working balance is determined by an assessment of the Council's potential exposure to financial risks, together with a judgement of the extent to which earmarked reserves can support its cash flow on a temporary basis.

The long-term target for the reserve is to accumulate a balance equivalent to 50% of net revenue expenditure. This is to be achieved by regular annual contributions from the revenue account. The level of contributions will be determined annually, taking account of the impact on council taxpayers and the availability of earmarked reserves.

Although the Council is a relatively new organisation, it has matured quickly and has managed its risks competently. In the short term, it is appropriate to retain a lower general reserve on the strength of the Devolution Reserve until a full programme of devolution has been completed.

2. EARMARKED RESERVES

Other than any funds governed by legal conditions, the earmarking of reserves is at the discretion of the Council and monies can be moved from one to another if required. Reserves do not generally accrue interest on the investment of their funds.

In order to avoid future over-commitment, the day to day operational costs of running the Council are to be met from the revenue budget and reserves shall not be used to fund recurring expenditure.

- **Devolution Reserve:** This reserve is credited with the difference (while positive) between the council tax income equivalent to the special expenses previously levied in Penrith and the net cost of the assets transferred from Eden DC. The reserve will provide a cushion against the full cost of those assets being higher than expected, renovation and/or improvements. As significant grant payments subsidise the cost in the initial years, the risk is considerably reduced and there is no expectation that the reserve will be used significantly in that period.
- **Acquisitions Reserve:** This reserve supports a scheme of delegation for land and property, which created an allocation of £50,000 for a Capital Programme to support the activities associated with buying, surveying, legal fees, investing and managing land and property. The intention is to use these resources in the short term after which the reserve will be discontinued.

3. ESTABLISHMENT AND USE OF RESERVES

The Annex to this policy provides further details of the Council's current reserves with a target range for each one.

The establishment or closing of an earmarked reserve requires a formal decision of Council. Similarly the approval of Council is required for all contributions and transfers to reserves, and all use of reserves to fund expenditure.

Review

This policy will be subject to annual review.

CURRENT RESERVES

Reserve	Purpose	Target level
General Reserves		
General Reserve (General Fund Working Balance)	<ul style="list-style-type: none"> Provision of working capital. Buffer against uneven cash flows, inflationary pressures, sharp budgetary changes, unexpected events or emergencies. 	<ul style="list-style-type: none"> Assessed on the basis of financial risks to the Council. Long-term target to be 50% of revenue expenditure at 31 March 2024. Minimum level: £100,000 Range: £100,000 to £230,000
Earmarked Reserves		
Devolution Reserve	<ul style="list-style-type: none"> Accumulation of funds in the early years of devolved asset transfers when grant income from Eden DC is available. Cushion against the longer-term full costs of devolved assets being higher than expected, renovation and/or improvements. 	<ul style="list-style-type: none"> Based on the allocation of the difference (while positive) between the income equivalent to the special expenses previously levied in Penrith via council tax and the net cost of devolved assets transferred from Eden DC Typical Range: £nil to £153,000
Acquisitions Reserve	<ul style="list-style-type: none"> To support the activities associated with buying, surveying, legal fees, investing and managing land and proper. 	<ul style="list-style-type: none"> The Reserve was established with a single contribution; it is anticipated that regular contributions will not be required and that the resources will be expended in the short term. Range: £nil to £50,000

DATE OF APPROVAL:



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FINANCE COMMITTEE

14 JANUARY 2019

DRAFT INVESTMENT STRATEGY 2019/20

AUTHOR: Jack Jones - RFO

SUPPORTING MEMBER: Cllr R Kenyon

ITEM NUMBER: 7 c

To consider a draft strategy for the management of the Council's financial investments in 2019/20.

RECOMMENDATIONS

The Committee is recommended to consider the draft strategy and forward it, with any amendments, to Council for ratification.

1.LAW

The Council has the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs (section 12 of the Local Government Act 2003, the '2003 Act').

