

SWANAGE TOWN COUNCIL



Financial Review Year Ended 31st March 2019

Contents

1. Introduction and Overview
2. Financial Review
 - Revenue Account/Service Provision
 - Capital Programme and Planning
 - Treasury Management
 - Earmarked Reserves
3. Accounting Statements
 - The Annual Return
 - Accounting Policies
4. Supplementary Information in Support of the Annual Return
 - Income & Expenditure
 - Bank Reconciliation
 - Reconciliation of Reserves to Cash
 - Tangible Fixed Assets and Long Term Investments
 - Long Term Borrowing
 - Notes

Page left intentionally blank

1. Introduction & Overview

In line with the Accounts and Audit (England) Regulations 2015, the Town Council's statutory statement of account is the Annual Governance & Accountability Return (AGAR), 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.

2. Financial Review

Revenue Account/Service Provision

A summary of the Council's budgeted and actual income and expenditure, with variances, is given below.

| Service | Net Expenditure | Budgeted Net Expenditure | Variance |
|---|--------------------|--------------------------|------------------|
| Car Parks (incl Co-op Management A/c) | 433,239 | 354,650 | 78,589 |
| Boat Park | 10,809 | 9,665 | 1,144 |
| Public Conveniences | (131,006) | (143,740) | 12,734 |
| Cemeteries | 31,177 | 15,810 | 15,367 |
| Parks and Operations (incl CCTV) | (409,937) | (503,940) | 94,003 |
| Beach Gardens | (7,027) | (12,695) | 5,668 |
| Beaches/Foreshore | (12,490) | (45,455) | 32,965 |
| Beach Chalets/Bungalows | 87,074 | 86,335 | 739 |
| Publicity/Tourism | (169,567) | (173,840) | 4,273 |
| Allotments | 5,784 | 5,435 | 349 |
| General Buildings (inc. Caravan park) | 83,959 | 39,865 | 44,094 |
| Central services to the public: | (262,780) | (351,980) | 89,200 |
| Democratic & Corporate Management | (36,433) | (34,950) | (1,483) |
| Grants & Donations | (59,939) | (51,100) | (8,839) |
| Net Cost of Services | (437,137) | (805,940) | 368,803 |
| Interest payable and similar charges | (5,099) | (6,100) | 1,001 |
| Interest and investment income | 202,394 | 150,000 | 52,394 |
| Net Operating expenditure | (239,842) | (662,040) | 422,198 |
| Other Movements on the General Fund | (985,331) | (85,000) | (900,331) |
| Amount to be financed: | (1,225,173) | (747,040) | (478,133) |
| Financed by: | | | |
| Grants & Donations | 460,865 | 0 | 460,865 |
| Precept on Purbeck District Council | 718,030 | 718,030 | 0 |
| Surplus/(Deficit) for the Period | (46,278) | (29,010) | (17,268) |

FINANCIAL REVIEW 2018/19

During 2018/19 the net expenditure on Town Council services, taking into account all revenue income and expenditure, was £239,842. The Council also funded £164,795 of capital expenditure from its revenue account (see section on Capital Programme below) and has transferred £820,536 to earmarked reserves to fund the improvements to Council assets set out in the long-term Capital Programme. Given that the Council received a total of £718,030 in Precept, together with grants and donations of £460,865, this has resulted in a deficit on the General Fund for the year of £46,278.

The Town Council has three principal sources of income: the Council Tax Precept, car parking revenue and investment income. During 2018/19 these together generated income of £1.68 million, compared to £1.64 million in 2017/18. Grant income and other financial contributions also made a significant addition to Council funds during the year, £400,000 of which was received from Wessex Water as the result of an enforcement undertaking by the Environment Agency. Taken together, these four sources of income generated £2.15 million, 79 per cent of the Council's total revenue of just over £2.7 million.

A total of £718,030 was raised through the parish precept in 2018/19, a 2 per cent year-on-year increase. Individual household bills increased by a marginally larger amount, due to a very small decrease in the tax base.

Car parking income was substantially above budget, despite a small decline in summer visitor numbers. The increase in income was largely the result of the purchase of more tickets for longer stays in the Council's long-stay car parks during the summer. The income from the Council's investments remained stable, continuing to outperform expectations, generating £52,000 more than budget. This is analysed further below in the Treasury Management section of this review.

