

Thame Town Council

Financial Management Procedure

1. The Financial Process

The Town Council's financial year commences on 1 April and ends on 31 March in each year. The Town Council's financial business is overseen on a day to day basis by the Responsible Financial Officer who is also the Town Clerk.

Financial business is governed by the Financial Regulations, which are reviewed at least annually, at the Annual Meeting of Thame Town Council.

2. The Audit Regime

The external audit regime was previously controlled by the Audit Commission. A sector led body now exists to procure external audit services and it is the responsibility of the Town Council to abide by all relevant finance related regulations.

3. Council Tax (Precept) and Financial Resources

The Town Council's financial resources are delivered by means of a small portion of the Council Tax that is levied on residents within the town boundary. This levy is called the 'Precept'. It is collected on behalf of the Town Council by South Oxfordshire District Council, which also collects on behalf of itself, Oxfordshire County Council, Thames Valley Police and Oxfordshire Fire & Rescue Service. The data on which the Town Council calculates the effect of its Precept on an average Band D property is supplied by South Oxfordshire District Council. The funds are paid to the Town Council in two equal instalments in April and September each year. The portion of the total Council Tax bill for Thame Town Council provided services is usually very small.

The costs of running all the services that the Town Council provides for the residents of Thame are known as the 'Revenue Budget'. The current annual Revenue Budget is the starting point for Members and officers in preparing the following years Annual Budget. Unspent revenue funds are sometimes earmarked for future spending in an "earmarked reserve", to complement the Revenue Budget.

As well as revenue funding, consideration will be given each year to the capital funding required for one-off projects. This may be a major project such as new play equipment or equipment/machinery replacement. Any allocated funding is held in an "earmarked reserve". This is an area of particular interest to the Infrastructure Delivery Plan Working Group.

Another type of capital funding is that produced when the Town Council sells equipment or property. The funds raised by this method cannot be held against revenue requirements. Members must first consider whether such funds should be used to repay any outstanding loans that the Town Council has. Having considered this aspect, a decision can be made as to whether the funds should be set aside for capital projects. An example of such funding is that raised from the sale of Pickenfield, part of which was subsequently used to build the Jubilee

Swimming Pool. This type of funding has no effect on the annual budget; it is kept in the accounts until it is allocated to a capital project.

4. The Budgeting Process – Revenue Funding

In October each year, the Town Clerk/RFO will prepare a preliminary Revenue Budget for the forthcoming financial year. Government issued inflation figures will be used to make an informal assessment as to what increases should be included in the budget.

At each stage of the budget setting process, the Budget Working Group will scrutinise the revenue requirements together with the projected effect on the average Band D Council Tax level. A balance will be struck between providing high quality services to the community and maintaining a reasonable level of Council Tax. Inflationary increases imposed by others means that the Council Tax for the town will inevitably have to rise each year, at least by the level of inflation. As new houses are built, this may be partially offset by increases in the “taxbase”. Any reduction in the budget and Precept, and therefore in Council Tax, will mean that savings will have to be made in the services provided by the Town Council. Even a standstill budget will require savings to be made and making savings will mean cuts in service will be necessary.

All Members are kept informed throughout the budget setting process, so that they may too provide input as relevant.

The various revenue budget lines are allocated against either the Policy & Resources or Community, Leisure and Recreation Committees.

A recommendation will be put to the Town Council in December / January on the proposed budget for the forthcoming year.

5. The Budgeting Process – Capital Funding

At the same time that each Committee’s Revenue Budget is discussed, consideration will be given to each Committee’s Capital Budget. This budget will consist of ‘one off’ items that will not be repeated in forthcoming years. Examples of Capital Projects are:-

- QEC Refurbishment
- Refurbishment of Town Hall
- Realignment of Elms Park Gates

When a new Capital Project is identified, Members will decide whether the project is to be carried out in the next financial year or in a future financial year. If the latter, then the capital requirement may be budgeted over a number of years, to effectively ‘save up’ to complete the project as a given point in time in the future. Other capital projects may be considered to be of a more urgent nature and the funding will be budgeted in a single financial year.

