



GRENDON UNDERWOOD PARISH COUNCIL

All correspondence to the Parish Clerk on parishclerk@gupc.org.uk
Tel: 0787 368 3043 Web Site: <https://www.gupc.org.uk/>

Annual Report of the Responsible Financial Officer (RFO) 2019/20 Dated: April 20

INTRODUCTION

The financial year is from 1st April to 31st March. The budget is prepared in November for submission in January. The Internal Audit is in May; the External Audit is completed by September (November in 2020).

The Council follows the requirements for adequate financial governance as defined in the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide – March 2020.

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

EXECUTIVE SUMMARY

Overview –

This year has seen Council maintain its trajectory of last year towards its manifesto goal of maintaining a steady, prudent reduction in reserves such as to pro-actively transfer funds back into the community. By successfully concluding several external grants and in collaboration with community groups, the Council has overseen an overall spend of some £45,000 [not including staff costs] to the benefit of several community initiatives. The net effect of this has been a reduction in reserves of some £2,500. This leaves reserves standing at £24,000, maintaining Council objectives whilst still equivalent to one year's total operational spend.

This also has the effect of leaving some limited head room for further discretionary spend next year as the Council target for reserves is half annual operational spend, in line with common accounting practice – in Grendon: £12,000 - the upper limit, triggering an external audit explanation of excess reserves, being twice the precept – in Grendon: £40,000.

Thus, overall expenditure was £45,151 [not including £4,449 staff costs], significantly up from £22,391 (gross) but almost all offset by a large increase in income of £47,000 [including a precept of £19,720, up from £19,385 previous year], Consequently, again this year, Council is not eligible for external audit exemption as overall spend exceeded the £25,000 limit for exempt councils.

Precept FinYr 2019-20: A Precept of £19,720, up from £19,385 previous year, was submitted to AVDC by their deadline in mid-January 2019 & duly accounted for.

FinYr 2020-21: A Precept of £20,290, up 3.2%, has been requested to reflect the increased number of residents in the parish whilst maintaining a zero effect on Band D equivalence i.e Council Tax for Grendon residents.

Personnel. This includes salary, overtime, HMRC, NI, pension, travel, training & expenses - £4,449 down from £6,473, to reflect a reduction in overtime and no training requirement. The Clerk/RFO has agreed to stay in post until the next election so no significant change is projected.

Loan interest Council did not hold any active loans in FinYr 19-20 but did initiate a loan in 3rd quarter to convert all street & footpath lights in the Parish to LED.

As reported last year, Council was successful in winning a Ministry of Housing, Communications & Local Government 5 year loan award of £5105, at 0% interest, with the intention of significantly reducing running costs, maintenance costs & our carbon footprint.

The loan will become active next FinYr with repayments payable in two instalments of about £500 each per year for 5 years. Necessary funds are ringfenced as earmarked reserves.

Balance carried forward: £24,094 down from £26,646, thus maintaining the planned downward trajectory in reserves, this year, stabilising at about 1x annual operational spend.

Reserves Management

The Council has taken due regard of the need to put in place a General Reserve Policy and has reviewed the level and purpose of all Earmarked Reserves. Council remains committed to its multi-year strategy of steadily & prudently reducing reserves to about

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half of annual statutory operational spend, in line with common accountancy practice. This maximises fund leverage into the community and will also reduce the propensity of Council being put at a disadvantage in achieving successful outcomes when making applications for grants from external bodies & authorities.

After a reduction last year of £7,800.00, this year sees a reduction in reserves of £2500 to £24094 at year end thus maintaining a level roughly equivalent to annual operational spend (£19480). This, plus a precept of £20,000, gives confidence that there remains sufficient headroom for further discretionary spend to continue next year, hopefully supplemented with further successful applications for external funding.

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

Total Fixed Assets: these now stand at £104,495, down from £117,562, a net effect reflecting a re-assignment of certain streetlights to the Street Lighting Authority and the acquisition of three Memorial Benches.

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

Due Diligence & Risk Analysis

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

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

This FinYr, VAT of £2,702 was reclaimed and £2,838 will be claimed back next year.

Budget

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

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

As there is no full council meeting in December, this authorisation also includes an authority for the Clerk to submit the budget, for precept purposes only, to GUUW after electronic agreement through the Emergency Protocol.

Given this agreement, the Clerk submits the interim budget, in line with GUUW timing requirements, no later than mid-January.

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

As GUUW are legally obliged to grant a precept request (within reason) the full amount requested is assumed for budgetary purposes. Inevitably, being based on a 9 month spend during the relevant year, the interim budget is usually subject to revision as more data becomes available and finalised, for the following year, at FinYr end.

The interim budget for FinYr 2019-20, authorised in November 2018, set in December 2018 and ratified at the January 2019 meeting, projected a total core operational spend of £20,523. From this a precept request for £19720 was submitted in January 2019. The actual 2019-20 core operational spend was £19,479.

S106 Accounting.