On the whole, the Council's sources of seasonal income performed well against budget. As a result of this, together with underspends on many lines of expenditure, all of these budget headings performed better than forecast. Most strikingly, the costs of maintaining the beach to blue flag standards and staff costs were much less than anticipated, so that the beach budgets contributed a positive variance of almost £33,000 to the final out-turn.

Income from beach huts increased year-on-year by £15,000, exceeding budget expectations. This was principally due to the strong performance of the huts along Shore Road rather than the Spa.

For the first time since 2014 the boat park was operational for most of the season, generating income of £31,000 which was only 5 per cent below budget. This was in part offset by increased expenditure and reduced income in relation to the fishermen's huts, but nevertheless this overall budget heading also made a small positive contribution to the final out-turn.

At Beach Gardens income was on budget, a significant increase year-on-year. Lower than anticipated income from putting and tennis was offset by increased income from refreshments and pavilion hire. Expenditure was below budget, principally due to an underspend in respect of equipment purchases.

The Tourist Information Centre was operated largely within budget. Both expenditure and income increased year-on-year, although less than projected at budget setting. It should be noted that higher stock sales were accompanied by an increased budget for stock purchase.

In relation to community facilities, expenditure at the cemetery was once again under budget, due to the deferral of one-off items and lower than planned spending on repairs and maintenance. Income from cemetery fees was significantly above budget, almost £6,000 higher than the previous year. In respect of the allotments both expenditure and income were largely as budgeted. Spending on public conveniences was again significantly under budget, by £14,000. This was principally due to lower than anticipated expenditure on repairs and maintenance.

Central services costs were also significantly below budget, by £60,400. This contributed strongly to a positive variance of £89,200. Principal savings/underspends were due to lower than budgeted employee costs, spending on repairs and maintenance, the Council's insurance premium, and legal and professional fees. Income was also higher, largely due to Community Infrastructure Levy payments of £25,754, which have been transferred to an earmarked reserve. The Council's spending on grants and donations increased once again year-on-year, further information being set out in section 9 of this report.

The Parks and Operations department experienced the largest variance against budget of £93,700. Income was higher due to the disposal of vehicles. However, by far the greatest contribution towards the variance was a significant underspend in salaries and wages of £53,000, deferred expenditure on various works (e.g. the replacement of Christmas Lights), repairs and maintenance and hired services. Similarly, the General Buildings and Miscellaneous Grounds headings show significant positive variances totalling more than £44,000. This is partly due to the continued deferral of works to stabilise the boundary wall of the Downs along Seymer Road and improvements to Panorama Road.

The overall combination of lower than anticipated operating expenditure and the receipt of financial contributions not foreseen at budget setting has again enabled a much greater than anticipated contribution to be made to the Council's earmarked reserves, £663,500 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 repairs to the Stone Quay and nearby coastal defences, and carrying out additional seafront stabilisation works. Although this produces a year-end deficit on the general fund of £46,278 this leaves a total General Fund Balance of £900,000 as at 31st March 2019, within the tolerance set out in section 5.166 of the *Practitioner's Guide*.

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.

The table below summarises the actual capital expenditure for the 2018/19 financial year and how this was financed.

FINANCIAL REVIEW 2018/19

| | Funded from Capital Receipts | Funded from Earmarked Reserves | Funded from General Fund | External Funding | Total Cost |
|--|------------------------------------|---|-----------------------------------|---------------------|------------------|
| | £ | £ | £ | £ | £ |
| Land & Buildings | | | | | |
| Public Conveniences - Beach Gardens | 2,871 | - | - | - | 2,871 |
| Boat Park Stabilisation | 53,307 | - | - | - | 53,307 |
| Fishermen's Huts, Slipway & Jetty | 88,056 | - | 150,879 | 113,289 | 352,224 |
| Depot Acquisition | 696,235 | - | - | - | 696,235 |
| Vehicles, Plant & Equipment | | | | | |
| Nissan Cabstar - HJ18 NVP | - | 12,076 | 6,787 | - | 18,863 |
| Nissan Cabstar - HJ18 EHX | - | 13,236 | 7,129 | - | 20,365 |
| Skate Park Equipment - King Georges | - | 6,330 | - | - | 6,330 |
| Play Equipment - King Georges | - | 19,495 | - | - | 19,495 |
| TOTAL | 840,469 | 51,137 | 164,795 | 113,289 | 1,169,690 |

