

# Report from the Responsible Financial Officer ('RFO') to the Corporate Governance Committee ('CGC') — 8 May 2024

This report includes the RFO's direction to the CGC regarding: the proper administration of the Stanway Parish Council's financial affairs; the form of accounting records and supporting records; and the financial control systems.

## 1. Summary

- Expenditure was in line with budgets at the end of the first month of the new financial year.
- Cash at hand is adequate to support both Earmarked Reserves and the General Reserve. However, the counterparty exposure to Unity Trust Bank is above the maximum threshold permitted by the Financial Regulations. Measures are in hand to address this, discussed further under item 7.
- Although the Council does not appear to have incurred any losses as a direct result, observance of financial control systems remains unsatisfactory. Further consideration should be given to the internal control environment, discussed further under item 8.
- The policy of insurance expires at the end of May. Actions are required before renewal which are discussed further under item 10.

## 2. Interim Management Accounts (Appendix One)

The interim accounts reflect the position as of 30 April 2024. The key points are as follows.

- Variations of more than 10% to budget are highlighted.
- As of 30 April there was £405,460 cash at hand of which £5,129 was offset by creditors and a further £167,700 ringfenced in identified **Earmarked Reserves**. The balance was the **General Reserve** and met the applicable threshold per Financial Regulation 7.4.

## 3. Bank Reconciliation (Appendix Two)

The **Bank Reconciliation** shows the accounting records did not reconcile with the bank statements as of month end owing to a standing order payment of £152.76 to A&J Lighting Solutions Limited, for which there is no corresponding invoice. As financial statements are prepared on an 'Income and Expenditure Basis', the references to 'Unrepresented Payments' and 'Unrepresented Receipts' in the report denote creditors and debtors respectively.

## 4. Payments Lists (Appendix Three)

The **Payments List** is colour-coded as follows:

- in yellow are proposed payments for more than £50; and
- in blue are proposed payments to new suppliers.

Uncoloured items on the list relate to:

- payments of less than £50 (already approved per Financial Regulation 21.5);
- payments by direct debit or standing order (already approved per Financial Regulation 22.4); and
- payments made by corporate debit card and therefore already incurred without opportunity for further approval, and, as such, are provided as information for the CGC to note.

The CGC should authorise each proposed payment highlighted in yellow or blue (per Financial Regulation 21.4), provided it is satisfied that in each case all applicable requirements of the Financial Regulations have been met.

The **Payments List** includes expenditure incurred other than in accordance with the Financial Regulations. Neither the Council nor the CGC has the power to resolve to make a payment in circumstances where the Financial Regulations were not observed, meaning a resolution to make a payment would be ultra vires. The RFO, however, has an overriding statutory responsibility for the proper administration of the Council's financial affairs and, under this statutory power, directs the Council to settle each invoice for the following reasons.

- Although the Financial Regulations were not observed, in each case the goods and services were supplied, and the invoice is in order.
- Failure to settle an otherwise undisputed debt creates foreseeable legal and reputational risks.

## 5. **Virements**

No virements are proposed. However, the CGC may — subject to observance of Standing Order 1 — approve other virements as would be prudent taking account of financial performance for year to date against budget, anticipated expenditure for the remainder of the 2024–25 financial year, reserves at yearend and carry forward to subsequent years.

## 6. **Large Capital Projects**

There are no projects or acquisitions planned for 2024–25 with expenditure of more than £50,000.

## 7. **Investments**

The CGC is reminded of the statutory guidance issued by the Secretary of State under §15(1)(a) of the Local Government Act 2003, which directs the Council on several aspects of investment strategy including how investment decisions should be made. The current guidance is included at Appendix Five.

The Bank Reconciliation (at Appendix Two) shows the balance of each account as of 30 April 2024 and indicates funds are available to invest in line with the Council's decision in September 2023. Investment returns have improved since then, and are now:

- Redwood Bank on 35 days' notice savings account currently paying 3.75% AER (previously 3.25% AER).
- Cambridge & Counties Bank 6 months fixed rate bond currently paying 4.70% AER (previously 4.20% AER).

When considering investment options, the CGC should also take account of the outstanding public works loan which attracts interest at 4.45%. It may be the case that paying down some or all of the debt will produce a more economically efficient outcome.

## 8. **System of internal control**

Assuming they are adopted, the revised Financial Regulations approved by the CGC last month will focus only on financial matters. The CGC should decide which, if any, controls ought to continue and in which policy or policies should include such controls. The CGC are reminded the existence of a control and the absence of loss do not by themselves prove the system of internal control is effective.

