
To Hythe Town Council
Date 10 January 2020
Status **Non Exempt**
Responsible officer Responsible Financial Officer

Subject **REVIEW OF ALLOCATED RESERVES AND REPAYMENT OF PWLB LOAN REPORT F&GP/22/19**

SUMMARY: This report provides an update on the current reserves held by the Town Council along with a review to repay the Public Works Loan Board in full and recommends the Committee review in accordance with good practice.

REASON FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because:-

- a) The Council is committed to work in compliance with the Governance and Accountability for smaller authorities in England.
- b) The Committee closely monitors actual expenditure against approved budgets.
- c) The Council is committed to manage its financial affairs under the Financial Regulations Act.

RECOMMENDATIONS:

1. To receive and note the report F&GP/22/19
2. To vire £66,500 to cost centre 7103 in the 2019.20 budget from unallocated reserves.
3. To recommend to release £23,500 from Grounds R& R to cover budget 2020.21 budget costs, codes 5003 and 5101.
4. To recommend to vire £10,000 from unallocated reserves to S106 funding reserves.
5. To recommend to vire £8,000 from unallocated reserves to Deposit holding account.
6. To recommend to vire £21,009 from unallocated reserves to General reserves for the new financial year 1 April 2020.
7. To recommend to allocate £25k to High street match funding reserve account from unallocated reserves.
8. To recommend to repay one or both of the PWLB loans in full before 31 March 2020.

INTRODUCTION

In August 2019 Hythe Town Council received a Non Domestic Rates demand for Portland Rd car park to the value of £66,461.25. These funds have been taken from unallocated reserves. It is recommended to vire £66,500 from unallocated reserves to the budget cost centre 7103 General rates for 2019.20 to reflect this,

The Allocated Reserves are funds put to one side for the completion of projects already approved by the Town Council. Council have already agreed to release £96,500 from General reserves as per F&GP 29 August 2019 min no 134/19 which will clear the bank on 10 January 2020. This will leave a balance of £277,815 to cover the expected funds remaining to service the budget £99,510 and the remainder of the Portland Rd rates £28,482. Leaving £144,322 in unallocated reserves before any other virements are made.

The unallocated reserves are funds that remain in the bank accounts to cover uneventualities over and above the budgeted costs.

With respect to the new budget 2020.21, the one off growth items were resolved to be released from reserves therefore it is recommended that at least £23,500 should be released to cover the ash tree die back and the skate park repairs. With the smaller items, past Mayors badges and training costs vired to the budget from unallocated reserves by 1 April 2020.

On 14 August 2017 £10,000 was received for s.106 monies relating to Fisherman's beach. This is currently floating in unallocated reserves and has not yet been vired to reserves. Therefore it is recommended to complete the virement and raise the s.106 funding reserve account by £10,000 so that the funds are allocated.

Upon reconciliation of the Deposit holding account, it has come to light that any deposits held before the software system 'Avalon' was introduced in 2014, were recorded on a separate spreadsheet and this figure had not been included in the Sage accounts. It is recommended to vire £8,000 from unallocated reserves to cover these funds.

Therefore, the unallocated reserves balance for year end 2019.20 will be £149,822. (Appendix 1)

Should the expected funds from income of assets and the expenditure for 2020.21 reach expectations the unallocated reserves balance predicted for the year end 2020.21 should be £120,692.

The balance held in the General reserve account should be between 3 and 12 months expenditure and be no higher than the precept requested. For the year 2020.21 this should be between £120,388 and £361,164. Since the precept request of £361,155 has been agreed at the the Council meeting held on 11 December 2019 min no 230/19. It is recommended to vire £21,009 back into general reserves by 1 April 2020 to bring the General Reserve balance back to the minimum of £120,388 that should be held.

The unallocated reserves could also be reduced by placing £25,000 in a reserve account to match the High street funding applications made to district.

Once all the above transactions have been completed the unallocated reserves balance will be expected to stand at £74,683 and General reserves will be one third of the precept.

Review of PWLB Loan

On 28 March 2019 F & GP recommended that the loan to the Public Works Loan Board should be repaid. This was resolved at Council on 16 May 2019 min no 14/19 (original Report 05/19)

Since making those calculations, Hythe Town Council received a new Non-Domestic Rates bill from Folkestone and Hythe District Council for the value of £66,461.25 for Portland Road Car Park.

As per the Bank reconciliation on 30 June 2019 the reconciliations along with the Allocated Reserves account showed that should the loan be repaid directly from the Council current bank account that would leave a rather low balance of £38,873 in unallocated Reserves.

In light of the new information the decision to postpone the repayment to the PWLB was made at F&GP on 29 August 2019 min no 134/19 and full Council on 13 September 2019 min no 152/19.

Currently Hythe Town Council are holding £114,387 in the Pavilion project fund reserve account. Some of these funds could be utilised in repaying the PWLB loan which stands at £115,184.30. This consists of Loan deal no 60487 £25,882.78 and Loan deal no 60482 £89301.52 estimated early repayment balances, figures have been stated as at 17 December 2019 and are likely to change due to fluctuation in interest rates.

SUMMARY

The internal auditor has reported that Hythe Town Council are holding too much funds in reserves and has recommended that these reserves should be reduced.

RISK MANAGEMENT

A summary of the perceived risk follows;

Perceived Risk	Seriousness	Likelihood	Preventative Action
The Council does not vire reserves and reserves remain high.	High	Low	The Responsible Financial Officer completes the virement of reserves in readiness for the 2020.21 budget to cover expected projects for the forthcoming financial year thus reducing funds held in reserves.
Interest rates continue to rise	High	Low	The PWLB loans are repaid in full.

CONTACT OFFICER

If you have any queries about this report please contact The Responsible Financial Officer of the Council

Tel: 01303 266152 or email RFO@hythe-tc.gov.uk prior to the meeting.