Statutory Guidance on Local Government Investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018 provides guidance on local government investments under section 15 of the 2003 Act ('the Guidance') and this has statutory force. The Guidance is mandatory where investments of a town council exceed or are expected to exceed £100,000 at any point in a financial year. Town councils where investments are expected to exceed £10,000 are encouraged to adopt the principles in the Guidance.

Where the Guidance is mandatory, or where a council has adopted the principles in the Guidance, the Council must, at a Full Council meeting, adopt an investment strategy for each financial year. Where a material change is proposed during the year, a revised strategy must be approved before the change is implemented.

The Guidance encourages transparency and local accountability in investment management.

Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain investment guidance which complements the CLG guidance. These publications are:

- Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes
- The Prudential Code for Capital Finance in Local Authorities

2.LINK TO COUNCIL FUNCTIONS

SUBJECT	POWER	LEGISLATION
Management of Council investments.	The Council is required to have regard to statutory guidance on local authority investments.	Local Government Act 2003, Section 15(1). Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

3.LINKS TO COUNCIL PRIORITIES

Proper investment of reserves and working balances ensures that these monies are secure and available when required to fund expenditure to deliver the Council's priorities as resolved in the Council Plan.

4.REPORT DETAILS

4.1 BACKGROUND

The previous edition of the statutory guidance focused on investing for yield (with reference to Icelandic Banks), transparency in investment strategies and the use of treasury management advisers. The new edition recognises significant changes in local authority behaviour as some councils are investing in non-financial assets (e.g. retail property) with the aim of generating profit, making very long-term investments or loans to local enterprises or third sector entities. The guidance addresses both this trend and perceived weaknesses in:

- Excessive exposure to financial risk through borrowing and investment decisions;
- Insufficient transparency to understand that exposure; and
- Councillors' understanding of complex financial transactions.

As a result, there are new safeguards for financial as well as non-financial investments.

4.2 TYPES OF INVESTMENT

The guidance classes investments into two main categories:

- Investments held for treasury management purposes; and
- Other investments, including non-financial assets.

In each case, the Council must state the contribution that the investment makes to its objectives; for the first category, it is sufficient to state that they support effective treasury management activities. Those activities should then follow the principles set out in the Treasury Management Code.

The Town Council does not have any investment in non-financial assets and has no plans to acquire any (operational assets used in service delivery are not considered to be investments). The remainder of this report therefore deals solely with investments managed as a treasury activity; should the Council decide to invest in non-financial assets, the guidance will need to be revisited and the Strategy revised.

4.3 PRINCIPLES

Prudent investment has two underlying objectives, in this order:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds are available when needed.

Only when these objectives have been fulfilled, should **yield** be considered. An individual investment has to be assessed in terms of the Council's appetite for risk, within the parameters stated in the strategy.

The Committee should note that the Financial Services Compensation Scheme applies to the Town Council, providing compensation for the loss of individual investments up to £85,000. However, this only applies while the annual budget is up to 500,000 Euros (around £452,000). The proposed budget for 2019/20 (measured as total income) is £446,000, suggesting that the Council will soon fall outside the Scheme.

4.4 FINANCIAL INVESTMENTS

These can be categorised as:

- Specified investments
- Loans; and
- Other, Non-specified investments.

Specified investments are in sterling, repayable within 12 months and made with a high quality investment scheme, the UK Government or another local authority.

The guidance outlines controls on loans made by authorities; again, these do not affect this Council.

Non-specified investments are any other financial investment; these carry a higher level of risk and would need specialist advice. For 2019/20, the Council's strategy should exclude this type of investment.

4.5 CAPACITY AND SKILLS

The strategy should include a description of the steps taken to ensure that elected members and statutory officers have the appropriate capacity and skills to enable them to make informed decisions.

4.6 DRAFT STRATEGY

The attached draft strategy sets out the approach that the Town Council should take in respect of financial investments. The Committee should consider particularly the section on risk parameters and the suggested organisations with which the Council should invest.

At present, the Council places surplus funds in the Penrith Building Society, with a current balance of £138,000. The Society has assets of around £107 million and is the smallest of 43 societies in the country.