## 9. Historical financial performance (Appendix Five)

At last month's meeting the CGC asked for a review of the Council's past financial performance. The graphs at Appendix Five depict the annual results over the past 20 years, based on the published annual accounting statements and, where available, more detailed accounting information.

These graphs show:

- revenue expenditure rose sevenfold from 2004 to 2023 outstripping the precept which increased by a factor of five;
- the population of Stanway grew significantly but the Tax Base grew more slowly due to a greater proportion of households receiving Council Tax Reduction (from roughly 10% in 2004 to nearly 20% by 2023);
- the mismatch in precept and revenue expenditure was reflected in the expenditure ratio (expenditure expressed as a factor of precept) which should be 1:1 when budgets are set accurately, but averaged 10:9 (i.e. for every £10 of expenditure, only £9 was met by the precept with the balance taken from reserves);
- revenue overspend coupled with unfunded capital expenditure led to budget deficits in eight of the last 20 years (i.e. 40% of the time), including two of the last five years;
- cash reserves declined from a multiple of 3.9 times revenue expenditure to 0.9 times reflecting the compounding effect of persistent budget deficits.

## 10. Insurance

The Council's policy of insurance falls due for renewal on 1 June 2024 and the Council has been asked by its appointed insurance broker to provide up-to-date underwriting information.

Under the Insurance Act 2015, the Council has a '*duty of fair representation*' which obliges it to disclose to a prospective insurer '*every material circumstance which the insured know or ought to know*'. It is generally held that, as the Council is a corporate body, the knowledge of each individual member is the knowledge of the Council itself. A '*material circumstance*' is any fact or circumstance which '*would influence the judgement of a prudent insurer in determining whether to take the risk and, if so, on what terms.*'

The legal remedies potentially available to an insurer for a breach of the duty of fair presentation range from charging extra premium or imposing additional restrictive terms to the complete avoidance (in other words cancellation) of the insurance. With that in mind, is any member of the CGC aware of anything he/she believes is or may be relevant?

## **Appendices**

- 1. Interim management accounts**
- 2. Bank reconciliation**
- 3. Payments list**
- 4. Statutory Guidance on Local Government Investments**
- 5. Historical financial performance**

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Summary of Receipts and Payments

Cost Centre Group - Capital Account (Between 01/04/2024 and 30/04/2024)

**A2 Capital Receipts**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
3	Capital Grants & Other Donation							(N/A)
4	CCC Grants	1,000.00		-1,000.00				-1,000.00 (-100%)
5	Other Grants	203,741.00		-203,741.00				-203,741.00 (-100%)
7	LCTS Administration Subsidy	5,259.00		-5,259.00				-5,259.00 (-100%)
<b>SUB TOTAL</b>		<b>210,000.00</b>		<b>-210,000.00</b>				<b>-210,000.00 (-100%)</b>

**Q Capital Expenditure**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
23	IT Equipment					660.23	-660.23	-660.23 (N/A)
207	Jansma Park				200,000.00		200,000.00	200,000.00 (100%)
209	Bus shelter corner of Holly Rd ar				10,000.00		10,000.00	10,000.00 (100%)
<b>SUB TOTAL</b>					<b>210,000.00</b>	<b>660.23</b>	<b>209,339.77</b>	<b>209,339.77 (99%)</b>

**Summary**

<b>NET TOTAL</b>	<b>210,000.00</b>		<b>-210,000.00</b>	<b>210,000.00</b>	<b>660.23</b>	<b>209,339.77</b>	<b>-660.23 (-0%)</b>
<b>V.A.T.</b>					<b>132.05</b>		
<b>GROSS TOTAL</b>					<b>792.28</b>		

Summary of Receipts and Payments

Cost Centre Group - Revenue Account (Between 01/04/2024 and 30/04/2024)

**A1 Revenue Income**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
1	Precept	364,200.00		-364,200.00				-364,200.00 (-100%)
2	Wayleaves	1.00		-1.00				-1.00 (-100%)
6	Credit Interest	750.00		-750.00				-750.00 (-100%)
53	Community Events	1,000.00		-1,000.00				-1,000.00 (-100%)
55	Burial Ground	4,000.00	1,810.00	-2,190.00		20.00	-20.00	-2,210.00 (-55%)
77	All Other Revenue Income							(N/A)
<b>SUB TOTAL</b>		<b>369,951.00</b>	<b>1,810.00</b>	<b>-368,141.00</b>		<b>20.00</b>	<b>-20.00</b>	<b>-368,161.00 (-99%)</b>