Section 106 money is a levy on developers wishing to build non-affordable housing in parishes. This is held by AVW and released to local authorities subject to prior development approvals and strict planning & project management criteria. Following the approval of some and rejection of other large-scale development proposals, the amount of S106 money claimable by Council stands at some £132,074. This is currently attributed to the provision of a MUGA at the playing field and other amenity improvements as described in PC document "Disposition of S106 money" currently at issue 8, dated 28.04.20.

All income derived from S106 must be considered solely transitional – direct from Authority to approved project - and cannot be redirected without approval. It must be accounted for entirely separately & independently from other council expenditure and cannot be included in any budgets, reserves or projections. It must be used within 10 years of availability or it becomes repayable to the developer - with interest.

Contracts & Agreements

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

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

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There are six Direct Debits in force and no Standing Orders to cover liability insurance, memberships, dog waste and general waste management, professional services.

Two AVDC New Homes Bonus grants (to reflect the impact new homes (population growth) have on local infrastructure) were agreed and delivered in the year –

1. A successful micro grant application for an £1800 contribution to a community project to install three Memorial Benches in the village, also with contributions from the Scouts and the Alistair Haddow memorial Fund and also incurring a council contribution of some £800. This was completed October 2019.
2. A successful project grant of £16000 to upgrade the Village Hall toilets with contribution from the Village Hall and a £1000 liability on council in the year. this was completed March 2020.

As the footpath lighting authority, Council resolved to initiate an £8000 capital project to upgrade all footpath lighting in the parish to LED and to seek authority from the Secretary of State for Housing to access a MHCLG 0% loan of £5105. The conversion was completed November 2019. Repayments will commence next year at two payments of £500 each twice a year for five years.

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

Audits

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

For FinYr 2018-19:

- The Accounting Statements were prepared by the RFO in April 2019 for submission to the Internal Auditor in May 2019.
- The Internal Audit and the Annual Internal Audit Report were signed on 22nd May 2019
- The Annual Governance Statement 2018/19 (Section 1 of AGAR) was approved by resolution at Annual Parish Council Meeting held on 28th May 2019, minute 1905.09(ii).
- The Accounting Statements 2018/19 (Section 2 of AGAR) were approved by resolution at Annual Parish Council Meeting held on 28th May 2019, minute 1905.09(iv).
- Explanations of variances were agreed acceptable by resolution at Annual Parish Council Meeting held on 28th May 2019, minute 1905.09(v).
- The Asset Register was reviewed and accepted by resolution at Annual Parish Council Meeting held on 28th May 2019, minute 1905.09(vi)
- The Council's Annual Governance & Accountability Return was published to the web site on 1st June 2019.
- The Notice of Public Rights & Publication of Unaudited Annual Governance & Accountability Return – Accounts for the Year Ended 31 March 2019 were published 16th June 2019 - the Dates of the Period for Exercise of Public Rights set at between 17 June 2019 & 26 July 2019.
- The External Auditor Report & Certificate 2018/19 (AGAR Section 3) was signed off on 29th August 2019.
- The Notice of Conclusion of Audit was published on 9th September 2019.
- The External Auditor Report & Certificate was published 9th September 2019.
- The audited Sections 1 & 2 of the AGAR were published 9th September 2019.

For FinYr 2019-20:

Between 1st April & 31st August 2020 -

- The Accounting Statements were prepared by the RFO in April 2020 for submission to the Internal Auditor.
- The Internal Audit submission is to be agreed by Council at remote meeting called on 28th April 2020.
- The Internal Audit is to be held remotely in May 2020 and the Annual Internal Audit Report completed.
- The Internal Audit Report to be presented and noted by Council at its Annual Parish Council Meeting to be held in May 2020.
- Annual Governance Statement 2019/20 (Section 1 of AGAR) to be approved by resolution at Annual Parish Council Meeting held in May 2020, minute
- The Accounting Statements 2019/20 (Section 2 of AGAR) to be approved by resolution at Annual Parish Council Meeting held in May 2020, minute .
- The Chairman & Clerk sign the Annual Governance Statement and the Chairman signs the Accounting Statements at Annual Parish Council Meeting held in May 2020, minute .
- Explanations of variances to be agreed acceptable by resolution at Annual Parish Council Meeting to be held in May 2020, minute
- The Asset Register to be reviewed and accepted by resolution at Annual Parish Council Meeting to be held in May 2020, minute
- The RFO sets the commencement date for the exercise of public rights.
- The RFO sends to the External Auditor the audit pack consisting of
 - The Annual Internal Audit Report;

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- The Annual Governance Statement;
- The Accounting Statements;
- An analysis of significant variances;
- A bank reconciliation as at 31 March 2020;
- Details of the arrangements for the exercise of public rights;
- And any other information the auditor may have specifically requested.

Before 1st September 2020 -

- The Annual Internal Audit Report must be published.
- The Annual Governance Statement must be published.
- The Accounting Statements must be published.
- A declaration that the accounts are as yet unaudited must be published.
- Details of the arrangements for the exercise of public rights must be published.
- The name & address of the external auditor must be published.
- The External Auditor Report & Certificate 2019/20 (AGAR Section 3) to be signed off and returned to the authority no later than November 2020.