The proposed investment criteria would exclude smaller building societies; it is therefore recommended that this investment be reduced over the course of 2019/20 and then discontinued.

An alternative investment is included in the draft strategy: this is the CCLA Public Sector Deposit Fund, which is a pooled investment available to local authorities. The Fund currently has a value of £470 million, invested in a range of high quality institutions. By investing in the Fund (with a minimum of £25,000), an authority has the benefit of buying into a share of that pool, with a consequent reduction in risk. It is recommended that use of the CCLA Fund is investigated, with a view to it replacing the investment with the Penrith Building Society.

5. FINANCIAL IMPLICATIONS

The Council's reserves and surplus working capital are invested pending their use and therefore need to be protected against loss. The income earned from investment is of secondary importance.

6. RISK MANAGEMENT

RISK	CONSEQUENCE	CONTROLS REQUIRED
<ul style="list-style-type: none"> Failure of an investment counterparty leading to the loss of Council funds. Non-compliance with statutory guidance. 	<ul style="list-style-type: none"> Unwelcome curtailment of spending programmes; possible unpalatable council tax increase; potential reputational damage. Criticism from internal/external audit; reputational damage. 	<ul style="list-style-type: none"> Adherence to a robust and prudent investment strategy. The strategy should incorporate the safeguards in the Government's guidance.

7.APPENDICES ATTACHED TO THIS REPORT

A - Draft Investment Strategy 2019/20

B - Statutory Guidance on Local Government Investments (3rd Edition)
Issued under section 15(1)(a) of the Local Government Act 2003 and
effective for financial years commencing on or after 1 April 2018

8. BACKGROUND PAPERS

- Building Societies Association factsheet
- CCLA website



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Tel: 01768 899 773 Email: office@penrithtowncouncil.co.uk

DRAFT INVESTMENT STRATEGY 2019/20

PURPOSE

The Town Council invests reserves and surplus funds which are not immediately required to meet expenditure. This strategy provides a framework for the secure and prudent investment of those monies and adopts the relevant principles of statutory guidance issued under the Local Government Act 2003 and of CIPFA codes of practice.

INVESTMENT OBJECTIVES

The Council invests monies for treasury management purposes.

Its priorities in investing surplus funds are:

- **Security** (protecting the investment from loss);
- **Liquidity** (ensuring the money is available for expenditure when needed); and, providing the above objectives have been met,
- Obtaining the best **Yield**.

Investment opportunities are assessed in terms of these objectives; the Council aims to obtain the best possible return commensurate with proper levels of security and liquidity.

TYPES OF INVESTMENT

The Council will not invest in non-financial assets such as commercial property.

The Council will only place funds in specified investments, as defined by the Secretary of State, which offer high security and high liquidity. These investments are made in the Council's name and are:

- made in sterling;
- have a maturity of no more than one year; and
- with a counterparty which is the UK Government, a local authority or a body of high credit quality.

For the 2019/20 financial year, the Council does not intend to use non-specified investments (i.e. those which do not meet these criteria) as these are generally considered to be of higher risk and would require specialist advice.

RISK ASSESSMENT

The Council's investments currently qualify for the Financial Services Compensation Scheme up to £85,000; however, it does not rely on this safeguard and only invests in organisations of high credit quality.

The Council does not employ external treasury advisors or subscribe to a credit rating agency. It bases its assessment of the risk attaching to potential investments with counterparties on their publicly available information, organisational structure and asset size.

The Council will also have regard to the amount of funds placed with a single institution.

APPROVED COUNTERPARTIES

The following counterparties are approved for the investment of surplus funds by the Council, with a duration of no longer than twelve months:

- HM Government and its agencies
- Local Authorities
- UK Clearing Banks
- Building Societies with an asset base in excess of £1,000 million
- UK FCA regulated qualifying money market funds with an AAA rating (Fitch credit rating).

TREASURY MANAGEMENT RESPONSIBILITIES

All investments are made in the name of the Town Council and will be approved by Full Council, having taken advice from the Responsible Financial Officer, who has knowledge and experience of the CIPFA codes of practice.