**B1 Staff**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
8	Salaries (inc. employee's tax, NI				146,700.00	10,877.66	135,822.34	135,822.34 (92%)
9	Employers' NI Contribution				13,600.00	1,084.90	12,515.10	12,515.10 (92%)
10	Home Working Allowance				950.00	78.00	872.00	872.00 (91%)
11	Employers' Pension Contribution				35,208.00	2,755.84	32,452.16	32,452.16 (92%)
13	Training, Membership Fees & St				5,000.00	731.67	4,268.33	4,268.33 (85%)
14	Travel & Subsistence				600.00		600.00	600.00 (100%)
<b>SUB TOTAL</b>					<b>202,058.00</b>	<b>15,528.07</b>	<b>186,529.93</b>	<b>186,529.93 (92%)</b>

**B2 Office & IT**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
17	Office Supplies & Consumables				1,900.00	52.22	1,847.78	1,847.78 (97%)
20	Telephone & Broadband				2,300.00	165.64	2,134.36	2,134.36 (92%)
22	IT Hardware & Software (inc. sup				4,300.00	600.07	3,699.93	3,699.93 (86%)
<b>SUB TOTAL</b>					<b>8,500.00</b>	<b>817.93</b>	<b>7,682.07</b>	<b>7,682.07 (90%)</b>

**B3 Banking & Finance**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
38	Bank Charges				200.00		200.00	200.00 (100%)
79	Capital Repayments				16,000.00		16,000.00	16,000.00 (100%)
80	Debit Interest				4,450.00		4,450.00	4,450.00 (100%)
<b>SUB TOTAL</b>					<b>20,650.00</b>		<b>20,650.00</b>	<b>20,650.00 (100%)</b>

**B4 Professional Services**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
24	Internal Audit				1,600.00		1,600.00	1,600.00 (100%)
25	External Audit				1,100.00		1,100.00	1,100.00 (100%)

Summary of Receipts and Payments

Cost Centre Group - Revenue Account (Between 01/04/2024 and 30/04/2024)

40 Professional Fees		33,500.00	33,500.00	33,500.00 (100%)
<b>SUB TOTAL</b>		<b>36,200.00</b>	<b>36,200.00</b>	<b>36,200.00 (100%)</b>

**B5 Other Admin**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
21	Communications & Advertising				1,700.00	80.00	1,620.00	1,620.00 (95%)
36	Insurance				10,000.00		10,000.00	10,000.00 (100%)
37	Corporate Subscriptions				1,500.00	1,454.91	45.09	45.09 (3%)
75	Chairman's Allowance				200.00	63.98	136.02	136.02 (68%)
998	Uncategorised Expenditure							(N/A)
999	Accounting Adjustment							(N/A)
<b>SUB TOTAL</b>					<b>13,400.00</b>	<b>1,598.89</b>	<b>11,801.11</b>	<b>11,801.11 (88%)</b>

**CA1 Grounds**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
27	Buildings & Car Parks				10,000.00		10,000.00	10,000.00 (100%)
30	Play Areas				6,000.00		6,000.00	6,000.00 (100%)
31	Grounds Maintenance				17,500.00	768.00	16,732.00	16,732.00 (95%)
52	Tools and Consumables				1,000.00	41.90	958.10	958.10 (95%)
57	Burial Ground				2,500.00	1,412.50	1,087.50	1,087.50 (43%)
94	Maintenance Vehicle				1,200.00	41.61	1,158.39	1,158.39 (96%)
<b>SUB TOTAL</b>					<b>38,200.00</b>	<b>2,264.01</b>	<b>35,935.99</b>	<b>35,935.99 (94%)</b>

**CA2 Streets**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
50	Streetlights - ex. Electricity				6,000.00	1,145.70	4,854.30	4,854.30 (80%)
81	Street Furniture				4,500.00		4,500.00	4,500.00 (100%)
84	Streetlights - Electricity				15,000.00		15,000.00	15,000.00 (100%)
96	Footpaths				1,000.00		1,000.00	1,000.00 (100%)
<b>SUB TOTAL</b>					<b>26,500.00</b>	<b>1,145.70</b>	<b>25,354.30</b>	<b>25,354.30 (95%)</b>

