

# SWANAGE TOWN COUNCIL



## Financial Review Year Ended 31<sup>st</sup> March 2017

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## 1. Introduction & Overview

In line with the Accounts and Audit (England) Regulations 2015, The Town Council's statutory statement of account is the Annual Return, a format developed for the town and parish council sector and other 'smaller relevant bodies' (SRB) with annual income or expenditure of less than £6.5m.

However, given its wide-ranging role as one of the largest Town Councils in England, the Council has agreed that it should produce a separate review of the financial year, to provide a more detailed commentary on the Council's finances for the benefit of Councillors and officers, and to provide transparency for local residents. A financial summary will also be included in the Council's Annual Report, delivered to every household.

## 2. Financial Review

### Revenue Account/Service Provision

A summary of the Council's budgeted and actual net expenditure on the Income & Expenditure Account is given below.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>+ve/(-ve)</b>
<b>Net Expenditure :-</b>			<b>£</b>
Car Parks (incl. Co-op Management A/c)	391,335	448,562	57,227
Boat Park	(2,695)	(75,284)	(72,589)
Public Conveniences	(153,145)	(119,504)	33,641
Cemeteries	(13,000)	13,691	26,691
Parks and Operations (incl. CCTV)	(296,160)	(297,554)	(1,394)
Beach Gardens	(29,705)	(25,062)	4,643
Beaches & Foreshore	(44,680)	(14,769)	29,911
Beach Chalets/Bungalows	66,965	62,459	(4,506)
Publicity/Tourism	(107,890)	(111,285)	(3,395)
Allotments	(3,955)	(1,296)	2,659
General Buildings & Grounds	48,925	61,836	12,911
Grants & Donations	(13,950)	(32,494)	(18,544)
Central Administration	(339,685)	(303,592)	36,093
Democratic & Corporate Management	(141,160)	(130,820)	10,340
Loan Repayments, Interest Payable & Bank Charges	(6,530)	(5,400)	1,130
Net Investment Income	155,000	161,544	6,544
<b>Net Operating Expenditure</b>	<b>(490,330)</b>	<b>(368,968)</b>	<b>121,362</b>
Transfer to Earmarked Reserves	(76,200)	(154,655)	(78,455)
Financing Capital Expenditure	(395,485)	(165,912)	229,573
Council Tax Support Grant	19,555	19,555	0
Precept	687,480	687,480	0
<b>Net Surplus on the General Fund</b>	<b>(254,980)</b>	<b>17,500</b>	<b>272,480</b>

## FINANCIAL REVIEW 2016/17

During 2016/17 the net cost of Town Council services, taking into account all revenue income and expenditure, was £368,968. The Council also funded £165,912 of capital expenditure from its revenue account. Given that the Council received a total of £707,035 in Precept and Council Tax Support Grant, this has resulted in a contribution of £172,155 being made to reserves and balances at the financial year end. The largest proportion of this (£154,655) has been transferred to earmarked reserves to fund the improvements to Council assets set out in the long-term Capital Programme, leaving a net surplus on the General Fund for the year of £17,500.

The Town Council has three principal sources of income: the Council Tax Precept, car parking revenue and investment income. During 2016/17 these together generated income of £1.44 million, 68 per cent of the Council's total revenue income of just over £2.1 million. This compared to £1.39 million in 2015/16.

A total of £687,480 was raised through the parish precept in 2016/17, an increase of 6.1% on 2015/16. Individual household bills rose by the lower amount of 5%, due to an enlarged tax base. The Council continued to receive a Council Tax Support Grant from Purbeck District Council, but this was reduced by almost £9,800 year-on-year, and the last such payment will be received in 2017/18.

Car parking income was above budget and shows a net income almost £30,000 higher than in the previous financial year. This was largely the result of a significant increase in usage of the Council's long stay car parks at Broad Road and Main Beach, most likely driven by good weather in the summer season. This contributed to the highest income from parking charges in recent years, although it is still too early to tell if this represents a reversal of the recent declining trend.

The income from the Council's investments continued to outperform budget expectations, although it reduced by £20,000 year-on-year. This is analysed further below in the Treasury Management section of this review.

The Council's sources of seasonal income saw a mixed performance against budget. No income was received from the hire of Boat Park grid spaces for a second year due to its ongoing closure to facilitate the building of a new Lifeboat Station and Angling Club building. Together with unbudgeted expenditure on extensive resurfacing works of the slipway and boat park, totalling £66,000, this led to a £72,500 negative variance. The Council has agreed in principle with the RNLI that the improvements to the boat park jetties undertaken as part of the work will be accepted as in-kind compensation for the loss of income.