The Finance Committee oversees investment activities and the drafting of changes to this strategy.

Members of the Committee are suitably experienced and understand the nature of investment risks. Where necessary, their knowledge will be supplemented by formal or informal training.

ACTIVITIES FOR 2019/20

The Town Council currently holds a formal investment with Penrith Building Society and maintains its working balances with HSBC. The Society does not meet the strategy's risk assessment criteria as its assets total £107 million.

During 2019/20, the Council will manage the withdrawal of funds from the Society and seek to invest elsewhere. It intends to investigate the use of the CCLA Public Sector Deposit Fund, a qualifying money market fund with a diverse portfolio of high-quality sterling deposits. The Fund is rated AAmmf by Fitch and offers instant access for withdrawals, which meets the counterparty criteria.

REVIEW

This strategy will be subject to annual review in advance of each financial year.

APPENDIX B

STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

(3rd Edition)

Issued under section 15(1)(a) of the *Local Government Act 2003* and effective for financial years commencing on or after 1 April 2018

POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003*. Under that section local authorities are required to "have regard" to "such guidance as the Secretary of State may issue".

DEFINITION OF TERMS

2. In this guidance the **2003 Act** means the *Local Government Act 2003*.
3. **Local authority** has the meaning given in section 23 of the *2003 Act*. To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.
4. The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments*, which are subject to separate regulatory regimes and therefore are not covered by this guidance.
6. A **credit rating agency** is one of the following three companies:
 - Standard and Poor's;
 - Moody's Investors Service Ltd; and
 - Fitch Ratings Ltd.
7. For the purposes of this guidance a **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition"*.
9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2017 Edition"*.
10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

APPLICATION

Effective date

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.
12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

Local authorities

13. This guidance applies to all local authorities in England.
14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

KEY PRINCIPLES

Transparency and democratic accountability

15. For each financial year, a local authority should prepare at least one Investment Strategy ("the Strategy"). The Strategy should contain the disclosures and reporting requirements specified in this guidance.
16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The

Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.
18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.
19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

Contribution

20. Investments made by local authorities can be classified into one of two main categories:
 - Investments held for treasury management purposes; and
 - Other investments.
21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.
22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

Use of indicators

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return

received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.
25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Security, Liquidity and Yield

26. A prudent investment policy will have two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

27. The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

Security

Financial Investments

30. Financial investments can fall into one of three categories:

- **Specified investments;**
- **Loans;** and
- **Other Non-specified investments.**

Specified Investments

31. An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]*.
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
 - i. The United Kingdom Government;
 - ii. A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; or
 - iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

- Total financial exposure to these type of loans is proportionate;
- They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
- They have appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.
36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:
- Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).
 - Identify which categories of investments have been defined as suitable for use.
 - State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in *International Accounting Standard 40: Investment Property* as adapted by proper practices.
38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.
39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.
40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:

- How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
- How the local authority monitors and maintains the quality of advice provided by external advisors.
- To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
- Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.

Liquidity

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.
43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions. Where local authorities hold non-financial investment portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

Proportionality

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.
45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

Borrowing in advance of need

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.
47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:
- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
 - The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

Capacity, skills and culture

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.
49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.

ANNEX A – INFORMAL COMMENTARY ON THE STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

Power under which this Guidance is issued [paragraph 1]

1. The **Local Government Act 2003**, section 15(1), requires a local authority "...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...".
2. The guidance on investments in the main part of this document is issued under section 15(1) of the 2003 Act and authorities are therefore required to have regard to it. This part (**Annex A**) contains an informal commentary ("the commentary") on the Statutory Guidance.
3. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy* (CIPFA) contain investment guidance which complements the MHCLG guidance. These publications are:
 - *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*
 - *The Prudential Code for Capital Finance in Local Authorities*
4. Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended*.

Objectives in updating the Guidance

5. The 2nd edition of this Guidance, which was issued in 2010, reflected concerns raised by the CLG and Treasury Select committees as part of their enquiries into the financial crash of 2007-8. The key areas of focus were:
 - The practice of investing for yield, especially in Icelandic Banks;
 - The need for transparent investment strategies; and
 - The use of Treasury Management advisors.
6. The changes made to the 3rd edition of this Guidance reflect changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.