**CS1 Community Services**

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
54	Community Events				6,000.00	579.13	5,420.87	5,420.87 (90%)
70	Grants				5,000.00		5,000.00	5,000.00 (100%)
91	Community Safety				4,000.00		4,000.00	4,000.00 (100%)
104	Community Services				500.00	100.00	400.00	400.00 (80%)
105	Road Safety				3,000.00		3,000.00	3,000.00 (100%)



**Summary of Receipts and Payments**

Cost Centre Group - Revenue Account (Between 01/04/2024 and 30/04/2024)

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<b>SUB TOTAL</b>				<b>18,500.00</b>	<b>679.13</b>	<b>17,820.87</b>	<b>17,820.87 (96%)</b>
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**Summary**

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<b>NET TOTAL</b>	<b>369,951.00</b>	<b>1,810.00</b>	<b>-368,141.00</b>	<b>364,008.00</b>	<b>22,053.73</b>	<b>341,954.27</b>	<b>-26,186.73 (-3%)</b>
<b>V.A.T.</b>					859.18		
<b>GROSS TOTAL</b>		<b>1,810.00</b>			<b>22,912.91</b>		

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### Stanway Parish Council

Prepared by: \_\_\_\_\_  
Name and Role (Clerk/RFO etc)

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_  
Name and Role (RFO/Chair of Finance etc)

Date: \_\_\_\_\_

	<b>Bank Reconciliation at 30/04/2024</b>			
	Cash in Hand 01/04/2024			237,585.22
	<b>ADD</b>			
	Receipts 01/04/2024 - 30/04/2024			186,589.50
				424,174.72
	<b>SUBTRACT</b>			
	Payments 01/04/2024 - 30/04/2024			23,691.19
<b>A</b>	<b>Cash in Hand 30/04/2024</b> (per Cash Book)			<b>400,483.53</b>
	Cash in hand per Bank Statements			
	Petty Cash	03/05/2023	0.00	
	1. Unity Trust XXXXX053	30/04/2024	355,362.13	
	2. Unity Trust XXXXX933	30/04/2024	50,097.95	
				<b>405,460.08</b>
	Less unrepresented payments			5,129.31
				400,330.77
	Plus unrepresented receipts			
<b>B</b>	<b>Adjusted Bank Balance</b>			<b>400,330.77</b>
	<b>Error A does NOT equal B</b>			
	<b>ERROR IS</b>		<b>£152.76</b>	

**Stanway Parish Council**  
**Uncashed payments/transfers out (All banks)**  
**(Upto 30/04/2024)**

Voucher	Date	Cheque No.	Description	Total	Bank
15	08/04/2024	DEBIT CARD	Office equipment	34.97	1. Unity Trust XXXXX053
16	08/04/2024	DEBIT CARD	Office equipment	13.39	1. Unity Trust XXXXX053
17	09/04/2024		Training	144.00	1. Unity Trust XXXXX053
18	09/04/2024		Maintenance consumables	5.78	1. Unity Trust XXXXX053
19	09/04/2024		Maintenance consumables	8.53	1. Unity Trust XXXXX053
20	10/04/2024		Office consumables	16.32	1. Unity Trust XXXXX053
29	10/04/2024		Refund		1. Unity Trust XXXXX053
21	15/04/2024		IT hardware	210.42	1. Unity Trust XXXXX053
22	15/04/2024	DIRECT DEBIT	Telephone and broadband	198.77	1. Unity Trust XXXXX053
23	16/04/2024		Waste collection	261.60	1. Unity Trust XXXXX053
24	17/04/2024		Membership subscription	100.00	1. Unity Trust XXXXX053
25	17/04/2024		IT hardware	792.28	1. Unity Trust XXXXX053
28	18/04/2024	DEBIT CARD	Fuel	49.93	1. Unity Trust XXXXX053
27	20/04/2024		Expenses reimbursement	163.98	1. Unity Trust XXXXX053
26	21/04/2024		Maintenance consumables	35.96	1. Unity Trust XXXXX053
30	25/04/2024		Event expenditure	549.00	1. Unity Trust XXXXX053
31	25/04/2024		Expenses reimbursement	27.46	1. Unity Trust XXXXX053
32	25/04/2024		Memorial plaque	210.00	1. Unity Trust XXXXX053
33	25/04/2024		Grave plot markers	1,485.00	1. Unity Trust XXXXX053
34	25/04/2024		IT software and support	143.96	1. Unity Trust XXXXX053
35	28/04/2024		Advertising	96.00	1. Unity Trust XXXXX053
37	28/04/2024	DEBIT CARD	Event expenditure	21.00	1. Unity Trust XXXXX053
36	29/04/2024	DEBIT CARD	Event expenditure	10.96	1. Unity Trust XXXXX053
38	30/04/2024		Grounds maintenance	550.00	1. Unity Trust XXXXX053
<b>Total-----</b>				<b>5,129.31</b>	