Land & Buildings

Public Conveniences- Beach Gardens: Work on the installation of DDA compliant toilets at Beach Gardens commenced in 2017/18, with the majority of works being finished by March 2018. However, some works were still outstanding and carried over as an asset under construction. The works were completed and certified in June 2018 and a final payment of £2,871 was made. The total cost of these toilets was £91,676.

Boat Park Stabilisation: During 2017/18, works commenced on the stabilisation of retaining walls at the Boat Park. The majority of works were undertaken in this year, however, works continued into 2018/19, being completed and certified by Dorset Property Services in May 2018. Payment of £53,307 was made in 2018/19 upon completion, bringing the total cost of the project to £235,439.

Fishermen's Huts, Slipway and Jetty: An initial budget of £125,000 was set as a contribution towards this project. This contribution was approved as match funding, being 25% of the anticipated full scheme costs. However, under the terms of the grant, the Council became responsible for paying the full costs up front and claiming 75% of the construction costs and eligible professional fees back from the Marine Management Organisation's (MMO) European Maritime and Fisheries Fund (EMFF). The Council has paid a certified sum of £352,224 to date and has received £113,289 (claim 1) of external funding. A further £70,533 (claim 2) is pending payment from the EMFF, with another submission of £80,346 outstanding.

Although the grant funding has been approved for the project, the Council is required by the *Practitioner's Guide* to show grant funding in the year of receipt (rather than matched against expenditure), resulting in what would appear to be an overspend by the Council on the project due to the timing of the works and the grant receipt crossing financial years. Due to these timing differences

the seeming overspend has been met from general reserves, which will be replenished on receipt of the grant funding in 2019/20, being £150,879.

Works have continued into the 2019/20 financial year and the costs of these works are shown as an asset under construction in the Asset Register, pending completion.

Depot Acquisition: The decision to relocate the depot was initially made in October 2017, with the site at the Anvil Centre, Prospect Business Park being confirmed in January 2018 as the preferred location. Completion of sale took place on 10th August 2018, with the Council purchasing two units, Unit 5 and Unit 8 at a cost of £672,000 (including £22,000 of Stamp Duty Land Tax). A further £24,235 was spent on additional fixtures and fittings, bringing the cost of the relocation of the depot to £696,235.

Vehicles, Plant and Equipment

Nissan Cabstar x 2: The Council purchased two new vehicles during the 2018/19 financial year, as part of the Council's vehicle replacement programme. These vehicles were initially tendered for and ordered in 2017/18, but purchase was delayed to 2018/19. The gross cost of these two vehicles was £39,228. The old vehicles were sold for £13,916 which part financed this replacement via the general fund, with the balance of £25,312 being financed from earmarked reserves.

Skate Park Equipment: A payment of £6,330 was made as the 3rd and final instalment for the purchase and installation of skate park equipment, costing £18,990 in total. The installation of this phase of skate park equipment was initially programmed for 2015/16 and was expected to be completed in 2016/17. However, the installation was a drawn-out process with completion in June 2018.

Play Equipment: Four pieces of play equipment were installed at the King George's play area at a total cost of £19,495.

Treasury Management

The Council has continued to contract Arlingclose as its treasury advisors and has consulted on any new investments taken. However, during the year, the Council was reclassified as a retail client, which restricted the advice that could be given by Arlingclose and also certain investment counterparties.

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 2018/19 and upon advice given by Arlingclose. The Council has continued to maintain a diversified investment portfolio, given the size of its balances, throughout the course of the 2018/19 financial year, utilising call accounts with Lloyds Bank, Term Deposits, Money Market Funds and pooled funds.

Short term investment activity has been minimal during the year. The council redeemed its holdings with Federated, a Money Market Fund, as this fund was not able to deal with retail clients as a result of MiFID II. These funds were moved to other MMFs. Otherwise movements to and from the call account were the main activity. Interest rates have continued to be low for short term investments and an average yield of 0.5% was seen at the end of the financial year.