At Beach Gardens income from sporting activities was below budget, although largely stable year-on-year. Putting income remains 40% below levels seen in 2009/10 and a marketing campaign has been initiated to increase usage in 2017. Once again, lower than budgeted staffing costs contributed to the service making a smaller than anticipated net loss.

The Tourist Information Centre presents a similar financial picture. Although total expenditure came in below budget, income was significantly reduced for a second year, most notably due to lower stock sales resulting from the relocation of the service to the Town Hall over the winter period to allow refurbishment works to take place. This led to a relatively small negative variance against budget of £3,400.

Income from beach huts was largely unchanged year-on-year, although almost £5,000 under budget. It is anticipated that a renewed marketing campaign and the introduction of online booking over summer 2017 should see an increase in future years.

The costs of maintaining the beach to blue flag standards were once again significantly below budget, principally due to reduced expenditure in employee costs, partly as a result of employing the RNLI lifeguard service, and a significant reduction in requirements for seaweed removal (largely weather dependent). Overall, net expenditure for this department was almost £30,000 under budget for the year.

In relation to community facilities, expenditure at the cemetery was under budget, due to the continued deferral of planning the cemetery extension and the purchase of new equipment. Income from cemetery fees was significantly lower than the previous year, and almost £5,000 below budget, reflecting the unpredictability of the number of interments each year. In respect of the allotments, a small positive variance arose from underspends in most budget headings. Spending on public conveniences was significantly under budget, by £33,000. This was principally due to lower than anticipated expenditure on repairs and maintenance.

Central services costs were also well below budget, by £36,000. Principal savings/underspends were due to lower than budgeted employee costs and legal and professional fees. This offset higher than anticipated expenditure on repairs and maintenance to the exterior of the Town Hall. Democratic and Corporate Management costs were also below budget by £10,000. The Council's spending on grants and donations has increased significantly year-on-year, with £20,000 being granted to the Swanage and Purbeck Development Trust, towards the operation of The Centre (former Youth and Community Centre). Further information can be found in section 9 of this report.

The Parks and Operations department experienced little variance against budget overall, although this conceals some significant over and underspends within the department. For example, higher than anticipated wages costs and accounting for the war memorial improvement works as revenue led to higher expenditure, but this was offset by modest increases in income from a number of sources and a wide range of relatively minor underspends. Similarly, whilst the General Buildings and Grounds heading shows a significant positive variance of just under £13,000, this is largely the result of a number of underspends, including on wages and repairs and maintenance within the Downs budget.

The overall combination of lower than anticipated operating expenditure and deferral of planned capital expenditure has enabled a much greater than anticipated contribution to be made to the Council's earmarked reserves, in total £78,000 more than budgeted. This will make an important contribution towards the substantial expenditure required over the coming years to upgrade the town's infrastructure, including providing improved public conveniences and carrying out additional seafront stabilisation works. The year-end surplus on the general fund of £17,500 creates a total General Fund Balance of £808,241 as at 31<sup>st</sup> March 2017, comfortably within the range of three to twelve months' expenditure recommended in *The Practitioner's Guide for Town and Parish Councils*.

### **Capital Programme and Planning**

The Town Council adopts an annual capital works programme as part of its budget setting process in January. These works can be financed from reserves, either those earmarked for a specific project, the Usable Capital Receipts Reserve (UCRR), or the General Fund.

## FINANCIAL REVIEW 2016/17

The table below summarises the actual capital expenditure for the 2016/17 financial year and how this was financed.

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	Funded from General Fund £	Total Cost £
<b>Land &amp; Buildings</b>				
Seafront Stabilisation Scheme	2,947	-	-	2,947
Beach Gardens-Tennis Courts Astroturf	-	35,403	5,032	40,435
TIC-Renovation (WIP)	-	-	127,276	127,276
<b>Vehicles, Plant &amp; Equipment</b>				
CCTV	-	-	17,818	17,818
Heritage Toilets-Hand Wash Dryer System	-	-	15,786	15,786
<b>TOTAL</b>	<b>2,947</b>	<b>35,403</b>	<b>165,912</b>	<b>204,262</b>

In 2016/17, unusually, the majority of the capital programme has been financed from the general fund. The capital programme for 2016/17 initially set out seven capital schemes totalling £787,615, with £361,615 anticipated to be financed from the UCRR, £30,515 from earmarked reserves and £395,485 from the general fund. As can be seen in the table above, five projects were undertaken or finalised in 2016/17. Several other projects from the original programme were either deferred to future years or classified as a revenue expense.