7. In addition, the National Audit Office and the Public Accounts Committee have raised a number of concerns about local authority behaviour that this guidance aims to address. These are:
- Local authorities are exposing themselves to too much financial risk through borrowing and investment decisions;
 - There is not enough transparency to understand the exposure that local authorities have as a result of borrowing and investment decisions; and
 - Members do not always have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

Effective Date [paragraphs 11-12]

8. This Guidance applies from 1 April 2018. It supersedes all previous editions of the Guidance.
9. The Guidance requires local authorities to produce a number of additional disclosures. Many local authorities already produce these as part of internal reporting and risk management procedures. However, if these disclosures are not currently produced, then local authorities do not need to prepare them in full for Strategies presented to full Council or equivalent before 1 April 2018. Those local authorities who do not include the required disclosures in their 2018-19 strategies, should present them for approval the first time the relevant Strategy is updated or superseded.

Local Authorities [paragraphs 12-13]

10. This Guidance applies to all local authorities, who hold or during the next financial year intend to hold financial or non-financial investments, solely or in part to generate revenue income.
11. It applies to parish councils whose investments exceed the thresholds set out in paragraph 14. The decision to lower the financial threshold for parish councils has been taken in recognition that some parishes have begun to engage in commercial ventures. As parish councils tend to be fairly small and to obtain a greater percentage of their funding directly from council tax payers than other types of local authority, it is right that they demonstrate that they have carefully considered the expertise that they need to manage the risks arising from their strategy.

Transparency and democratic accountability [paragraphs 15-19]

12. The Government believes that local authorities need to be better at explaining “why” not just “what” they are doing with their investment activity. That means that the sector needs to demonstrate more transparency and openness and to

make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

13. The additional disclosures required by the Guidance should be included in a single document presented to full Council or the equivalent. Although the Guidance refers to an Investment Strategy, providing that all of the disclosures are easy for interested parties to find and are in or linked from a single document, a separate Strategy does not need to be prepared. The Strategy should be updated at least annually.
14. Subject to the provisions in paragraph 35 and 36 of the commentary, local authorities can exclude specific non-financial investments from the required disclosures on grounds of commercial confidentiality. The Government expects that non-disclosure on grounds of commercial confidentiality will be an exceptional circumstance. A local authority should only determine that it would breach commercial confidentiality to include an investment in the disclosures on receipt of appropriate professional advice, using the same criteria as would be used to exclude the public from a Council meeting. Local authorities should reassess whether the commercial confidentiality test is met every time a new Strategy is presented to full Council or the equivalent.
15. Under Regulation 17 of the *The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012* as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by any committee or any member of the executive of their council. Nothing in this Guidance has the power to override this regulation.
16. Assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the *Local Government Act 2003* should not be classified as non-financial investments for this purpose.
17. If disclosures are already produced in another document that is publicly available then a local authority can provide a link to the disclosures from the Strategy rather than reproducing them. The exception is disclosures contained in the Statutory Accounts, which do not meet the requirements of this Strategy. This is because local authority statutory accounts can be complex and difficult for users who are not familiar with local government accounting to understand and statutory accounts are prepared to a higher level of materiality than local authorities should use for internal risk management.

Contribution [paragraphs 20-22]

18. Local authorities may have several different objectives, when deciding to acquire an asset. If an asset is not solely held for yield, then a local authority may have a different risk appetite or be willing to accept a lower return than it otherwise would.

19. Each local authority should determine how it categorises different types of contribution, and each investment can have more than one type of contribution.

A non-exhaustive list of types of contribution include:

- Yield/profit
- Regeneration
- Economic benefit/business rates growth
- Responding to local market failure
- Treasury management

20. Where a local authority classifies an investment as contributing to regeneration or local economic benefit, it should be able to demonstrate that the investment forms part of a project in its Local Plan.