With regards to long-term investments (strategic investments) the Council continued to maintain the units held in the CCLA LAMIT property fund, the Investec Diversified Income Fund and the M&G Strategic Corporate Bond Fund. In accordance with the *Practitioner's Guide*, long-term investments are recorded in the asset register (and included in Box 9 of the AGAR section 2) at the original cost of acquisition this being £2.5m, £1m and £0.5m respectively. In recognition of the fact that the value of long-term investments will change over time, the market value of the long-term investments held by the Council are noted. For the three long term investments held by the Council these are £3.18m, £0.97m and £0.48m at 31st March 2019, a total of £4.63m, with unrealised gains of £0.63m overall.

In terms of income generation these funds have continued to perform well and above estimate, realising an annualised yield of 4.4%, 4.29% and 3.62% respectively, based upon market value rather than book value.

A covered bond held with Coventry Building Society matured in April 2018.

The net return on the Council's investments had been estimated at £150,000, with an actual outturn of £202,394 being realised at year end. The variance realised in investment income is due to the non-redemption of units in the CCLA LAMIT property fund, which had been anticipated as necessary to fund the Depot acquisition at the time of budget setting.

The Council's Annual Treasury Report 2018/19, which gives a more in depth review, has been published separately. A summary of investments held at 31st March 2019 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 capital programme and risk register. 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 2019/20 financial year. During this review a Community Seafront Coastal Defence Project reserve was established. This fund was set up to hold a contribution that had been made by Wessex Water and, subsequently, a grant from the former Purbeck District Council.

During the course of the year, capital expenditure totalling £51,137 was financed from earmarked reserves with £25,312 part financing the replacement of two vehicles and £6,330 being used to finance the final phase of the installation of skate park equipment at King George's. The total cost of the skate park equipment, £18,990, was financed through the reserve with donations made by Y-Axis in two instalments.

In 2018/19 a contribution of £820,536 was made from the general fund to the various earmarked reserves against an original estimate of £157,000, a variance of £663,536. £450,000 of this variance was attributable to the unexpected financial contributions from Wessex Water and Purbeck District Council. As per minute 152, of the Special Meeting of the Council held 21st January 2019, balances over £900,000 held on the general reserve would be appropriated to an earmarked reserve. As such £9,458, in addition to the £100,000 approved budget, was appropriated to the Seafront Enhancement Scheme reserve at year-end.

FINANCIAL REVIEW 2018/19

In addition to the amounts agreed at the meeting held on 21st January 2019, £1,500 of the unspent Mayoral allowance was appropriated to a reserve and £1,370, being a donation from PDC to finance expenditure on beach signage, was also carried over to 2019/20 through a reserve.

The Community Infrastructure Levy (CIL) Reserve also received further contributions of £25,755 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.

With an opening balance of £1,293,691 a net increase in the year of £769,399 has resulted in a balance of £2,063,090 being held at 31st March 2019. 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 £840,469 in the year. This expenditure financed the completion of works at the boat park, £53,307 and Beach Gardens Public Conveniences, £2,871 and the acquisition of a Depot, £696,235. This reserve has also contributed £88,056 towards the cost to date of the works to the fishermen's huts, slipway and jetty. The Council carries forward a balance of £2,659,659 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 12 to 14.

3. Accounting Statements

The Annual Governance and Accountability Return Part 3

The statutory statement of account is presented as the Annual Governance and Accountability Return (AGAR) Part 3 (formerly known as the Annual Return), which has been published separately. The information contained within this report provides supplementary/supporting information to the AGAR. The AGAR 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 SAAA, 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 Governance and Accountability Return summarises the Council's transactions for the 2018/19 financial year and its position at 31st March 2019. The statement of account has been prepared following guidance given in *Governance and Accountability for Smaller Authorities in England: A Practitioners' Guide to Proper Practices March 2018 (England)*.

