

PORTLAND TOWN COUNCIL

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4th February 2015

To: MEMBERS OF THE COMMITTEE

FINANCE & RESOURCES COMMITTEE

Dear Councillor

You are hereby summoned to attend a **MEETING** of the **FINANCE & RESOURCES COMMITTEE**, to be held in the **EASTON METHODIST CHURCH HALL, PORTLAND**, on **WEDNESDAY 1TH FEBRUARY 2015** commencing at 7.00 pm, when the business set out below will be transacted.

It is the Council's intention that all meetings of the Council and its Committees be recorded aurally.

Yours faithfully

Ian Looker
Town Clerk

Membership: Cllrs. Bradley, Tim Munro, Chadwick, Hughes (ex officio), Matthews, Ian Munro-Price, Nowak, Reynolds and Wild (ex officio)

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest** – to receive any declarations from Councillors or Officers of pecuniary or non-pecuniary interests regarding matters to be considered at this meeting, together with a statement on the nature of those interest
3. **Public Half-Hour** – to raise matters referring only to items on the agenda
4. **Minutes of the Meeting Held on 14th January 2015** (attached)
5. **Minute Update and Matters Arising** (attached)
6. **Financial Matters**
 - a) Payments for Authorisation (to follow)
 - b) 2014/15 Financial Report to 31st January 2015 (attached)
7. **Reserves Policy** – to consider the adoption of a draft policy and earmarked reserves for 1st April 2015 (see attached)
8. **2015/16 Budget & Precept** – to receive the report of Cllr. Matthews and consider further the formation of the budget (see attached)
9. **Investment Advice** – to receive a report from the Clerk and consider further action (see attached)
10. **Delegation of Tasks** – to decide whether any current issues should be considered by the working groups
11. **Administrative Workload & Additional Staffing Provision**
 - a) to consider a report from the Clerk and quotation received
 - b) to consider the appointment of a temporary member of staff (see attached)
12. **Exclusion of Press & Public** (discretionary)

“That pursuant to the provisions of Section 1(2) of the Public Bodies (Admission to Meetings) Act 1960, the press and public be excluded from the meeting for Agenda Item(s) ... by reason of the confidential nature of the business to be transacted.”

13. **Date of Next Meeting** – to note that the Committee's next meeting is scheduled for Wednesday, 18th March 2015, commencing at 7.00 pm.

Finance & Resources Minute Update

a) Minute 77, para 1 – Public Half-Hour: Hire of Halls

Details of costs to date have been sent to the Borough.

b) Minute 81 – Marine & Environment Partnership Meeting, 3rd December 2014: Storage of Sandbags

To my knowledge we are still awaiting a reply from the Borough.

c) Minute 81 – Working for a Better Portland

There is no further information to hand as yet.

d) Minute 85 – Standing Orders & Financial Regulations

Cllr. Matthews has received from the Clerk the analysis done on the first new model set of standing orders and will complete the remaining necessary preliminary work before passing it on to the Clerk.

e) Minute 86 – Administrative Workload

f) Minute 87 – Additional Staffing Provision

The Council authorised the completion of the long-term outstanding tasks itemised to the staff on an overtime basis up to the cost of the hours estimated.

Cllr. Matthews will formulate a report on a reserves policy to bring to Finance & Resources.

Action will be taken to start expediting the tasks identified by the risk assessment and the review recommendations agreed by Council.

PORTLAND TOWN COUNCIL

Draft Financial Reserves Policy

1. Purpose

- 1.1 Portland Town Council(PTC)is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of General Reserves. The Council's General Reserves is where all the revenue income and expenditure of the Council is accounted for. It does not include specific funds earmarked for long term projects.
- 1.2 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum or maximum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are key protocols for their establishment and use.