The single largest project programmed for the year was the construction of the Forres Field Changing rooms, which was to be financed from the UCRR. This scheme was reviewed and withdrawn from the capital programme in 2016/17. This project had incurred £15,717 of expenditure for preliminaries by the end of the 2105/16 financial year and was shown as an asset under construction in the asset register. As this project was withdrawn, all previous entries relating to this project were removed from the asset register, with the costs incurred to date being restated to the revenue account.

The only capital expenditure to be financed from capital receipts was the finalisation of the costs for the seafront stabilisation scheme. The final contract sum was agreed after snagging items were addressed by the contractor. This was £2,947 above the sum provided for in the 2015/16 financial year and as such is shown as the final payment attributable to the cost of the project in 2016/17.

Work on the renovation of the Tourist Information Centre commenced in November 2016. At the end of the year £127,276 of costs had been incurred. Although the majority of works had been finalised at the end of the financial year, the IT infrastructure had not been installed and as such the building was not operational. This has therefore been classified as an asset under construction, with further IT costs to be expected in 2017/18.

The town's CCTV camera network was upgraded and the monitoring centre was moved to the Town Hall annex during the year. The costs of purchasing and installing the necessary equipment was £17,818.

The purchase of further pieces of skate park equipment, which was initially programmed for 2015/16, was expected to be completed in 2016/17. However, it was not possible to move forward with this

project in year. The 1<sup>st</sup> instalment of £6,330 was made in 2015/16 and is being held as an Asset Under Construction on the asset register. The total project cost, which is to be funded from donations made by the Y-Axis group, is expected to be £18,990 and is due to be completed in summer 2017.

Additional items of capital expenditure were the installation of an Astroturf surface at Beach Gardens, which was advanced from 2017/18 and the installation of a hand wash-dryer system at the Heritage toilets. The Astroturf surface was financed on the whole from an earmarked reserve, which held £35,403, being contributions from the Council and the Tennis Club. A further £5,032 was financed from the general fund.

### **Treasury Management**

The Council has continued to contract Arlingclose as its treasury advisors and has consulted on any new investments taken. The Council has maintained its objective of the security of capital over yield, within the parameters as set out in the Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 and upon advice given by Arlingclose.

The net return on the Council's investments had been estimated at £155,000, with an actual outturn of £161,544 being realised at year end, a decrease of nearly £20,000 on the prior year. This is indicative of the lower prevailing interest rates available on short term investments. The Council has continued to maintain a diversified investment portfolio, given the size of its balances, throughout the course of the 2016/17 financial year, utilising call accounts with Lloyds Bank, Money Market Funds, corporate/covered bonds, property funds and certificates of deposit (CD).

In relation to short term investment activity a (£1m) CD held with Nationwide matured in August 2016. A proportion of this sum was reinvested in a covered bond with Coventry Building Society (£379k) and the balance was brought back into the Lloyds account.

With regards to long-term investments, the Council continued to maintain the units held in the CCLA LAMIT property fund, with a total of £2.5m invested in the fund at 31<sup>st</sup> March 2017. The Council continues to maintain an unrealised capital growth on this investment, with a net asset value of £3.037m at 31<sup>st</sup> March 2017. This is a decrease of 1.56% on the net asset value of £3.085m held at 31<sup>st</sup> March 2016. This was largely due to a fair value adjustment of -4.35% that was applied following the EU referendum in June 2016. Although asset values have since increased near to the pre-adjustment value, caution still remains with the uncertainties that the impact of Brexit will have on this sector. In terms of income generation this fund has continued to perform well and above estimate, realising an annualised yield of 5.55% based upon its book value, or 4.57% against net asset value. Of the £161,544 income derived from investments, £138,920 is attributable to the property fund. The Council added a covered bond with Coventry Building Society to its long term investment portfolio during the year and this is due to mature in April 2018 and the three Places For People bonds matured in December 2016.

Overall the 2016/17 financial year was relatively quiet in terms of investment activity with the Council entering into few new investments. During the course of the year the Council reviewed its liquidity requirements and following this review it looked to diversify its long term investment portfolio. This was with a view to increasing income but also for long term capital growth and as a result the Council has opened accounts with M & G Investments and Investec Asset Management with a view to investing funds with these organisations.