4. Supplementary Information in Support of the Annual Governance and Accountability Return

| The Annual Return - Income & Expenditure | | | | |
|---|-------------------------|--|----------------|-------------------------|
| 2017/18 | | | 2018/19 | |
| Restated* | | | | |
| £ | £ | | £ | £ |
| | 3,072,865 | <i>Reserves & Balances brought forward - Box 1</i> | | 1,375,858 |
| | | Income | | |
| | 703,950 | <i>Precept - Box 2</i> | | 718,030 |
| 9,778 | | Council Tax Support Grant | 0 | |
| 562,716 | | Rental, Interest & Investment Income | 580,174 | |
| 618,423 | | Charges made for Services | 646,497 | |
| 287,353 | | Other Income or Contributions | 770,396 | |
| 14,840 | | Capital Receipts/Investments/Capital Grants | 477,529 | |
| | <u>1,493,110</u> | <i>Total Other Receipts - Box 3</i> | | <u>2,474,596</u> |
| | | Expenditure | | |
| | | <i>Salaries and Wages</i> | | |
| (581,292) | | Direct Service Costs | (599,553) | |
| (191,302) | | Democratic, Management and Civic Costs | (195,843) | |
| | <u>(772,594)</u> | <i>Total Staff Costs - Box 4</i> | | <u>(795,396)</u> |
| | 0 | <i>Loan interest/capital repayments - Box 5</i> | | 0 |
| | | <i>Other Costs</i> | | |
| (775,074) | | Direct service costs | (767,958) | |
| (37,943) | | Grant and donations | (59,939) | |
| (138,702) | | Democratic, Management and Civic Costs | (152,752) | |
| (644,754) | | Capital Expenditure | (1,169,690) | |
| (25,000) | | Capital Grants | 0 | |
| (1,500,000) | | Long Term Investments | 0 | |
| | <u>(3,121,473)</u> | <i>Total Other Costs - Box 6</i> | | <u>(2,150,339)</u> |
| | <u><u>1,375,858</u></u> | <i>Reserves & Balances carried forward - Box 7</i> | | <u><u>1,622,749</u></u> |

*Some employee costs have been reclassified in 2018/19. The 2017/18 figures have been restated for direct comparison.

| Bank Reconciliation for year ended 31st March 2019 | | | |
|---|----------------|-------------------------|------|
| | £ | £ | Note |
| Bank Accounts | | | |
| Current | 67,971 | | |
| Call Account | 772,873 | | |
| <i>add</i> | | | |
| uncleared payments | 1,404 | | |
| <i>add</i> | | | |
| petty cash | <u>515</u> | | |
| Total Cash and Bank | | 842,763 | |
| Short Term Investments | | | |
| MMFs | 500,000 | | |
| Term Deposits | <u>400,000</u> | | |
| Total Short Term Investments | | 900,000 | 7 |
| Total Cash and Short Term Investments – Box 8 | | <u>1,742,763</u> | |

Reconciliation of Reserves to Cash

Where the Accounting Statements (Section 2 of the AGAR) have been prepared on an income and expenditure basis and there have been adjustments for debtors/prepayments and creditors/receipts in advance at the year end, the net difference between them is equal to the difference between Boxes 7 and 8.

Box 7 and Box 8 are reconciled as the balances carried forward, less debtors, plus creditors being equal to the total cash and short term investments held by the Council.

| 2017/18 £ | | Note | 2018/19 £ |
|--------------|--|------|--------------|
| 1,375,858 | Box 7 - Balances carried forward | | 1,622,749 |
| (185,109) | (-) Debtors | 1 | (117,457) |
| 496,265 | (+) Creditors | 2 | 237,471 |
| 1,687,014 | (=)Box 8 - Total cash and short term investments | | 1,742,763 |

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.