2. Types of reserves

- 2.1 Reserves can be categorised as general (e.g. held to cushion the impact of uneven cash flows or unexpected events) or earmarked (held for a specific purpose).
- 2.2 Earmarked reserves are held for five main reasons:
 - Renewals – to enable Council to plan and finance an effective programme of equipment replacement and planned property maintenance (if appropriate). These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
 - Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
 - Trading accounts – In some instances surpluses are retained for future investment.
 - Insurance reserve – to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.
 - Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.
- 2.3 General reserves or working balances are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of significant pressures, offset the budget requirement if

necessary or can be held in case of unexpected events or emergencies which would not require an ongoing revenue commitment

3. Earmarked reserves

- 3.1 The Governance and Accountability Practitioners' Guide 2010 sets out guidance and audit considerations for Town & Parish Councils. Council adheres to this guidance.
- 3.2 Earmarked reserves will be established on a "needs" basis, in line with planned or anticipated requirements.
- 3.3 As outlined in the regulations, any decision to set up a reserve must be given by the Council.
- 3.4 Expenditure from reserves can only be authorised by the Council.
- 3.5 Reserves can only be used once and so should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.
- 3.6 All earmarked reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.
- 3.7 Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

4. Working balances

- 4.1 The level of general reserves or working balances is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building working balances will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.
- 4.2 Setting the level of working balances is one of several related decisions in the formulation of the medium term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.
- 4.3 In practice, however, in determining the precise level of reserves about this minimum, the Responsible Financial Officer will consider most if not all of the factors shown in the following table:

Areas of Risk	Financial standing and management
The likelihood of delays in the receipt of principal income streams.	Agree a cashflow profile which members are aware of in terms of risks of any delay
The potential to meet contractual liabilities of a significant nature	Identify any liability which may arise under this heading and advise members accordingly
The treatment of planned efficiency savings	The strength of the financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major contractual arrangements or major capital developments	The authority's virement and end-of-year procedures in relation to budget under/overspends at council and committee level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks

4.4 If in extreme circumstances general reserves were exhausted due to unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short-term resources.

5. Opportunity cost of holding reserves

5.1 In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the budget strategy.

5.2 However, there is an “opportunity cost” of holding funds in reserves, in that these funds cannot then be spent on anything else. As an example, if these funds were used to repay debt the opportunity cost would equate to the saving on the payment of interest and the minimum revenue provision, offset by the loss of investment income on the funds. However, using reserves to pay off debt in this way would leave the Council with no funds to manage unexpected risks nor provide a mechanism to fund the planned expenditure for which the reserves were earmarked.

5.3 Given the opportunity costs of holding reserves, it is critical that reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

5.4 Cash Reserves should be held in appropriate accounts which balance maximising any return on interest against the need to call on funds in the event of need or emergency.

5.5 Details of general and earmarked reserves will be reported to the Council as part of the budget setting process

Details of General and Earmarked Reserves as at the 1st April 2015

Earmarked Reserves

Caretaker/ Maintenance est at £20,566

Portland Fair - £1,000

IT and Computing – (for 2015/16)

Election Costs - (for 2015/16)

Neighbourhood Plan (depending on any roll over from 2014/15)

General Reserves

A figure of £50,000 has been established. This will provide for cashflow smoothing and any major unforeseen liability.

Sector advice indicates that a value of between 3 months and a year of turnover should be used as a guide for the amount held. The current regular income levels are currently £55,000.

Andy Matthews

Finance and Resources Committee

Town Council Budget and Estimates 2015/16

Report

1) Purpose

To present the draft budget estimates for 2015/16 for consideration, leading to this Committee making a recommendation to the full council for approval of the budget and level of precept for the next financial year.

2) Background

The report is set out in the following manner

Section 3 – The position of the current year 2014/15 revenue budget estimates

Section 4 – The position of the Town Council's finances held in reserves (see also Agenda item on a draft Reserve Policy for agreement)

Section 5 – Details of the budget for next year (2015/2016) with a commentary on recommended variations from this current year

Section 6 – Budget considerations

Section 7 – Options on the level of precept to fund the budget for 2015/16

3) Estimated Budget Outcome for the Current Year 2014/15

A review of the current position shows no forecast difference to input on 2015/16 base assumptions. Salary costs however now include the one-off payments for this final part of the year.

4) 2015/16 – Use of Reserves

The Town Council's level of reserves currently estimated at 31/3/2015 are £72k these are held as cash in two accounts.

The Good Practice Guidance for local councils, produced by a panel chaired by the Audit Commission, states that there should be an explanation of the reserves and that earmarked reserves, which are set aside for specific purposes and for savings for future projects should be realistic and approved by the Council.

To clarify this position a draft Reserve policy has been prepared and appears elsewhere on the FR agenda for approval for to Full Council.