The Council's Annual Treasury Report 2016/17, which gives a more in depth review, has been published separately. A summary of investments held at 31<sup>st</sup> March 2017 can be found on page 14.

### **Earmarked Reserves**

The Council's Earmarked Reserves have been established in order to build up funds to meet anticipated future expenditure as identified in the Asset Management Plan and the Council's risk assessment. The Council's Reserves and Balances Policy was reviewed during the course of the year, as part of the process for setting the Council's budgets for the 2017/18 financial year. During this review a Beach Huts Reserve was established to hold funds to finance future Beach Hut enhancements, to ensure that the Shore Road huts are maintained to a high standard. Following the withdrawal of the Forres Field Changing Rooms project, this reserve was renamed as the Football Club Facilities Reserve.

In 2016/17 a net contribution of £154,655 was made from the general fund to the various earmarked reserves against an original estimate of £76,200. A total of £155,629 was transferred to reserves from the general fund, and £974 from the festive lights reserve to the general fund. During the course of the year, capital expenditure totalling £35,403 was financed from earmarked reserves, this being the installation of an Astroturf playing surface on courts 1 & 2 at Beach Gardens. This reserve had been built up over the previous 7 years with contributions being received from the Tennis Club and the Council.

The Community Infrastructure Levy (CIL) Reserve also received further contributions of £6,629 in the year. This reserve holds funds raised by Purbeck District Council from the CIL in order to meet expenditure in accordance with Community Infrastructure Levy Regulations 2010, Regulation 59C.

A greater additional contribution was made to the Car Park Machines reserve. With the better than anticipated overall performance of the car parking account an additional £20,000 was made to this reserve. The total of this reserve at 31<sup>st</sup> March 2017 is £70,000, which is expected to be fully utilised in the 2017/18 financial year to finance the purchase of new Pay & Display machines.

With an opening balance of £1,128,273 a net increase in the year of £119,252 has resulted in a balance of £1,247,525 being held at 31<sup>st</sup> March 2017. These reserves have, on the whole, been set aside to fund the Council's future capital programme.

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £2,947 in the year. This sum was used to finance the balance payment for the stabilisation scheme works on the Recreation Ground. The Council carries forward a balance of £3,896,178 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 11 to 13.



### **3. Accounting Statements**

#### **The Annual Return**

The statutory statement of account is presented as the Annual Return, which has been published separately. The information contained within this report provides supplementary/supporting information to the Annual Return. The Annual Return consists of three sections and an Annual Internal Audit report:

#### **Section 1 – Annual Governance Statement**

This consists of nine statements where members give assurance that they have discharged their responsibilities in the proper governance of the body.

#### **Section 2 – Accounting Statements**

The accounting statements consist of a summary of the income and expenditure for the year, balances and reserves held by the council at year end, cash balances and short term investments, fixed assets and long term assets and total borrowings. This section standardises the presentation of the accounts into a simple and easily understandable format and must be certified by the Responsible Finance Officer.

*Sections 1 & 2 must be approved by the Council in accordance with the requirements of the Accounts and Audit Regulation 2015*

#### **Section 3 – External Auditor report and certificate**

This report is issued by the Council's external auditor, appointed by the former Audit Commission, and summarises the findings from the audit. It contains an opinion on the accounting statements and represents a limited level of assurance.

#### **Annual internal audit report**

This report reviews whether the systems of financial and other controls over the council's activities and operating procedures are effective.

#### **Accounting Policies**

Section 2 of the Annual Return summarises the Council's transactions for the 2016/17 financial year and its position at 31<sup>st</sup> March 2017. The statement of account has been prepared following guidance given in Part 2 of *Governance and Accountability for Local Councils: A Practitioners' Guide 2016 (England)*.