FINANCIAL REVIEW 2018/19

| | Operational Assets | | | | Non-Operational Assets | | Total |
|--|--------------------|-----------------------------|-----------------|-----------|---------------------------|-----------------------|-------------------|
| | Land & Buildings | Vehicles, Plant & Equipment | Infra-structure | Community | Assets Under Construction | Investment Properties | |
| Tangible Fixed Assets- Cost or Valuation | £ | £ | £ | £ | £ | | £ |
| As at 1 April 2018 | 5,921,308 | 494,037 | 17,105 | 36,590 | 283,597 | 600,000 | 7,352,637 |
| Additions/Enhancements | 752,413 | 65,053 | 0 | 0 | 352,224 | 0 | 1,169,690 |
| Reclassifications | 270,937 | 12,660 | 0 | 0 | (283,597) | 0 | 0 |
| Donated Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | (39,160) | (31,470) | 0 | 0 | 0 | 0 | (70,630) |
| As at 31 March 2019 | 6,905,498 | 540,280 | 17,105 | 36,590 | 352,224 | 600,000 | 8,451,697 |
| Long Term Investments- Cost | | | | | | | |
| As at 1 April 2018 | | | | | | | 4,364,240 |
| Additions | | | | | | | 0 |
| Redeemed | | | | | | | (364,240) |
| As at 31 March 2019 | | | | | | | 4,000,000 |
| Total Fixed Assets and Long Term Assets – Box 9 | | | | | | | 12,451,697 |

Schemes Under Construction

The total asset value at 31st March 2019 includes £352,224 relating to works being undertaken on the Fishermen’s Huts and Slipway/Jetty, which are classified as Assets Under Construction.

Long Term Borrowing

| 2017/18 | Analysis of Loans - PWLB | 2018/19 |
|---------|---|---------|
| £ | | £ |
| 0 | Balance brought forward | 0 |
| 0 | Principal paid in year (Box 5) | 0 |
| 0 | Total Outstanding – Box 10 | 0 |

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

Notes

1. Debtors

| 2017/18 | | 2018/19 |
|----------|------------------------------------|----------|
| £ | Amounts falling due in one year :- | £ |
| 77,803 | HMRC-VAT | 15,864 |
| 101,171 | Sundry Debtors | 96,529 |
| (14,595) | Provision for Bad/Doubtful Debtors | (14,595) |
| 14,159 | Payments in Advance | 14,677 |
| 6,571 | Stock | 4,982 |
| 185,109 | Total | 117,457 |

FINANCIAL REVIEW 2018/19

The VAT repayment due to be paid to the Council from HMRC was higher in 2017/18 due to the high levels of payments for capital expenditure that it incurred in the last quarter of the financial year.

2. Creditors

| 2017/18 | | 2018/19 |
|----------------|---------------------|----------------|
| £ | | £ |
| 386,167 | Sundry Creditors | 105,252 |
| 110,098 | Receipts in Advance | 132,219 |
| <u>496,265</u> | | <u>237,471</u> |

The value of creditors in 2017/18 included £261,000 due to suppliers for capital works and as such is higher than 2018/19.

| Movement of Reserves | | | | |
|---------------------------------|-------------------------|-------------------------|--------------------------|------|
| | Balance 1 April 2018 | Net movement in year | Balance 31 March 2019 | Note |
| | £ | £ | £ | |
| General Fund | 946,278 | (46,278) | 900,000 | 3 |
| Earmarked Reserves | 1,293,691 | 769,399 | 2,063,090 | 4 |
| Usable Capital Receipts Reserve | 3,500,128 | (840,469) | 2,659,659 | 5 |
| Total | <u>5,740,097</u> | <u>(117,348)</u> | <u>5,622,749</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 AGAR section 2 total in Box 7 due to the treatment of the £4m long term investments that the council holds in pooled funds. Following the *Practitioner's Guide*, 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

| 2017/18 | | 2018/19 |
|----------------|--|----------------|
| £ | | £ |
| 808,241 | General Fund Balance brought forward | 946,278 |
| 457,907 | Net Surplus or (Deficit) for Year | 939,053 |
| (37,503) | Financing Capital Expenditure | (164,795) |
| (282,367) | Transfers (to)/from Earmarked Reserves | (820,536) |
| <u>946,278</u> | General Fund Balance carried forward | <u>900,000</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 Council has seen a decrease of £46,278 on the general fund in the year, comprising of a net surplus of £939,053 for the year, less the financing of capital expenditure of £164,795 and a net transfer from the general fund to earmarked reserves of £820,536.