**Stanway Parish Council**  
**Uncashed receipts\transfers in (All banks)**  
**(Upto 30/04/2024)**

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Voucher	Date	Cheque No.	Description	Total	Bank
			Total-----		

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## Stanway Parish Council

### PAYMENTS (AWAITING AUTHORISATION) LIST

Voucher Code	Date	Minute	Bank	Cheque No	Description	Supplier	VAT Type	Net	VAT	Total
17	09/04/2024		1. Unity Trust XXXXX		Training	Colchester Regional Agricu	S	120.00	24.00	144.00
18	09/04/2024		1. Unity Trust XXXXX		Maintenance consumables	GRASSHOPPER (HORTICUI	S	4.82	0.96	5.78
19	09/04/2024		1. Unity Trust XXXXX		Maintenance consumables	GRASSHOPPER (HORTICUI	S	7.11	1.42	8.53
20	10/04/2024		1. Unity Trust XXXXX		Office consumables	Saint IT Ltd	S	13.60	2.72	16.32
21	15/04/2024		1. Unity Trust XXXXX		IT hardware	Saint IT Ltd	S	175.35	35.07	210.42
22	15/04/2024		1. Unity Trust XXXXX	DIRECT DEBIT	Telephone and broadband	New Star Networks Ltd	S	165.64	33.13	198.77
23	16/04/2024		1. Unity Trust XXXXX		Waste collection	TBS Hygiene Ltd	S	218.00	43.60	261.60
24	17/04/2024		1. Unity Trust XXXXX		Membership subscription	Institute of Cemetary and t	X	100.00		100.00
25	17/04/2024		1. Unity Trust XXXXX		IT hardware	Saint IT Ltd	S	660.23	132.05	792.28
26	21/04/2024		1. Unity Trust XXXXX		Maintenance consumables	Screwfix Direct Ltd t/a Trak	S	29.97	5.99	35.96
27	20/04/2024		1. Unity Trust XXXXX		Expenses reimbursement	Teresa Baines	X	63.98		63.98
27	20/04/2024		1. Unity Trust XXXXX		Expenses reimbursement	Teresa Baines	X	100.00		100.00
28	18/04/2024		1. Unity Trust XXXXX	DEBIT CARD	Fuel	Sainsbury's Supermarkets l	S	41.61	8.32	49.93
30	25/04/2024		1. Unity Trust XXXXX		Event expenditure	Bulfinch (Gas Equipment)	X	549.00		549.00
31	25/04/2024		1. Unity Trust XXXXX		Expenses reimbursement	Lee Needham	X	27.46		27.46
32	25/04/2024		1. Unity Trust XXXXX		Memorial plaque	THE HUNNABALL FAMILY f	S	175.00	35.00	210.00
33	25/04/2024		1. Unity Trust XXXXX		Grave plot markers	THE HUNNABALL FAMILY f	S	1,237.50	247.50	1,485.00
34	25/04/2024		1. Unity Trust XXXXX		IT software and support	Saint IT Ltd	S	119.97	23.99	143.96
35	28/04/2024		1. Unity Trust XXXXX		Advertising	Regional Life Ltd	S	80.00	16.00	96.00
36	29/04/2024		1. Unity Trust XXXXX	DEBIT CARD	Event expenditure	Hongkong One Hundred M	S	9.13	1.83	10.96
37	28/04/2024		1. Unity Trust XXXXX	DEBIT CARD	Event expenditure	automailer@e-paycapita.cc	X	21.00		21.00
38	30/04/2024		1. Unity Trust XXXXX		Grounds maintenance	Dines Agri Services	X	550.00		550.00
39	01/05/2024		1. Unity Trust XXXXX	STANDING ORDER	IT software and support	Saint IT Ltd	S	176.61	35.32	211.93
40	01/05/2024		1. Unity Trust XXXXX	STANDING ORDER	IT software and support	Saint IT Ltd	S	99.00	19.80	118.80
<b>Total</b>							<b>4,744.98</b>	<b>666.70</b>	<b>5,411.68</b>	

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# STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

(3<sup>rd</sup> Edition)

Issued under section 15(1)(a) of the *Local Government Act 2003* and effective for financial years commencing on or after 1 April 2018

## POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003*. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.

## DEFINITION OF TERMS

2. In this guidance the **2003 Act** means the *Local Government Act 2003*.
3. **Local authority** has the meaning given in section 23 of the *2003 Act*. To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.
4. The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments*, which are subject to separate regulatory regimes and therefore are not covered by this guidance.
6. A **credit rating agency** is one of the following three companies:
  - Standard and Poor’s;
  - Moody’s Investors Service Ltd; and
  - Fitch Ratings Ltd.
7. For the purposes of this guidance a **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *“Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition”*.
9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: *“The Prudential Code for Capital Finance in Local Authorities, 2017 Edition”*.
10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

## **APPLICATION**

### **Effective date**

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.
12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

### **Local authorities**

13. This guidance applies to all local authorities in England.
14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

## **KEY PRINCIPLES**

### **Transparency and democratic accountability**

15. For each financial year, a local authority should prepare at least one Investment Strategy (“the Strategy”). The Strategy should contain the disclosures and reporting requirements specified in this guidance.
16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The

Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.

18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.

19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

### **Contribution**

20. Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other investments.

21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.

22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

### **Use of indicators**

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return

received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.

25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

### **Security, Liquidity and Yield**

26. A prudent investment policy will have two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

27. The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

### **Security**

#### Financial Investments

30. Financial investments can fall into one of three categories:

- **Specified investments;**
- **Loans;** and
- Other **Non-specified investments.**

#### Specified Investments

31. An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]*.
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
  - i. The United Kingdom Government;
  - ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
  - iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

### Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

- Total financial exposure to these type of loans is proportionate;
- They have used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
- They have appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

### Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.
36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:
- Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).
  - Identify which categories of investments have been defined as suitable for use.
  - State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

### Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in *International Accounting Standard 40: Investment Property* as adapted by proper practices.
38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.
39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.
40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

### Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:

- How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
- How the local authority monitors and maintains the quality of advice provided by external advisors.
- To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
- Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.

### **Liquidity**

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.
43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions. Where local authorities hold non-financial investment portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

### **Proportionality**

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.
45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

### **Borrowing in advance of need**

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.
47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:
- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
  - The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

### **Capacity, skills and culture**

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.
49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.



## ANNEX A – INFORMAL COMMENTARY ON THE STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

### Power under which this Guidance is issued [paragraph 1]

1. The **Local Government Act 2003**, section 15(1), requires a local authority "...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...".
2. The guidance on investments in the main part of this document is issued under section 15(1) of the 2003 Act and authorities are therefore required to have regard to it. This part (**Annex A**) contains an informal commentary ("the commentary") on the Statutory Guidance.
3. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy* (CIPFA) contain investment guidance which complements the MHCLG guidance. These publications are:
  - *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*
  - *The Prudential Code for Capital Finance in Local Authorities*
4. Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended*.

### Objectives in updating the Guidance

5. The 2<sup>nd</sup> edition of this Guidance, which was issued in 2010, reflected concerns raised by the CLG and Treasury Select committees as part of their enquiries into the financial crash of 2007-8. The key areas of focus were:
  - The practice of investing for yield, especially in Icelandic Banks;
  - The need for transparent investment strategies; and
  - The use of Treasury Management advisors.
6. The changes made to the 3<sup>rd</sup> edition of this Guidance reflect changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.

7. In addition, the National Audit Office and the Public Accounts Committee have raised a number of concerns about local authority behaviour that this guidance aims to address. These are:

- Local authorities are exposing themselves to too much financial risk through borrowing and investment decisions;
- There is not enough transparency to understand the exposure that local authorities have as a result of borrowing and investment decisions; and
- Members do not always have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

#### Effective Date [paragraphs 11-12]

8. This Guidance applies from 1 April 2018. It supersedes all previous editions of the Guidance.

9. The Guidance requires local authorities to produce a number of additional disclosures. Many local authorities already produce these as part of internal reporting and risk management procedures. However, if these disclosures are not currently produced, then local authorities do not need to prepare them in full for Strategies presented to full Council or equivalent before 1 April 2018. Those local authorities who do not include the required disclosures in their 2018-19 strategies, should present them for approval the first time the relevant Strategy is updated or superseded.

#### Local Authorities [paragraphs 12-13]

10. This Guidance applies to all local authorities, who hold or during the next financial year intend to hold financial or non-financial investments, solely or in part to generate revenue income.