Use of indicators [paragraphs 23-25]

21. Local authorities should present a range of indicators to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. The indicators should cover both the local authority's current position and the expected position assuming all planned investments for the following year are completed. The indicators do not need to take account of Treasury Management investments unless these are expected to be held for more than 12 months.

22. The Guidance requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. We recommend that, the indicators in the table below are used. Where local authorities have a different risk appetite or different expectation of returns depending on the contribution(s) each type of investment makes, they should consider presenting the indicators, classified by type of contribution or risk appetite.

Debt to net service expenditure (NSE) ratio	<i>Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>
Commercial income to NSE ratio	<i>Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</i>
Investment cover ratio	<i>The total net income from property investments, compared to the interest expense.</i>
Loan to value ratio	<i>The amount of debt compared to the total asset value.</i>
Target income returns	<i>Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</i>
Benchmarking of returns	<i>As a measure against other investments and against other council's property portfolios.</i>
Gross and net income	<i>The income received from the investment portfolio at a gross level and net level (less costs) over time.</i>
Operating costs	<i>The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.</i>
Vacancy levels and Tenant exposures for non-financial investments	<i>Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.</i>

23. Where appropriate, local authorities should consider including targets or limits set by members alongside the outturn. Where there has been a significant change in year on year performance against any of the indicators presented local authorities should include an explanation in the Strategy.

24. Local authorities can choose to present additional indicators in the Strategy should they believe that it would enhance understandability and transparency to do so.

Security, liquidity and yield [paragraphs 26-29]

25. For treasury management and other financial investments local authorities should continue to prioritise **SECURITY, LIQUIDITY** and **YIELD** in that order of importance.

26. Whilst consideration of **security** and **liquidity** is important for loans and non-financial investments, the relative balance between objectives may be different depending on the nature and objectives in making a specific investment.

Security and liquidity

Loans [paragraphs 33 – 34, 40]

27. Loans to joint ventures, local SMEs or third sector bodies, and wholly owned companies fall within the scope of the Guidance. When considering security and liquidity of loans local authorities should set limits for their total exposure and apply the expected loss model in line with the requirements of *IFRS 9 Financial Instruments*.

Non-financial investments [paragraphs 37-40, 43]

28. Where a local authority has a non-financial investment, it will have an asset that can be realised to recoup the sums invested. Therefore, the Guidance requires local authorities to consider security by reference to the value of the asset relative to purchase price and to set out the plans to recoup the investment if realising the asset would not recoup the sums invested. In the period immediately after purchase, it is normal for the directly attributable costs of purchasing a non-financial investment to be greater than the realisable value of the asset. In this scenario, all the Strategy needs to disclose is how long the local authority expects it to take for the increase in asset values to provide security for the sums invested and the assumptions underpinning that expectation.

29. Non-financial investments are by their nature illiquid. However, this does not mean that the local authority does not need to plan for realising a part of its non-financial investment portfolio, for example to repay debt. The liquidity of the non-financial investment portfolio should be considered over the repayment period of any debt taken out to acquire assets, which could be very long term. Given current trends such as the scale and pace of technology driven change, there is no guarantee that non-financial investments will continue to deliver value over their lifetime. To manage this risk, local authorities need to have plans to realise the capital tied up in non-financial investments if required. In addition, the Strategy should consider the trade-offs between accepting capital loss and refinancing debt incurring additional debt servicing costs by doing so, if appropriate.

Proportionality [paragraphs 44-45]

30. Local authorities need to consider the long term sustainability risk implicit in becoming too dependent on commercial income or in taking out too much debt relative to net service expenditure.