The proposals contained in this policy will include the following as earmarked reserves

- Caretaker/ Maintenance est at 31/3/2015 - £20,566
- Portland Fair - £1,000
- IT and Computing – (for 2015/16)
- Election Costs - (for 2015/16)
- Neighbourhood Plan (depending on any roll over from 2014/15)

This produces a net figure for General Reserves of £ 50k

5) Core Budget 2015/16

A draft budget was taken to the Town Council meeting of this was based upon the work undertaken around identify core areas and also providing for certain budget lines on a multi year basis.

Items to note

- Staffing costs are based on current levels and hours and include the pay award notified in January 2015. However no ongoing provision is included for any pay award notified in 2015/16
- Computer and IT related items expenditure have been established as annual provisions to allow for replacement items every 3 years.
- A provision has been established for election costs of £6000 which will provide for one 'all out' election and potentially two by elections over a four year cycle.
- An increase in Training and Conferences from £100 to £1000 to provide for training to new councillors
- A provision of £15,000 for Maintenance /Caretaker this being an area of expenditure which has been generally supported and could present opportunities for partnership working.
- An allocation of £3,000 towards the Neighbourhood Plan the balance £3,600 being provided from other income sourced by the Neighbourhood Plan Working Group.
- A provision of £1,000 for Fair income which is matched by issue of grants
- An assumption of receipt of the discount grant from the Borough amounting to £3390

Precept value and deficit calculation.

- The current tax base has been notified by the Borough and if multiplied by the current precept value of £15.02 produces an income of £50,731 which produces an overall deficit of £5,139 or a band D precept equivalent (based on 30p) of £1.49.

Items not shown

- The cost implications of the staffing review report to improve staff hours and grades and to provide for training.
- Any provision for Council relocation deemed needed
- An estimate of non pay inflation
- A provision for staff pay awards
- A general contingency

No other proposals have come forward from members.

Use of Reserves

At the last Town Council meeting suggestions were made to cover certain expenditure items by a reserve transfer. In line with the Reserves policy this maybe possible for revenue items which are considered of 'one' off nature and imply no ongoing revenue need.

The following expenditure items could fall within this definition

- Neighbourhood Plan allocation £3,000
- Training costs associated with Staffing Review.

Estimated Costs of items not currently shown together with estimated Band D precept value per annum

- Training Costs - £3k (90p)
- Cost of additional staff hours (based on current grades)- £7k (£2.10p)
- Cost of staff regrading- £3.5k (£1.05p)
- Cost of relocation. Currently we have received differing information on whether the Borough will require the Town Council to contribute towards any costs.
- Non pay inflation. It is suggested that a general contingency maybe more appropriate
- A provision for staff pay awards. It is suggested that a general contingency maybe more appropriate
- A general contingency of £1000 is therefore proposed (30p at Band D)

6) Considerations

- At the last Town Council meeting it was agreed that any precept options should fall between no increase and an increase of £10 at Band D.
- All the indications to date are that the Government is only thinking about capping the larger town councils and even this may not happen.
- The Borough Council has asked us to notify them of our intended precept by 19th February 2015 although we have been advised that this is not legally required until 1 March 2015.
- It is recommended that an absolute value for the precept is used rather than a percentage as this can lead to different interpretations.
- An analysis of the precept survey shows a majority of respondents asking for a zero increase (see separate report)

7) Precept Options

The following are indicative values for the level of precept yield using a Band D figure

Increase Annual	Cash Value	Difference to 2014/15	Per Week per household	Total per week per household
£0	£50,731	£509 (tax base)		29p
£5	£67,608	£16,855	9.5p	38.5p
£10	£84,493	£33,770	19p	48p

8) Recommendations

Option 1

A zero increase which would require a trimming of expenditure in order to alleviate the current indicated deficit of £5,139.

Possible considerations - fund Neighbourhood Plan from reserve release (£3,000), other budget lines to the value of £2,139

Risks

Associated with not preparing the Council staff for future demands nor providing for a small contingency

Option 2

Meet the cost of the current deficit and provide for the staffing review elements and a contingency . In terms of precept £1.49 plus £4.05 plus 90p this would total an additional £6.44. This could be mitigated if the training cost element is funded from reserves reducing the figure to £5.54 and the Neighbourhood Plan funded from reserves making the increase £4.64

Option 3

This includes all the elements in Option 2 funded in full plus an estimated provision for the potential costs of relocation as indicated in the Independent Review . The additional value would be a total of £10 or an additional £3.56 over Option 2.

