



# TODMORDEN TOWN COUNCIL

## REPORT TO FULL COUNCIL

<b>REPORT AUTHOR</b>	<b>Colin Hill –Town Clerk/Responsible Financial Officer</b>
<b>TEL NO</b>	<b>01706 548135</b>
<b>EMAIL</b>	<b>townclerk@todmorden-tc.gov.</b>
<b>Date</b>	<b>14<sup>th</sup> August 2019</b>
<b>SUBJECT</b>	<b>Financial Update and related matters</b>

### PURPOSE:

1. To propose to Members that where items of significant decision making and or where financial commitment is made, that a formal report as per this example, is in future adopted.
2. To advise Members that all accounting records are now up to date, that a cash reconciliation has been undertaken as at 30<sup>th</sup> June 2019 and existing budgets reviewed, including recalculating staff costs for this current year based on successful recruitment of the Assistant Town Clerk and Administrative Assistant being in post by mid October .
3. To present a summary of the current position including detailing of Earmarked Reserves and the effect of these and our revenue position on our overall General Reserve (our contingency to meet over and above budget spend and or additional/emergency expenditure) – See Appendix A for Summary and by way of example only Appendix B for the Balance Sheet and detail at individual budget code level.
4. To provide an estimate of anticipated year end General Reserve based on the current budget projection currently standing at circa £79,145.
5. To confirm the transfer of £10,000 from the Earmarked Reserve for Council Elections to revenue budget to meet the cost of this years elections and that a further sum of £5,000 be moved back to General Reserves, leaving then a balance of £5,000 on the Council Elections Reserve
6. To propose that each year when setting the budget, a figure of £5,000 be transferred to the Earmarked Council Election Reserve so that over a four-year period, sufficient reserve is set aside to meet future election costs.
7. To propose that as part of further improvement the Council upgrades its current version of Rialtas software and introduces a purchase order module to enable commitments to be effectively recorded.

8. To propose that in due course a Financial Management Policy is developed to include setting levels of General reserves cover.

## **BACKGROUND:**

9. Because of staffing cover issues experienced over the last six months the Rialtas Financial records have not been updated since 1<sup>st</sup> April. Whilst the council has not been at any risk in terms of ability to pay its bills, and therefore has continued to deliver its daily function for residents of Todmorden, nevertheless it is appropriate that financial budgeting is now addressed.
10. Cash reconciliation needs to be undertaken on Quarterly basis by a Member other than a cheque signatory, as part of good practice and to meet Financial Regulations 2.2 . The Rialtas system enables this.
11. The impact of Earmarking Reserves of currently £80,000 (after the above mentioned transfer of Council Election Reserve) has had significant effect on the Town Councils General Reserve and at whilst at c£79,145 passes the normal test of at least four months budget cover, it is nevertheless a little low. A formal Policy will help shape this.
12. For example taking already £20,000 in one go towards covering future costs of Council Elections has significant impact on General Reserves and going forward a reasonable stance to is take £5,000 each year. If in year elections arise, then under Policy guidelines to be developed, there should be sufficient General Reserve left to accommodate an ad hoc call.
13. The current Rialtas “Alpha” system is basic and usually used for small precept Parish / Town Councils. Whilst the level of Todmorden Precept is not small, it also not large, but now of sufficient size to warrant an upgrade to the Omega system. Omega has supporting modules for purchase ordering and therefore registering commitments. This will enable us to then know both our current and future commitments, so that we do not then potentially overspend on individual budget lines, without being aware of this. This also automatically starts to allocate year end creditor balances.
14. If the future direction of the Council changes involving income generation, the Omega system also enables an invoicing module to be introduced and therefore debtor reconciliation at year end, as well as information to enable chasing of outstanding funds due to the Council.
15. Whilst understandably Members want to assist local issues wherever they can including financial commitments, one cannot spend the same money twice!!!! As the business of the Council grows, the need for effective Management of Reserves in relation to revenue need becomes more critical. An overall Policy adopted by Full Council will provide a non -emotive guide to setting aside funds as Earmarked Reserves.

## **FINANCIAL CONSIDERATIONS**

16. The summary indicates a revenue spend this year of £233,685 and income of £222,554. This assumes all spend up to budget. The net deficit of £20,221 will at year end reflect itself in less General Reserves being carried forward and incorporated into the projection now for year-end of £79,145.

17. Members should however note that in the absence of a record of commitments there may be further expenditure over and above that already indicated, that is currently unknown. This will filter through into future spend against budgets..
18. Ongoing monitoring will bring to Members attention any significant variance to enable consideration being given to tightening down spend towards year end.
19. The cost of upgrading the Rialtas System from Alpha to Omega and introducing the Purchase Order module is a one off cost of £1,240 plus annual licencing and support of £661.

## **RECOMMENDATION**

20. That Members agree the format of future reporting as per the current report submitted.
21. That Members agree that the Summary of Financial Information as exemplified in Appendix A is presented at Full Council and that the detail as exemplified by Appendix B (detail) is submitted via General Purposes Committee
22. To confirm the transfer £10,000 from the Earmarked Council Election Reserve to revenue budget for meeting election costs.
23. To transfer £5,000 from the Earmarked Council Election Reserve to boost General reserves by £5,000 and leave an Election Reserve of £5,000
24. That the Rialtas Accounting System is upgraded as proposed and that budgets be realigned to meet this additional cost.
25. That a Management of Reserves Policy is brought to General Purposes committee for consideration.

## **REASONS FOR RECOMMENDATION**

26. To adopt good practice for budget monitoring.
27. That Member are aware of the overall financial position but that the committee delegated to deal with financial matters - General Purposes - considers the detail
28. Full Council authority is required to agree the transfer of Reserves.
29. To adopt good practice in setting out a defined processor budget setting and year end close down of accounts.
30. To improve the capability of the Council to monitor its financial affairs and adopt a bespoke financial accounting system familiar with Town Council accounting requirements.
31. To adopt good practice by having a Policy guiding Reserves and with it by definition cash management.
32. To RESOLVE that recommendations 26-31 inclusive are adopted by this Council

**POLICY IMPLICATIONS:**

33. Future management of Reserves will be guided by a formal Policy to be introduced.

**CLIMATE EMERGENCY:**

34. None arising from this report.

**IMPACT EQUALITY ASESMENT**

35. None arising from this report.

**SUPPORTING PAPERS:**

- Appendix A- Current Financial Summary
- Appendix B- Detail by Code
- Appendix C – Rialtas costs for upgrading to Omega

FURTHER INFORMATION, PLEASE CONTACT: Colin Hill