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 31/03/2018 £ | Additions to Reserve £ | Expenditure f'd from Reserve £ | Balance 31/03/2019 £ |
|-------------------------------------|-------------------------------------|---|---|-------------------------------------|
| Festive Lights | 8,407 | 7,784 | 0 | 16,191 |
| Vehicle & Plant Replacement | 37,956 | 50,000 | 25,312 | 62,644 |
| King Georges Play Area & Skate Park | 74,347 | 24,495 | 25,825 | 73,017 |
| Play Equipment-General Areas | 78,904 | 100,000 | 0 | 178,904 |
| Car Park Machines | 4,248 | 7,500 | 0 | 11,748 |
| Tennis Courts Refurbishment | 0 | 0 | 0 | 0 |
| Seafront Enhancement Scheme | 925,100 | 109,458 | 0 | 1,034,558 |
| Community Sea Defence Project | 0 | 450,000 | 0 | 450,000 |
| Public Conveniences | 0 | 20,000 | 0 | 20,000 |
| Beach Huts Reserve | 15,000 | 15,000 | 0 | 30,000 |
| Football Club Facilities | 6,958 | 0 | 0 | 6,958 |
| De Moulham Back Roads | 30,662 | 2,674 | 0 | 33,336 |
| Insurance & Contingency Reserve | 40,000 | 0 | 0 | 40,000 |
| Community Infrastructure Levy | 21,592 | 25,755 | 0 | 47,347 |
| FJ Grace Trust | 30,517 | 0 | 0 | 30,517 |
| IT Equipment Reserves | 20,000 | 5,000 | 0 | 25,000 |
| Mayors Chain | 0 | 1,500 | 0 | 1,500 |
| Grants/Donations | 0 | 1,370 | 0 | 1,370 |
| Total | 1,293,691 | 820,536 | 51,137 | 2,063,090 |

During the year a contribution of £820,536 was made to earmarked reserves from the General Fund, with £51,137 financing capital expenditure. This has resulted in a net increase of £769,399 in Earmarked Reserves.

5. Usable Capital Receipts Reserve (UCRR)

The UCRR holds the proceeds of the sale of fixed assets and can only be used in accordance with regulations. The Council utilised £840,469 during the course of the year to finance capital expenditure and no capital receipts were received, resulting in a balance of £2,659,659 being held at the end of the year.

| 2017/18 £ | | 2018/19 £ |
|------------------|--|------------------|
| 3,896,178 | Balance brought forward | 3,500,128 |
| 0 | Capital receipts | 0 |
| | Less: | |
| (396,050) | Capital receipts used for financing Assets | (840,469) |
| <u>3,500,128</u> | Balance carried forward | <u>2,659,659</u> |

6. 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 |
|--|-------------------|---------------|-------|
| Lloyds Bank-Call Account | £772,873 | n/a | 0.10% |
| Lloyds Bank-3 month deposit | £400,000 | 15/04/2019 | 0.90% |
| Aberdeen Standard Money Market Fund | £250,000 | n/a | v |
| CCLA-Public Sector Deposit Fund | £250,000 | n/a | v |
| Total Short Term Investments–(incl. in Box 8) | £1,672,873 | | |
| CCLA-LAMIT Property Fund | £2,500,000 | n/a | v |
| Investec Diversified Income Fund | £1,000,000 | n/a | v |
| M & G Strategic Corporate Bond Fund | £500,000 | n/a | v |
| Total Long Term Investments–(incl. in Box 9) | £4,000,000 | | |
| Total Investments held @ 31st March 2019 | £5,672,873 | | |

The Council held four short term investments at 31st March 2019. It held two investments in Money Market Funds, one with the CCLA Public Sector Deposit Fund (a qualifying MMF) and one with Aberdeen Standard. The Council also had a 3 Month Fixed Term Deposit with Lloyds Bank. The investments held with the MMFs have a variable rate of return, whilst the term deposit had an interest rate of 0.9%. A further £772k was held in a Lloyds commercial call account. 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, the M&G Strategic Corporate Bond Fund and the Investec Diversified Income Fund valued at £2.5m, £0.5m and £1m respectively in the Annual Return. This £4m is included in Box 9 on the Annual Return.