Before 1st December 2020 -

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

SPEND BREAKDOWN FOR FINYR 1 APRIL 2019 TO 31 MARCH 2020;

The total core operational expenditure of £19480 comprised;

Personnel [salary, HMRC, pensions, PAYE, training, expenses] - £4449 down from £6473;

Office Overhead [consumables, web site, phone, room rental, broadband] - £510 down from £1158;

Professional services [audits, planning, lease, HMRC, inspections] - £1060 up from £483;

Insurances [liability, tractor] - £1670 up from £1632;

Subscriptions [ICO, B&MKALC, BPFPA, NBPPC] - £235 same as last year;

Footpath Lighting (energy & maintenance) - £4565 down from £5466;

Waste Management [dog, general] - £1687 down from £2936.

General Maintenance [tractor, playground, war memorial, notices, MVAS, defibrillator, bus shelter, salt bins] - £1656 up from £1378;

Environment [hedges, verges, footpaths] - £3375 up from £2655;

Community [events, wreath, WI, Health & Fitness, Go30] - £272 down from £940

Proposed Actions before Annual Audit.

Proposal 1.

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

Proposal 2.

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

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

Responsible Finance Officer, Grendon Underwood Parish Council

April 2020

Appendix I – Powers & Duties of an RFO

The RFO of a Local Government Authority, irrespective of its size, is required to execute the directives of a duly elected Council in regard to ensuring the Council complies with certain key statutory duties specified in the Local Government and Finance Act 1992, Part1, Chapter III, Section 32, the Accounts & Audit Regulations Act 2015, Governance & Accountability Regulations March 2017 (JPAG) and others as relevant. Duties applicable to the Grendon Underwood Parish Council RFO are;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To monitor the following;

- The Council Bank Account is managed by the Chairman with the Deputy Chairman as a second signatory & card reader holder.

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

Appendix II - Reserves

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

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

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

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

Appendix III Annual Budget & Precept;

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

The key stages in the budgeting process are;

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

Appendix IV Annual Audits

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

- A. Appropriate accounting records have been kept properly throughout the year;
- B. Council has complied with its financial regulations, payments are supported by invoices, all expenditure was approved and VAT was properly accounted for;
- C. Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these;
- D. The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate;
- E. Expected income was fully received, based on up to date information & agreements, properly recorded and promptly banked; and VAT appropriately accounted for;

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- F. Any petty cash payments were properly supported by receipts, any petty cash expenditure is approved and VAT is appropriately accounted for;
- G. Salaries to employees and allowances to members were paid in accordance with Council approvals, and PAYE & NI requirements were properly applied;
- H. Asset & investments registers were complete and accurate and properly maintained;
- I. Periodic & year-end bank account reconciliations were properly carried out;
- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts, & payments or income & expenditure) agreed to the cash book, supported by an adequate audit trail from underlying records and, where appropriate, debtors & creditors were properly recorded;
- K. If council certified itself as exempt from a limited assurance review in previous year, it met the exemption criteria and correctly declared itself as exempt;
- L. During the Summer of relevant year, Council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts & audit Regulations;
- M. As applicable, for any Trust Funds (including charitable), the Council met its responsibilities as a trustee;
- N. For any other risk areas identified by the Council adequate controls exist;
- O. Date of audit; name of person who carried out the audit.

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

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

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

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

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

- A Notice of the Period for the Exercise of Public Rights (set at between 17 June 2019 & 26 July 2019) will be published before 1st July 2019.
- A declaration that the accounting statements are as yet unaudited will be published by 1st July 2019
- Section 1 – Annual Governance Statement 2018/19 approved & signed – before Section 2 - will be published by 1st July 2019
- Section 2 – Accounting Statements 2018/19, approved & signed will be published by 1st July 2019
- The External Auditor Certificate must be signed off by September 2019;
- A notice of conclusion of audit will be published by 30th September 2019
- Section 3 of the External Auditor Report & Certificate will be published by 30th September 2019
- Sections 1 & 2 of the AGAR will be published by 30th September 2019
- A confirmation of the dates of the period for the exercise of public rights
- A bank reconciliation pro forma
- An explanation of 'high' reserves
- A reconciliation between the balance carried forward and total cash & short-term investments
- Contact details
- An explanation of any significant variances between current year and previous.

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

1. Publish (which must include publication to the Council web site) a statement to the effect;
 - The audit has been concluded and that the Statement of Accounts has been published,
 - Of the rights of inspection conferred on local government electors by section 25 of the Local Audit & Accountability Act 2014,
 - The address at which, and the hours during which, those rights may be exercised;

2. Keep copies of the Annual Return for purchase by any person on payment of a reasonable fee;
3. Ensure that the Annual Return remains available for public access for a period of not less than five years beginning with the date on which the Annual Return was first published;

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

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

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

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