11. It applies to parish councils whose investments exceed the thresholds set out in paragraph 14. The decision to lower the financial threshold for parish councils has been taken in recognition that some parishes have begun to engage in commercial ventures. As parish councils tend to be fairly small and to obtain a greater percentage of their funding directly from council tax payers than other types of local authority, it is right that they demonstrate that they have carefully considered the expertise that they need to manage the risks arising from their strategy.

#### Transparency and democratic accountability [paragraphs 15-19]

12. The Government believes that local authorities need to be better at explaining “why” not just “what” they are doing with their investment activity. That means that the sector needs to demonstrate more transparency and openness and to

make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

13. The additional disclosures required by the Guidance should be included in a single document presented to full Council or the equivalent. Although the Guidance refers to an Investment Strategy, providing that all of the disclosures are easy for interested parties to find and are in or linked from a single document, a separate Strategy does not need to be prepared. The Strategy should be updated at least annually.
14. Subject to the provisions in paragraph 35 and 36 of the commentary, local authorities can exclude specific non-financial investments from the required disclosures on grounds of commercial confidentiality. The Government expects that non-disclosure on grounds of commercial confidentiality will be an exceptional circumstance. A local authority should only determine that it would breach commercial confidentiality to include an investment in the disclosures on receipt of appropriate professional advice, using the same criteria as would be used to exclude the public from a Council meeting. Local authorities should reassess whether the commercial confidentiality test is met every time a new Strategy is presented to full Council or the equivalent.
15. Under Regulation 17 of the *The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012* as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by any committee or any member of the executive of their council. Nothing in this Guidance has the power to override this regulation.
16. Assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the *Local Government Act 2003* should not be classified as non-financial investments for this purpose.
17. If disclosures are already produced in another document that is publicly available then a local authority can provide a link to the disclosures from the Strategy rather than reproducing them. The exception is disclosures contained in the Statutory Accounts, which do not meet the requirements of this Strategy. This is because local authority statutory accounts can be complex and difficult for users who are not familiar with local government accounting to understand and statutory accounts are prepared to a higher level of materiality than local authorities should use for internal risk management.

#### Contribution [paragraphs 20-22]

18. Local authorities may have several different objectives, when deciding to acquire an asset. If an asset is not solely held for yield, then a local authority may have a different risk appetite or be willing to accept a lower return than it otherwise would.

19. Each local authority should determine how it categorises different types of contribution, and each investment can have more than one type of contribution. A non-exhaustive list of types of contribution include:

- Yield/profit
- Regeneration
- Economic benefit/business rates growth
- Responding to local market failure
- Treasury management

20. Where a local authority classifies an investment as contributing to regeneration or local economic benefit, it should be able to demonstrate that the investment forms part of a project in its Local Plan.

#### Use of indicators [paragraphs 23-25]

21. Local authorities should present a range of indicators to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. The indicators should cover both the local authority's current position and the expected position assuming all planned investments for the following year are completed. The indicators do not need to take account of Treasury Management investments unless these are expected to be held for more than 12 months.

22. The Guidance requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. We recommend that, the indicators in the table below are used. Where local authorities have a different risk appetite or different expectation of returns depending on the contribution(s) each type of investment makes, they should consider presenting the indicators, classified by type of contribution or risk appetite.

Debt to net service expenditure (NSE) ratio	<i>Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>
Commercial income to NSE ratio	<i>Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</i>
Investment cover ratio	<i>The total net income from property investments, compared to the interest expense.</i>
Loan to value ratio	<i>The amount of debt compared to the total asset value.</i>
Target income returns	<i>Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</i>
Benchmarking of returns	<i>As a measure against other investments and against other council's property portfolios.</i>
Gross and net income	<i>The income received from the investment portfolio at a gross level and net level (less costs) over time.</i>
Operating costs	<i>The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.</i>
Vacancy levels and Tenant exposures for non-financial investments	<i>Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.</i>

23. Where appropriate, local authorities should consider including targets or limits set by members alongside the outturn. Where there has been a significant change in year on year performance against any of the indicators presented local authorities should include an explanation in the Strategy.

24. Local authorities can choose to present additional indicators in the Strategy should they believe that it would enhance understandability and transparency to do so.

#### Security, liquidity and yield [paragraphs 26-29]

25. For treasury management and other financial investments local authorities should continue to prioritise **SECURITY, LIQUIDITY** and **YIELD** in that order of importance.

26. Whilst consideration of **security** and **liquidity** is important for loans and non-financial investments, the relative balance between objectives may be different depending on the nature and objectives in making a specific investment.