31. In addition, whilst under statute, local authority debt is secured on the revenues of that authority, in practice, there is no realistic prospect of the revenues of any local authority being sufficient to pay back debt equating to many multiples of the sum of NNDR and Council Tax Income, without a pervasive and long term impact on service delivery. It is unclear whether local authorities who have adopted a debt financed commercial investment strategy have realistic plans to manage failure. Whilst the Government recognises the importance of local authorities taking on debt to enhance service provision, irrespective of the source of finance, it does not believe that it should do the same for commercial investments.
32. For this reason, the Guidance introduces a new requirement that in every local authority, full council or its nearest equivalent, sets limits that cannot be exceeded for gross debt compared to net service expenditure, and for commercial income as a percentage of net service expenditure.
33. If a local authority has exceeded these limits through investments taken out prior to the introduction of this Guidance, it does not need to dispose of investments currently held. However, authorities who have exceeded their self-assessed limits should not enter into any further investments, irrespective of how these are financed, other than short term investments required for efficient treasury management.

Borrowing in advance of need [paragraphs 46-47]

34. The Prudential Code, issued by CIPFA has always contained a statement that local authorities should not borrow more than, or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The purpose of repeating that statement in this Guidance is to make it clear that it extends to borrowing taken on to finance the acquisition of non-financial as well as financial investments.
35. Local authorities can still finance the acquisition of financial on non financial investments from capital receipts generated from the sale of surplus assets. However, they should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need.
36. If exceptionally a local authority, chooses not to have regard to the provision on borrowing to fund investment activity the Guidance requires them to explain, in their Strategy, the rationale for this decision.
37. The purpose of this disclosure is to allow external auditors, tax payers and other interested parties to understand why the local authority has chosen to disregard

the Guidance, and to hold the authority to account should they believe there is not sufficient reason for doing so.

Capacity, Skills and Culture [paragraphs 48-50]

38. In the Public Accounts Committee report of 18 November 2016¹, members raised concerns that, locally elected members may not always have the background and expertise to understand the risks associated with the decisions that they are being asked to make. For this reason the Guidance extends the requirements on capacity and skills to members and any statutory officers involved in or responsible for signing off on investment decisions.
39. Members do not necessarily need formal training in understanding investment risks to satisfy the requirements of the Guidance. Depending on their level of expertise a presentation setting out the risks and opportunities of an investment strategy/specific investment in terms a layman would understand, may be sufficient to meet the new requirements.
40. The Government is aware that many local authorities have brought in outside expertise to identify and negotiate investment opportunities. Whilst this can be an effective method of risk management, it is important that those negotiating deals understand that they are not operating in a purely commercial environment and that the prime purpose of a local authority is to deliver statutory services to local residents. Therefore, the Strategy should comment on how they have been made aware of this.

ITEM 8

Date: 06/12/2018

Time: 12:25:09

Penrith Town Council

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Bank Reconciliation

Bank Ref:	1200	Date To:	30/11/2018
Bank Name:	Unity Trust	Statement Ref:	1200 2018-12-06 01
Currency:	Pound Sterling		

Balance as per cash book at 30/11/2018: 4,282.30

Add: Unpresented Payments

Tran No	Date	Ref	Details	£
				<u>0.00</u>

Less: Outstanding Receipts

Tran No	Date	Ref	Details	£
				<u>0.00</u>

Reconciled balance : 4,282.30

Balance as per statement : 4,282.30

Difference : 0.00

Date: 06/12/2018

Time: 12:23:55

Penrith Town Council

Page: 1

Bank Reconciliation

Bank Ref:	1205	Date To:	30/11/2018
Bank Name:	HSBC	Statement Ref:	1205 2018-12-06 02
Currency:	Pound Sterling		

Balance as per cash book at 30/11/2018:

275,037.67**Add: Unpresented Payments**

Tran No	Date	Ref	Details	£
				<u>0.00</u>

Less: Outstanding Receipts

Tran No	Date	Ref	Details	£
				<u>0.00</u>

Reconciled balance :

275,037.67

Balance as per statement :

275,037.67

Difference :

0.00

For the Attention: All members of the Penrith Town Council Finance Committee:

Cllr. Kenyon

Chairman

Cllr. Burgin

Vice Chairman

Cllr. Baker

Cllr. Bowen

Cllr. Jackson

For Information only: All other members of the Penrith Town Council

Councillors

Cllr. Briggs

Cllr. Donald

Cllr. Clark

Cllr. Lawson

Cllr. Monk

Cllr. Whipp