7. Trust Funds – Box 11

The Council acts as Corporate Trustee for three Charitable Trusts. The Income & Expenditure for the year to 31st March 2019 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> | 12,660 | 0 | 12,660 |
| James Day Trust (Day's Park) <i>Gift of pleasure grounds</i> | 0 | 0 | 0 |
| King George's Field <i>Deed of dedication entered into 5th May 1951</i> | 0 | 0 | 0 |

Charitable Funds held by Trusts:

| | Balance 1 April 2018 £ | Net Contributions to/(from) Fund £ | Balance 31 March 2019 £ |
|------------------|------------------------------|--|-------------------------------|
| De Moulham Trust | 17,523 | 12,660 | 30,183 |
| James Day Trust | 0 | 0 | 0 |

The status of the James Day Trust is currently under review by the Council. In February 2018, Lloyds Bank closed the James Day Trust bank account which held a balance of £385. The Council is unable to hold in its bank account any monies that are not Council monies, and as such has been unable to deposit this sum, and cannot until such a time as the status of the Trust is properly determined. Discussion is also underway with regards to Lloyds Bank (Private Banking) retiring as the Trustee of the overarching James Day Will Trust from which income and expenditure has previously been transacted. Presently, a balance of £180 is owed to the bank. Again, however, until the status of the Trust is determined this balance will remain unpaid.

8. Pension

Swanage Town Council participates in the Local Government Pension Scheme (LGPS). The fund is administered by the Dorset County Pension Fund in which Swanage Town Council is pooled as a 'small scheduled body'. This fund provides members with benefits based on pay and service.

Following an Actuarial Valuation by the scheme's fund actuary, Barnett Waddingham, the rate payable for the three financial years 2016/17 to 2018/19 was set at 22% of pensionable pay. In 2018/19 the Council paid an employer's contribution of £124,841 into the Dorset County Council superannuation fund (a total of £118,785 in 2017/18).

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 2018/19 these amounted to £2,726 (£2,916 in 2017/18).

9. Grants & Donations

The following grants and donations were issued under the General Power of Competence (GPC).

FINANCIAL REVIEW 2018/19

| | |
|---|---------------|
| General Power of Competence, Localism Act, 2011 | £ |
| S.Town & Herston Football Club (Vodafone) | 3,950 |
| Swanage & Purbeck Development Trust – Youth Centre | 15,000 |
| DCC – Swanage First School Crossing Patrol | 3,442 |
| Durlston Country Park-Pleasure Grounds | 9,500 |
| Purbeck District Council-Northbrook Road Footbridge Works | 6,477 |
| Swanage & Purbeck Development Trust – Coastal Defence | 11,200 |
| Professional Fees | |
| Purbeck Citizens Advice Bureau | 1,000 |
| Dorset Blind Association | 300 |
| Life Education Wessex | 550 |
| Purbeck Art Weeks | 500 |
| Purbeck International Chamber Music Festival | 990 |
| Swanage & Purbeck Rotary-Pirate Festival | 500 |
| Swanage Regatta & Carnival Committee | 750 |
| Purbeck Film Festival | 1,750 |
| Royal British Legion-WWI Centenary | 1,000 |
| Emmanuel Baptist Church | 180 |
| Swanage Community Defibrillator Partnership | 1,500 |
| Blues Roots & Blues Festivals | 600 |
| Veterans Forge | 750 |
| Total | 59,939 |

10. Audit Fees

Smaller Authorities' Audit Appointments Ltd (SAAA) was appointed in January 2016 as the “person specified to appoint local auditors” under powers set out in Regulation 3 of the Local Audit (Smaller Authorities) Regulations 2015 to perform the functions set out in legislation for smaller authorities.

Following a tender process, PKF Littlejohn LLP were appointed by SAAA as the external auditor for the Council for a period of 5 years from 2017/18.

The external audit fees relating to the audit of the AGAR for the 2018/19 financial year are £2,800. As a result of a challenge from a local elector received by the external auditor additional work was carried out. No matters were identified as a result of the additional work done, however, this resulted in additional fees being charged, £2,290 in total.

| 2017/18 | | 2018/19 |
|--------------|--|--------------|
| £ | | £ |
| 2,800 | Fees payable to the external auditor appointed by the SAAA | 2,800 |
| 0 | Adjustment on previous years audit fees | 2,290 |
| <u>2,800</u> | | <u>5,090</u> |

11. Items for Consideration

Any events after the year end, 31st March 2019, have been considered up to the date of the Annual Return, 29th May 2019. There are no items to report which may have an effect upon the Annual Return.