

Resources Committee

Agenda Item 8

Report Type:	Public Report for Information
Purpose of Report:	To consider proposals to allocate reserves to projects identified and to be initiated.
Recommendations:	It is RECOMMENDED that: (a) The committee considers the proposals to earmark the Councils General Reserves to those earmarked budget lines identified at table 1. (b) Recommends to Full Council the proposals at table 1.
Wards:	All Wards
Contact Officer:	Daniel Lucas – Town Clerk

1. BACKGROUND

1.1. The Town Council is coming to its second financial year end. The latest budget monitoring report for the financial year (Q3) indicates that the Council shall be in a strong financial position. Attached also is the agreed and set budget for the forthcoming financial year (appendix 1). This strongly suggests that we shall be again in a surplus position. This report highlights those projects Members have expressed support for, and may wish to earmark the Council’s unspent resources ready for the next financial year.

1.2. As can be seen the forecast for the end of this financial year shows a predicated total spend of £193,104.89. Members must appreciate that this forecast is based upon the actual year to date as of the date of compiling and setting the budget (January 2021) and those foreseeable expenditures at this time. When offset against the total budget for this year (£514,416.50) this suggests the Council shall again be in a good financial position, with a forecasted underspend of £321,311.61. The Council’s audited balance sheet for 2019/2020 confirms a general fund balance of £194, 595.91. When taken together this portrays a financial year end position of approximately £516k in surplus.

Below are the projects that Members have intimated a strong desire to pursue, and it is recommended the reserves are earmarked accordingly in preparation for project initiation during the forthcoming financial year.

Mandatory Projects

Town Hall Roof Repair

1.3. The Town Hall roof is in pressing need of repair. This comes from the contractor’s reports and observations whilst the cupola replacement project was underway at the beginning of 2020. Furthermore, the Town Hall having suffered two substantial roof leaks at opposite ends of the building causing internal damage would also stress this to be the case. As Members

shall know this building is a Grade II listed building and the Council is placed under a statutory duty to maintain the preservation and upkeep of this town heritage asset. Initial cursory discussions with the Principal Council and the previous Cupola contractors suggests that a budget of at least £200k should be set aside for a project of this undertaking. The project shall require a procurement exercise and will need strong project management throughout. At this stage I would also recommend a contingency of 15% of this budget to be earmarked for the Town Hall roof repairs. As such a budget of £230k is recommended to be earmarked in the Reserves for this project.

Proposal A: That Members agree an earmarked reserve for the “Town Hall Roof Repair” of £230k.

Town Hall Internal Redecoration

- 1.4 Following two roof leak events, the internal fabric of the Town Hall has been slightly compromised. The roof leak in the actual parlour room has caused damage and discolouration to the internal mouldings and “wedge-wood” ceiling in two separate corners. The carpet has also suffered water damage in one corner by the grandfather clock. This leak-event was the subject of a successful insurance claim and the Council received redress of £5,500. It is recommended that this is set-aside for the redecoration of the parlour room, in and of itself. Secondly, the second leak event above the stairwell of the Town Hall caused water damage and ingress of water to the gentleman’s toilet below, compromising the tiled office ceiling here and the carpet and landing integrity of the stairwell.
- 1.5 It is recommended that given the Town Hall is a listed asset that the Town Council should not use the “Asset Damage Contingency” for this project which was established as a result of vandalism/criminal damage and general maintenance to recreation ground facilities. The use of this budget-line would not be prudent and would exhaust that operational budget line which was established for “day-job” events in responding to ad-hoc criminal damage matters which are small in nature so as to not warrant continual insurance claims and policy excess fees. The second leak event warrants further earmarked reserves and as an estimation the sum of £10,000 is suggested so as to replace the carpets, the compromised ceiling in the gentleman’s toilet, the repainting of the ceiling with heritage paint and electrical investigations. Taken together the earmarked reserves for the total internal redecoration of the Town Hall would suggest a sum to be set aside for £15,500 and a 15% contingency here would provide an earmarked reserve of £17,825. It is recommended that this figure is revised after receipt of estimations in due course.

Proposal B: That Members agree an earmarked reserve for “Internal Town Hall redecoration” of £17,825.

Druitt Hall Windows

- 1.6 As Members are aware the Druitt Hall windows are in need of repair and the tenant has made representations in this regard. The Committee considered this matter on the 27th October 2020 and the quotation provided by the tenant for replacement windows was for the sum of £34,532 (inclusive of VAT) and it was recommended then that a budget be set aside for £40k. The surveyor has been instructed and a site visit is pending, so it would be prudent to earmark the £40k so that the window replacements as a minimum are accounted for.

Proposal C: That Members agree an earmarked reserve for “Druitt Hall Window Replacement” of £40k.

Community Infrastructure Levy

- 1.7 The Town Council during the financial year received £44k for its entitlement to Community Infrastructure Levy (“CIL”). At this stage the Council has yet to decide on specific projects to allocate this sum, but it makes prudent sense to earmark this in the reserves fund.

Proposal D: That Members agree an earmarked reserve for £44k for “Community Infrastructure Levy”.

- 1.8 If Members agree to the proposals then the total earmarked above amounts to approximately £332k, which leaves a general fund of approximately £184k (see table 1). Practitioner’s advice known as JPAG¹ suggests a general reserves fund of between three and twelve months net revenue expenditure (“NRE”); that is to say precept less any loan repayments and/or amounts included in the precept for capital projects or transfers to earmarked reserves. The JPAG advice suggests the smaller the authority the closer it should be to twelve months, the larger the authority the closer it should be to three months. JPAG here advises:

“In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve. In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so as to ensure that the adopted level is maintained” (at para 5.32).

To this end it is recommended that Council should try and achieve an operating unallocated general fund of approximately three months NRE. When this is assessed against the Council’s budget for 2021/2022 this equates to £123,229². As table 1 below shows the Council shall be slightly over this suggested sum (suggested £123k, via-a-vis actual of £184k). This equates to 4.5 months NRE³.

Table 1

Project	Proposed Reserve Allocation
Town Hall Roof Repair	£230,000
Town Hall Internal Redecoration	£17,825
Druitt Hall Windows	£40,000
Community Infrastructure Levy	£44,000
Total	£331,825.

2. IMPLICATIONS

Legal

- 2.1. No legal implications raised although Members should be aware that budgetary control requires sound management of the Council’s reserves.

Environmental

- 2.2. None raised.

Financial and Risk

- 2.3. This report outlines those projects where it is recommended the Council should allocate its unspent general fund. After such allocation, the Council is in a strong position and operating close to the recommended 3 months suggested advice from JPAG. The recommendations place the Council in a good position to move forwards in the next financial year with these projects accounted for and ready for initiation.

Equalities

- 2.4. None raised.

¹ Joint Panel on Accountability and Governance: Practitioner’s Guide (March 2020) para 5.32.

² 2021/2022 Annual precept of £513,576.62 - £20,660.12 (precepted transfer to reserves). NRE of £492,916.50. 492,916.50/12 calendar months = monthly NRE of £41,076.38. Monthly NRE x 3 calendar months = £123,229.

³ General fund after earmarked reserves accounted for = £184,000. General fund/monthly NRE = 4.48 months.

Consultation and Engagement

2.5. None required.

3. CONCLUSION

3.1. Members are asked to consider the report and to approve the recommendations outlined.

Appendices:

Appendix 1 Budget – 2021/2022.