4. Supplementary Information in Support of the Annual Return

<b>The Annual Return - Income &amp; Expenditure</b>				
<b>2015/16 (Restated)</b>			<b>2016/17</b>	
£	£		£	£
	2,651,503	<i>Reserves &amp; Balances brought forward - Box 1</i>		3,031,405
		<b>Income</b>		
	648,060	<i>Precept - Box 2</i>		687,480
29,333		Council Tax Support Grant	19,555	
533,908		Rental, Interest & Investment Income	507,604	
597,480		Charges made for Services	594,927	
292,315		Other Income or Contributions	298,789	
15,733		Capital Receipts/Investments/Capital Grants	286,735	
	<u>1,468,769</u>	<i>Total Other Receipts - Box 3</i>		<u>1,707,610</u>
		<b>Expenditure</b>		
		<i>Salaries and Wages</i>		
(425,278)		Direct Service Costs	(464,274)	
(262,923)		Democratic, Management and Civic Costs	(283,719)	
	<u>(688,201)</u>	<i>Total Staff Costs - Box 4</i>		<u>(747,993)</u>
	0	<i>Loan interest/capital repayments - Box 5</i>		0
		<i>Other Costs</i>		
(698,559)		Direct service costs	(806,414)	
(16,147)		Grant and donations	(32,494)	
(173,187)		Democratic, Management and Civic Costs	(183,387)	
(160,833)		Capital Expenditure	(204,262)	
0		Long Term Investments	(379,080)	
	<u>(1,048,726)</u>	<i>Total Other Costs - Box 6</i>		<u>(1,605,637)</u>
	<u><u>3,031,405</u></u>	<i>Reserves &amp; Balances carried forward - Box 7</i>		<u><u>3,072,865</u></u>

The 2015/16 account has been restated due to the reclassification of £14,767 of expenditure incurred on the Forres Field Changing Rooms in 2015/16. This was originally treated as capital expenditure, however, due to the termination of the project, this has now been restated as a direct service cost in the revenue account. A further £950 of expenditure was incurred in 2014/15 and in total £15,717 has been

restated as revenue expenditure, decreasing the general fund and increasing the capital receipts reserve. This sum has also been removed from the asset register.

<b>Bank Reconciliation for year ended 31st March 2017</b>			
	£	£	Note
<b>Bank Accounts</b>			
Current	60,206		
Deposit	534,021		
<i>less</i>			
unpresented cheques	(34,722)		
<i>add</i>			
uncleared payments	260		
<i>add</i>			
petty cash	555		
Total Cash and Bank		560,320	
<b>Short Term Investments</b>			
Lloyds Call Account	2,267,586		
MMFs	402,889		
Total Short Term Investments		2,670,475	7
<b>Total Cash and Short Term Investments – Box 8</b>		<b>3,230,795</b>	

### Reconciliation of Cash to Reserves

Under the Annual Return the total cash and short term investments plus debtors, less creditors should equal the total of balances and reserves carried forward.

2015/16 £		Note	2016/17 £
3,145,959	Box 8 - Total cash and short term investments		3,230,795
132,159	(+)Debtors	1	126,271
(246,713)	(-) Creditors	2	(284,201)
3,031,405	(=) Box 7 - Balances carried forward		3,072,865

### Tangible Fixed Assets and Long Term Investments

Tangible fixed assets and long term assets are treated the same under the annual return. When they are purchased the cost is expensed through total other payments (Box 6) and when they are sold the proceeds of the sale are receipted through total other receipts (Box 3). The value of the sum of these assets is shown in Box 9 on the Annual Return. The prior year has been restated, as a value of £15,717

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which related to the changing rooms on Forres Field, was being held as an Asset Under Construction. This scheme was reviewed and withdrawn in 2016/17 and all costs incurred on the project to date were restated as revenue expenditure.

	Operational Assets				Non-Operational Assets		Total
	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Assets Under Construction	Investment Properties	
<b>Tangible Fixed Assets- Cost or Valuation</b>	£	£	£	£			£
As at 1 April 2016 (Restated)	5,499,199	387,252	17,105	36,589	6,330	600,000	6,546,475
Additions/Enhancements	43,382	33,604	0	0	127,276	0	204,262
Reclassifications	(1)	0	0	1	0	0	0
Donated Assets	0	0	0	0	0	0	0
Disposals	(7,234)	0	0	0	0	0	(7,234)
Additions excluded from AR	(2,947)	0	0	0	(112,441)	0	(115,388)
<b>As at 31 March 2017</b>	<b>5,532,399</b>	<b>420,856</b>	<b>17,105</b>	<b>36,590</b>	<b>21,165</b>	<b>600,00</b>	<b>6,628,115</b>
<b>Long Term Investments- Cost</b>							
As at 1 April 2016							2,786,735
Additions							379,080
Redeemed							(286,735)
<b>As at 31 March 2017</b>							<b>2,879,080</b>
<b>Total Fixed Assets and Long Term Assets – Box 9</b>							<b>9,507,195</b>

**Additions/Enhancements excluded from the Annual Return**

In 2016/17 a total of £204,262 of capital expenditure was incurred in either acquiring new assets or enhancing old assets (pages 3 & 4 refer). However, under the Annual Return accounting guidelines, the value of a fixed asset must not change from year to year until disposal, therefore for the purposes of the annual return £115,388 has been identified as primarily enhancing an already acquired asset and as such must be excluded from the total value of fixed assets and long term assets.

