



Annual Report of the Responsible Financial Officer (RFO) 2021/22 Dated: May22

INTRODUCTION

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

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

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

EXECUTIVE SUMMARY

This year the Council has maintained its strategic trajectory from previous years towards its manifesto goal of maintaining a steady, prudent reduction in reserves such as to pro-actively transfer excess reserve funds back into the community. To this end Council has realised the provision of a Multi-Use Games Arena primarily using S106 monies. Consequently, earmarked reserves continue to show a steady decrease from £29390 to £25841, in line with policy whilst remaining robust.

The interim budget was prepared in December 21 as the basis for submission of the precept request in line County timing in January 22. The precept was raised from £20290 to £20851 to reflect addition growth in the Parish and such as to have no effect on residents' council tax.

Council financial controls successfully withstood the Annual Internal Audit on 6th April 22; Council ratified the External Audit submission at its April 22 meeting. It was submitted on 27th April 22 and is scheduled for completion by September 22.

The Council has overseen an overall spend of some £122971 (£23468 previous year), being comprised of £4567 staff (to include salary, overtime, HMRC, NI, pension, travel, training & expenses), £1021 loan (0% interest/ 2nd year of a 5 year commitment), £117383 operational (of which £87529 S106 discretionary).

Council receipts were £118815, comprising the precept of £20851, S106 drawdown of £87529 & a VAT reclaim of £10435 (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).

Buckinghamshire Council has initiated various funding streams through the Haddenham & Waddesdon Community Board primarily in aid of healthy, outdoor initiatives and Council has made several expressions of interest in support of speed reduction equipment and a toddler PlayPark.

Amongst several new initiatives, Council wishes to realise a toddler PlayPark and to bring the County owned land at the Main Street/ Broadway junction into community use whilst also retaining its intention to part fund a safer pedestrian crossing at the church with HS2 Road Safety Fund money.

Total Fixed Assets have increased from £104495 to £208940 to reflect commissioning of the MUGA in March 22. This has been notified and will be reflected in next renewal of insurance premium in May22.

Reserves Management

Overall, the net effect of expenditure & income this year has been to decrease reserves by £3500 to some £25841 or 2 times that of the council target of holding reserves broadly equivalent to 50% of annual total operational spend - in line with common accounting practice [in GU: £12,000]. Consequently, this maintains the fiscal head room necessary for further discretionary spend next year as planned.

Note: Reserves in excess of double the precept may trigger an external audit explanation of excess reserves.

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

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

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.

S106 Accounting.

Section 106 money is a levy on developers wishing to build non-affordable housing in parishes. This is held by County and released to local authorities subject to prior approval of eligible local proposals and strict planning & project management criteria being in place. Following the approval of some and rejection of other large-scale development proposals and after the drawdown identified above for the MUGA, the amount of S106 money available to Council stands at some £ . This is currently attributed to the provision of a safe, parent friendly, dog proof toddler PlayPark, integrated into the current playground, at the playing field.

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

Contracts & Agreements

A 5-year agreement Liability & Asset Insurance will renew in May22.

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

One Standing Orders is in force as well as several Direct Debits to cover liability insurance, memberships, dog waste and general waste management & lighting energy.

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

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

Audits

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

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.

SPEND BREAKDOWN FOR FINYR 1 APRIL 2021 TO 31 MARCH 2022.

Total expenditure of £122971 comprised;

Environment (verges & hedges): £3080

General Maintenance [tractor, playground, war memorial, notice boards, MVAS, defibrillator, bus shelter, salt bins] - £0

Amenities (MUGA): £100500

Insurances [liability, assets, tractor]: £1769

Footpath Lighting (energy & maintenance): £932

Office Overhead [IT, consumables, web site, phone, room rental, broadband]: £320

Professional services [audits, planning, MUGA Project Management, lease, HMRC, inspections]: £8716

Publicity (prison campaign flyers and posters): £631

Personnel [salary, HMRC, pensions, PAYE, training, expenses]: £4567

Subscriptions [ICO, B&MKALC, BPPFA, NBPPC]: £425

Waste Management [dog, recycling, general]: £1010

Loans: £1021

Grants: £0

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Appendix I – Powers & Duties of an RFO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To monitor the following;

- The Council Bank Account is managed by the Chairman, with the Deputy Chairman as a second signatory.
- Bank Statements are provided monthly and published to the minutes of Council Meetings & for consolidation at quarter & year end.
- All invoices for the year are held in hard copy +/-or electronically.
- Minutes & agendas posted to the website are signed electronically for web security reasons.

- All minutes are held in hard copy & signed off as a true & accurate record of proceedings.
- The statutory Annual Governance & Accountability Return (AGAR) to include an Annual Internal Audit Report, signed by a qualified independent, external auditor, an Annual Governance Statement, signed by Council, an Accounting Statement, signed by Council and an External Auditors Report signed by the duly appointed external auditor are all held in hard copy & published to the web site as required.
- The statutory Notice of Conclusion of the Annual Return is signed by Council and held in hard copy and posted to the web site as required.

Appendix II - Reserves

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

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

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

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

Appendix III Annual Budget & Precept;

Budget

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

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

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

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

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

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

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

The key stages in the budgeting process are;

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

Appendix IV Annual Audits

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

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

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

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

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

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

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

- A Notice of the Period for the Exercise of Public Rights (recommended to be set at between 14 June & 23 July of same fiscal year) to be published before 1st June.
- A declaration that the accounting statements are as yet unaudited will be published by 1st July.
- AGAR, Section 1 – Annual Governance Statement approved & signed – before Section 2 - to be published by 1st July.
- AGAR, Section 2 – Accounting Statements, approved & signed, to be published by 1st July.
- The External Auditor Certificate must be signed off by September of same fiscal year;
- A notice of conclusion of audit will be published by 30th September.
- AGAR, Section 3 - External Auditor Report & Certificate to be published by 30th September.
- The audited Sections 1 & 2 of the AGAR will be published by 30th September.
- A confirmation of the dates of the period for the exercise of public rights
- A bank reconciliation pro forma
- An explanation of 'high' reserves – if applicable.
- A reconciliation between the balance carried forward and total cash & short-term investments
- Contact details
- An explanation of any significant variances between current year and previous.

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

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

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