Any reports prepared by officers for consideration by Members will always contain a Resource Appraisal section detailing the financial implications of the proposal. Members will aim to achieve a sensible balance between providing services for the residents of Thame at a cost which is considered to be reasonable.

6. Completion of the Budget Process

The Budget Working Group (and all Members by invitation) will scrutinise the proposals and a recommendation on a level of Precept will be formed. This recommendation will be put to a meeting of the Full Council specifically scheduled to agree the Annual Budget and set the Precept. This meeting must be held no later than January each year. Careful consideration will be given by all Members to the effect of the proposed budget on the Council Tax levels for an average Band D house in Thame.

7. Monitoring and Reporting

Once the budget is set for the forthcoming year, the Town Clerk/RFO must account for any variation to the relevant Committee.

Spending will be closely monitored throughout the year and monitoring reports for each Committee will be provided at every meeting of that Committee.

Any overspends, with reasons, on individual budget cost headings will be reported to the Committee, which will consider whether any action is required to mitigate the over-spend.

Any under-spend identified at the financial year end will usually be automatically decanted into the General Reserves. However, the Town Clerk/RFO may consider that certain items should be 'rolled over' to the next financial year on the same cost heading. A list of this type of under-spend will be prepared by the Town Clerk/RFO and will be discussed by the Council as part of End of Year accounts.

8. General Reserves

It is generally accepted that the Town Council should set aside no less than the value of three months expenditure each year, as General Reserves, to cover unexpected and unforeseen events. An example of the type of event that may occur is the District Council facing a delay in collecting its Council Tax and is unable to pay the Town Council when it should therefore jeopardising the ability for the Town Council to pay its debts.

General Reserves may also be used to cover expenditure on opportunities that may be presented during the financial year.

Any expenditure from General Reserves **must first** be approved by the Town Council. Members will scrutinise any such request very carefully before giving approval for such expenditure. The only exception to this rule is when a matter is so urgent that it must be dealt with immediately. Standing Orders and Financial Regulations state clearly what action must be taken in such circumstances.

9. Investments

Any surplus funds held by the Town Council will be invested in line with its Investment Strategy.

10. Assets

The Asset Register will be updated as and when new items are purchased or items disposed of. Assets will be re-valued at least once in every five years by a reputable valuation company. This valuation will form the basis for the insurance cover required.

A Building Maintenance Schedule (BMS) will detail all the regular building maintenance required each financial year. As part of the budget process each year, the BMS will be scrutinised and estimated expenditure requirements assessed. An amount will then be included in the budget of the relevant Committee for that purpose. The BMS will be reviewed on an annual basis to ensure it is kept up to date.

There is an inventory of equipment for each location. This is essentially for insurance purposes, but also to control the replacement of items at an appropriate time. The annual budget will include an amount for replacement and repair of equipment under the relevant Committee's control. The inventory will be updated on an ongoing basis as old equipment is disposed of and new equipment purchased. It will also be subject to an annual review in February/March each year.

11. Insurance

The Town Council follows its separate Insurance Strategy balancing risk against cost at all times. Insurance arrangements are regularly reviewed.

12. Banking

The Town Council banks with Lloyds Bank. The current account is an interest bearing account, together with a sweep account with a minimum balance of £2,500. The sweep account is used to automatically transfer funds into and out of the current account. Banking arrangements are regularly reviewed.

13. Risk Management

The Town Clerk will ensure that a robust and proportionate method of Risk Assessment and Management of all the Town Council's activities is in place.

The Council approves the measures taken to mitigate financial risks and reviews the effectiveness of internal control on an annual basis.

All reports for consideration by Members will contain a section on Risk Management.

14. Review of Financial Management Procedure

This Financial Management Procedure will ideally be reviewed every four years. However, Members or the Town Clerk/RFO may request an intermediate review at any other time as circumstances dictate.