**Schemes Under Construction**

The total asset value at 31<sup>st</sup> March 2017 includes £6,330 relating to skate park equipment at King George’s and the renovation of the Tourist Information Centre, classified as an Asset Under Construction.

**Long Term Borrowing**

2015/16 £	Analysis of Loans - PWLB	2016/17 £
0	Balance brought forward	0
0	Principal paid in year ( <i>Box 5</i> )	0
0	<b>Total Outstanding – Box 10</b>	0

The Council remained debt free throughout the course of the financial year.

**Notes**

**1. Debtors**

2015/16		2016/17
£	Amounts falling due in one year :-	£
0	HMRC-VAT	33,783
108,557	Sundry Debtors	92,121
(17,490)	Provision for Bad/Doubtful Debtors	(17,490)
37,771	Payments in Advance	15,639
3,321	Stock	2,218
<u>132,159</u>	Total	<u>126,271</u>

**2. Creditors**

2015/16		2016/17
£		£
5,066	HMRC-VAT/Interest	0
0	HMRC PAYE/NI	0
150,336	Sundry Creditors	197,201
91,311	Receipts in Advance	87,000
<u>246,713</u>		<u>284,201</u>

<b>Movement of Reserves</b>				
	Balance 1 April 2016 (Restated)	Net movement in year	Balance 31 March 2017	Note
	£	£	£	
General Fund	790,741	17,500	808,241	3
Earmarked Reserves	1,128,273	119,252	1,247,525	4
Usable Capital Receipts Reserve	3,899,125	(2,947)	3,896,178	5
Total	<u>5,818,139</u>	<u>133,805</u>	<u>5,951,944</u>	

This table details changes during the year in the Council's reserves. It provides opening and closing balances and details of any movements on the reserve. The total of the reserves held differs from the Annual Return total in Box 7 due to the treatment of the £2.5m investment in the CCLA LAMIT Property Fund and the Coventry Building Society Bond (£379,080) that are held by the Council. Under the Annual Return when any Long Term Investments are entered into they are shown to be expensed through Box 6 thus reducing the total in Box 7. However, under statute this investment is not classified as capital expenditure and is merely a movement of cash from a short term investment to a long term investment and as such has not been shown as being expensed from a reserve.

### 3. The General Fund

2015/16 (Restated)		2016/17
£		£
618,863	General Fund Balance brought forward	790,741
525,001	Net Surplus or (Deficit) for Year	338,067
(30,000)	Financing Capital Expenditure	(165,912)
( 323,123)	Transfers (to)/from Earmarked Reserves	(154,655)
<u>790,741</u>	General Fund Balance carried forward	<u>808,241</u>

The general fund balance is the Council's "working balance" and states the cumulative surplus (or deficit) on the Council's income and expenditure account. The prior year has been restated to include expenditure of £15,717, which was incurred on the Forres Field Changing Rooms project and was originally financed from capital receipts. The Council has seen an increase of £17,500 on the general fund in the year, comprising of a net surplus of £338,067 for the year, less the financing of capital expenditure of £165,912 and a net transfer from the general fund to earmarked reserves of £154,655.

### 4. Earmarked Reserves

These reserves represent amounts that have been set aside in order to build up funds to meet future anticipated liabilities or to fund specific projects. Movements to/from the reserves have been made in line with the Council's Reserves & Balances Policy.