Other options

Members may propose other options which fall between the agreed parameters as set out above. Members are reminded that the budget assumes ratification of the Discount Grant element at the Borough Council's Full meeting. This is £3,390 or an equivalent precept value of £1.02

Figures included in this report

Are based on information as known to date and maybe subject to roundings .

Portland Town Council – Budget 2015/16 Working Draft

Notes

Jan-15

	Expend. 2013/14	Budget 2014/15	Projected 2014/15		Core	Non Core	IT Review	Staff Review	Other	
EXPENDITURE										
Salaries	23,112	23,287	23000	Staff Review Based on new staff taking up pensionable entitlement includes consolidation of Jan 2015 pay award . Existing hrs and structure				23824		
Advertising	449	400	380	Core £14 * 12 months	280					
Audit	521	805	1500	Internal Audit £620, External £400	1020					
Civic Expenditure	1,603	1,541	810	Keys £550, Mayor Making £450	1000					
Computer Equipment		0	640	Provision laptop+peripheral MS365 (£120) + Accountancy(£120)+Anti Virus(£60)+Provision (£60) 4 call outs * £50			300			
Computer Software	62	50	50				360			
IT Support	200	260	180				200			
Contingency		1,241	0	To include a provision for additional staff costs and pa awards				0		
Elections	738	1,500	5850	Proposed annual provision per Dec FR	6000					
Fair Expenses		0								
Furniture and Equipment	376	378	640	Provision £100, Copier £103 per quarter+Audio/PA/Tel £100			612		0	
Honorarium	100	100	100	Chaplain	100					
Insurance	1,287	1,300	1300	3 year agreement but confirm	1300					
Mayoral Allowance	700	700	700	Core or non core ?	700					
Miscellaneous	144		50	Defer rock salt purchase					144	
Postage	822	600	750	Move to electronic distribution review impact/ Provision meanwhile/£ΔΔ keys			750		40	
Publications	116	0	20	No provision						
Stationery	689	600	740	Accept	710					
Subscriptions	1,676	1,400	1440	Return as core element following Nov 19 2014 TC meeting	1440				0	
Telephone	632	600	620	New System £25*12 months	0		300			
Training / Conferences	105	100	130	Propose increase to allow for staff and new councillor provision				1000	0	
Travelling & Subsistence	110	100	60	Conditions of service	100					
Room Hire				£70 a month *12 months/ Matched by WPBC Income					840	
Sub-Total	33,442	34,962	38,960		12,650	0	2,522	24,824	1,024	
Gifts and Donations	50	210	50		50					
Grants	1,994	3,000	1000	To match grants core value	0	1000				
Lengthsman / I. Caretaker	7,915	15,000	3900	Currently Project Non Core but TC desire implied to retain full allocation		15000				
Neighbourhood Plan	4,234	5,500	8266	Project Non Core	3000	3,600				
Projects		0	980							
Town Crier	35	50	40		50					
Website	1,051	1,500	1200	IT Review o/s item			1200			
Sub-Total	15,279	25,260	15,436		3,100	19,600	1,200	0	0	
TOTAL	48,721	60,222	54,396		15,750	19,600	3,722	24,824	1,024	64,920
INCOME										
Precept	47,910	50,222	50222	Julie Strange Confirmed tax base assumed currently no change in precept level £15.02 for this illustration	50731					
Discount Grant	4,726	4,000	4051	Subject to Budget Ratification by Borough Council in Feb	3390					
Fair	750	3,000	2000	To match grants		1000				
Lengthsman / I Caretaker		0		Project non core						
Neighbourhood Plan Grant	6,300	2,500	5266	Project non core		3600				
Interest	644	500	230	Provision	220					
Other	46	0	-46							
Room Hire WPBC									840	
TOTAL	60,376	60,222	61,723		54,341	4,600	0	0	840	59,781
SURPLUS / DEFICIT (-)	11,655	0	7,327		38,591	-15,000	-3,722	-24,824	-184	-5,139
FOR YEAR										
Release of Reserves to match excess election costs (£5850-£1500)			£4,350		Estimated additional precept need 2015/16				£1.49	
Revised position			£11,677		Attributable to providing for election costs £6000				£1.74	
Caretaker (£15000-£3900)			£11,100							

Review of Budget and Precept Consultation (2nd Feb 2015)

Total Number of responses 262 of which 190 online and 72 printed returns (now keyed in).

Note : Voting Age Population 10,000

Q1 -Should the Council this year introduce measures to prepare for the future ? Yes 105 No 157

Q2- If yes and if involved an increase what level would you find acceptable ?