Earmarked Reserves	Balance 01-Apr-16 £	Additions to Reserve £	Expenditure financed from Reserve £	Transfers from Reserve £	Balance 31-Mar-17 £
Festive Lights	9,072	-	-	(974)	8,098
Vehicle & Plant Replacement	62,075	10,000	-	-	72,075
King Georges Play Area & Skate Park	63,177	11,000	-	-	74,177
Play Equipment-General Areas	67,904	11,000	-	-	78,904
Car Park Machines	50,000	20,000	-	-	70,000
Tennis Courts Refurbishment	35,403	-	(35,403)	-	-
Repairs & Renewals Fund	595,100	80,000	-	-	675,100
Public Conveniences	125,000	5,000	-	-	130,000
Beach Huts Reserve	-	5,000	-	-	5,000
Football Club Facilities	6,958	-	-	-	6,958
De Moulham Back Roads	27,662	2,000	-	-	29,662
Insurance & Contingency Reserve	40,000	-	-	-	40,000
Community Infrastructure Levy	5,405	6,629	-	-	12,034
FJ Grace	30,517	-	-	-	30,517
IT Equipment Reserve	10,000	5,000	-	-	15,000
<b>Total</b>	<b>1,128,273</b>	<b>155,629</b>	<b>(35,403)</b>	<b>(974)</b>	<b>1,247,525</b>

During the year a net contribution of £154,655 was made to earmarked reserves from the General Fund, with £155,629 being appropriated to earmarked reserves from the General Fund and £974 being transferred to the General Fund, financing the festive lights account. A further £35,403 financed capital expenditure, being the installation of an Astroturf playing surface on tennis courts 1 & 2 at Beach Gardens.

## 5. Usable Capital Receipts Reserve (UCRR)

2015/16 (Restated) £		2016/17 £
4,013,628	Balance brought forward	3,899,125
10,000	Capital receipts	0
	Less:	
(74,503)	Capital receipts used for financing Assets	(2,947)
(50,000)	Payment of Indemnities	0
<u>3,899,125</u>	Balance carried forward	<u>3,896,178</u>

The UCRR holds the proceeds of the sale of fixed assets and can only be used in accordance with regulations. The 2015/16 UCRR balances have been restated to remove the financing of the Forres Field Changing Rooms project which was originally financed from this reserve.

The Council utilised £2,947 in the course of the year to finance capital expenditure and no capital receipts were received, resulting in a balance of £3,896,178 being held at the end of the year.

## 6. Trust Funds – Box 11

The Council acts as Corporate Trustee for three Charitable Trusts. The Income & Expenditure for the year to 31<sup>st</sup> March 2017 for these trusts is:

	Income £	Expenditure £	Net Gain/(Loss) £
De Moulham Trust <i>Established in 1990 as a gift of land and holding of Trust land covenants</i>	1,350	0	1,350
James Day Trust (Day's Park) <i>Gift of pleasure grounds</i>	204	(303)	(99)
King George's Field <i>Deed of dedication entered into 5<sup>th</sup> May 1951</i>	0	0	0

**Charitable Funds held by Trusts:**

	Balance 1 April 2016 £	Net Contributions to/(from) Fund £	Balance 31 March 2017 £
De Moulham Trust	16,173	1,350	17,523
James Day Trust	506	(99)	407

**7. Investments**

The Council's investments are disclosed in the annual return at historic cost. All investments have been made in line with the Council's Annual Investment Strategy.

Counterparty	Principal	Maturity Date	Rate
Standard Life Money Market Fund	£10,000	n/a	v
Federated Money Market Fund	£342,888	n/a	v
CCLA-Public Sector Deposit Fund	£50,000	n/a	v
Lloyds Call Account	£2,267,587	n/a	0.45%
<b>Total Short Term Investments–(incl. in Box 8)</b>	<b>£2,670,475</b>		
CCLA-LAMIT Property Fund	£2,500,000	n/a	v
Covered Bond – Coventry Building Society	£379,080	19/04/2018	0.534%
<b>Total Long Term Investments–(incl. in Box 9)</b>	<b>£2,879,080</b>		
<b>Total Investments held @ 31<sup>st</sup> March 2017</b>	<b>£5,549,555</b>		

The Council held four short term investments at 31<sup>st</sup> March 2017 with Lloyds Bank, the CCLA Public Sector Deposit Fund (a qualifying MMF), Standard Life Investments (MMF) and Federated Liquidity Fund (MMF). The investments held with Lloyds has a guaranteed rate of return and the MMFs have a variable rate of return. The interest rate of the investment held with Lloyds decreased in year from 0.70% to 0.45%, being 0.25% above the base rate. All of the short term investments return the capital sum invested plus interest.

The Council continued to maintain its units held in the CCLA LAMIT property fund, valued at £2.5m in the Annual Return. During the course of the year, this investment has seen a reduction in the net asset value, from £3.085m at 31<sup>st</sup> March 2016 to £3.037m at 31<sup>st</sup> March 2017. This was the result of a revaluation of the investment following the EU referendum result. Income from this investment has, however, remained strong. A covered bond with The Coventry Building Society was purchased in August, at a rate of 0.534% and this is due to mature in April 2018. During the course of the year, three bonds held with Places For People and a CD held with Nationwide matured.

**8. Pension**

Swanage Town Council participates in the Local Government Pension Scheme (LGPS), which underwent some fundamental changes for employees & employers effective from 1<sup>st</sup> April 2014. The LGPS is classified as a 'defined benefits pension scheme' i.e. the cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within the Income &



Expenditure account. The fund is administered by the Dorset County Council Pension Fund in which Swanage Town Council is pooled as a ‘small scheduled body’. Pooling gives the Council less volatility of contribution rate than what it might experience if it were treated on an individual basis. This fund provides members with benefits based on pay and service.

Following an Actuarial Valuation by the schemes fund actuary, Barnett Waddingham, the employer’s contribution was revised. Previously the Council has only contributed a percentage of employees’ pensionable pay. However for the three financial years, 2014/15 to 2016/17, the Actuary assessed a Future Service Rate for each employer as a percentage of payroll, plus a deficit recovery rate, as a cash amount, which (as elected by Swanage Town Council) could be paid in a lump sum payment at a discounted amount.

As a result, in 2016/17 the Council paid an employer’s contribution of £88,614 representing 16.5% of employees’ pensionable pay into the Dorset County Council superannuation fund (£78,866 or 16.5% in 2015/16). In addition to the percentage of employees’ pensionable pay, a further £23,267 of the Pension Deficit Contribution was also attributable this financial year (£23,267 in 2014/15 and 2015/16).

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded to former employees who have retired early, together with the related increases. In 2016/17 these amounted to £2,520 (£2,520 in 2015/16).

## 9. Grants & Donations

The following grants and donations were issued in 2016/17. From 27<sup>th</sup> June 2016 the Town Council had the power to make grants under the General Power of Competence (GPC) and no longer relied on section 137 of the Local Government Act, 1972. However, reference is still made to that legislation in respect of grants made prior to that date. Whilst the GPC is a power of first resort, reference has still been made to other legal powers where they relate specifically to the activities supported by the Council.

	£
<b><i>Section 19- Misc. Provisions Act 1976 (Sports &amp; Recreation)</i></b>	
S.Town & Herston Football Club (Vodafone)	3,950
Swanage & Purbeck Development Trust – Youth Centre	20,000
<b><i>Section 137 LGA 1972 (Miscellaneous Grants &amp; Donations)</i></b>	
Dorset Blind Association	300
Swanage Coastal Change Forum	200
DCC – Swanage First School Crossing Patrol	2,594
<b><i>General Power of Competence, Localism Act, 2011</i></b>	
Life Education Wessex	500
Swanage Area Dementia Friendly Community (Admiral Nurse)	2,500
<b><i>Section 142 (2a) LGA 1972 (Advice to Individuals)</i></b>	
Purbeck Citizens Advice Bureau	250
<b><i>Section 145 (1) LGA 1972 (Festivals, Entertainment &amp; the Arts)</i></b>	
Blues Roots & Blues Festivals	600
Swanage Pier Trust (Pirate Festival)	250
Swanage & Purbeck Sculpture Trail Leaflet	250
Swanage Regatta & Carnival Committee	500
Purbeck Film Festival	600
<b>Total</b>	<b><u>32,494</u></b>

**10. Audit Fees**

BDO LLP has been appointed as the Council’s external auditors.

2015/16		2016/17
£		£
2,400	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	2,400
0	Adjustment on previous years audit fees	0
<u>2,400</u>		<u>2,400</u>

**11. Items for Consideration**

Any events after the year end, 31st March 2017, have been considered up to the date of the Annual Return, 24<sup>th</sup> May 2017. There are no items to report which may have an effect upon the Annual Return.

At year-end, negotiations with the RNLI regarding the Council’s loss of income as a result of the construction of the new lifeboat station have yet to be concluded. Both parties have agreed in principle to offset the Council’s loss of income against the RNLI’s expenditure on the construction of an extension to the fisherman’s jetty and other improvements at Peveril Point. On 30<sup>th</sup> January 2017 Council agreed in principle to a calculation of its losses in the region of £134,750, against the RNLI’s expenses of approximately £136,250. However, the matter remains unresolved whilst the Council awaits further communication from the RNLI.