Categories	Total
£25	3
£15	2
£10	10
£5	15
£2-£4	6
£1	7
60p	13
30p	25
0p	179
Non Specific	2
Total	262

Q3 – What would be your priority for this to be spent on ?

Categories	Total
Caretaker Funds ?	4
Community Groups	2
Development Concerns	3
Disband Council	43
Environmental Improvements	45
Existing Funds Efficiency	10
Focusing on Local Needs	13
Neighbourhood Plan	3
Improve Service	11
Paying Twice Issues	13
Proper Functioning Council	3
Reiterate No Increase	32
Survey More Info	13
Use funds for Recycle Centre	3
Skipped/No comment	79

Survey Notice Coverage

4 Articles in Echo, 2 in View From, Information referenced in FPN November and January Editions, PCP Circulation, Council Facebook page and Website, Posters at 3 locations in Underhill, 3 Locations in Easton and 3 Locations in Weston/Reforne

Information sent to Wessex FM

Investment Advice

We have now received an update from the Clerk at Sherborne on the proposed meeting with the two nominated companies.

A meeting has been arranged where each company will make a presentation on the services it can offer, in a similar format to that carried out previously for selecting an internal auditor.

This meeting will take place on Thursday, 26th February at Dorchester Town Council starting at 2.00 pm. Town Council representatives will split into two groups dealing with each of the finance companies in turn.

It is suggested that two or three Councillors and officers represent the Council.

Portland Town Council - Financial Report, 11.2.15

	Budget 2014/15	Expend. 2013/14	Expend. to 31.1.15	Projected 2014/15	Paid / Rec'd to Date (%)
EXPENDITURE					
Salaries	23,287	23,112	19,553	23,460	83.97
Advertising	400	449	297	360	74.25
Audit	805	521	1,234	1,500	153.29
Civic Expenditure	1,541	1,603	903	1,090	58.60
Computer Equipment	0	0	636	640	-
Computer Software	50	62	0	50	0.00
IT Support	260	200	130	180	50.00
Contingency	1,241	0	0	0	0.00
Elections	1,500	738	5,850	5,850	390.00
Furniture & Equipment	378	376	513	640	135.71
Honorarium	100	100	100	100	100.00
Insurance	1,300	1,287	1,298	1,300	99.85
Mayoral Allowance	700	700	700	700	100.00
Miscellaneous	0	144	0	50	-
Postage	600	822	562	750	93.67
Publications	0	116	18	20	-
Stationery	600	689	640	770	106.67
Subscriptions	1,400	1,676	1,433	1,440	102.36
Telephone / Internet	600	632	478	600	79.67
Training / Conferences	100	105	95	130	95.00
Travelling & Subsistence	100	110	45	60	45.00
Sub-Total	34,962	33,442	34,485	39,690	98.64
Gifts and Donations	210	50	50	50	23.81
Grants	3,000	1,994	0	1,000	0.00
Island Caretaker	15,000	7,915	3,884	3,900	25.89
Neighbourhood Plan Projects	5,500	4,234	4,695	5,500	85.36
	0	0	1,216	1,220	-
Town Crier	50	35	35	40	70.00
Website	1,500	1,051	1,200	1,200	80.00
Sub-Total	25,260	15,279	11,080	12,910	43.86
TOTAL	60,222	48,721	45,565	52,600	75.66
INCOME					
Precept	50,222	47,910	50,222	50,222	100.00
Discount Grant	4,000	4,726	4,051	4,051	101.28
Fair	3,000	750	2,000	2,000	66.67
Interest	500	644	230	235	46.00
Neighbourhood Plan Grant	2,500	6,300	700	2,500	28.00
Other	0	46	21	20	-
TOTAL	60,222	60,376	57,224	59,028	95.02
SURPLUS / DEFICIT (-) FOR YEAR	0	11,655	11,659	6,428	

Island Caretaker

**Expend. to
31.1.15**

EXPENDITURE

Contractor Payments	3,590
Building Materials	92
Equipment	22
Skip Hire	180
Total	£3,884

Neighbourhood Plan

**Expend. to
31.1.15**

EXPENDITURE

Consultant's Fee	2,800
Staff Overtime	290
Advertising	692
Computer Software	260
Printing	104
Stationery	49
Website	500
Sub-Total	£4,695