### Security and liquidity

#### Loans [paragraphs 33 – 34, 40]

27. Loans to joint ventures, local SMEs or third sector bodies, and wholly owned companies fall within the scope of the Guidance. When considering security and liquidity of loans local authorities should set limits for their total exposure and apply the expected loss model in line with the requirements of *IFRS 9 Financial Instruments*.

#### Non-financial investments [paragraphs 37-40, 43]

28. Where a local authority has a non-financial investment, it will have an asset that can be realised to recoup the sums invested. Therefore, the Guidance requires local authorities to consider security by reference to the value of the asset relative to purchase price and to set out the plans to recoup the investment if realising the asset would not recoup the sums invested. In the period immediately after purchase, it is normal for the directly attributable costs of purchasing a non-financial investment to be greater than the realisable value of the asset. In this scenario, all the Strategy needs to disclose is how long the local authority expects it to take for the increase in asset values to provide security for the sums invested and the assumptions underpinning that expectation.

29. Non-financial investments are by their nature illiquid. However, this does not mean that the local authority does not need to plan for realising a part of its non-financial investment portfolio, for example to repay debt. The liquidity of the non-financial investment portfolio should be considered over the repayment period of any debt taken out to acquire assets, which could be very long term. Given current trends such as the scale and pace of technology driven change, there is no guarantee that non-financial investments will continue to deliver value over their lifetime. To manage this risk, local authorities need to have plans to realise the capital tied up in non-financial investments if required. In addition, the Strategy should consider the trade-offs between accepting capital loss and refinancing debt incurring additional debt servicing costs by doing so, if appropriate.

#### Proportionality [paragraphs 44-45]

30. Local authorities need to consider the long term sustainability risk implicit in becoming too dependent on commercial income or in taking out too much debt relative to net service expenditure.

31. In addition, whilst under statute, local authority debt is secured on the revenues of that authority, in practice, there is no realistic prospect of the revenues of any local authority being sufficient to pay back debt equating to many multiples of the sum of NNDR and Council Tax Income, without a pervasive and long term impact on service delivery. It is unclear whether local authorities who have adopted a debt financed commercial investment strategy have realistic plans to manage failure. Whilst the Government recognises the importance of local authorities taking on debt to enhance service provision, irrespective of the source of finance, it does not believe that it should do the same for commercial investments.
32. For this reason, the Guidance introduces a new requirement that in every local authority, full council or its nearest equivalent, sets limits that cannot be exceeded for gross debt compared to net service expenditure, and for commercial income as a percentage of net service expenditure.
33. If a local authority has exceeded these limits through investments taken out prior to the introduction of this Guidance, it does not need to dispose of investments currently held. However, authorities who have exceeded their self-assessed limits should not enter into any further investments, irrespective of how these are financed, other than short term investments required for efficient treasury management.

#### Borrowing in advance of need [paragraphs 46-47]

34. The Prudential Code, issued by CIPFA has always contained a statement that local authorities should not borrow more than, or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The purpose of repeating that statement in this Guidance is to make it clear that it extends to borrowing taken on to finance the acquisition of non-financial as well as financial investments.
35. Local authorities can still finance the acquisition of financial on non financial investments from capital receipts generated from the sale of surplus assets. However, they should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need.
36. If exceptionally a local authority, chooses not to have regard to the provision on borrowing to fund investment activity the Guidance requires them to explain, in their Strategy, the rationale for this decision.
37. The purpose of this disclosure is to allow external auditors, tax payers and other interested parties to understand why the local authority has chosen to disregard

the Guidance, and to hold the authority to account should they believe there is not sufficient reason for doing so.

#### Capacity, Skills and Culture [paragraphs 48-50]

38. In the Public Accounts Committee report of 18 November 2016<sup>1</sup>, members raised concerns that, locally elected members may not always have the background and expertise to understand the risks associated with the decisions that they are being asked to make. For this reason the Guidance extends the requirements on capacity and skills to members and any statutory officers involved in or responsible for signing off on investment decisions.
39. Members do not necessarily need formal training in understanding investment risks to satisfy the requirements of the Guidance. Depending on their level of expertise a presentation setting out the risks and opportunities of an investment strategy/specific investment in terms a layman would understand, may be sufficient to meet the new requirements.
40. The Government is aware that many local authorities have brought in outside expertise to identify and negotiate investment opportunities. Whilst this can be an effective method of risk management, it is important that those negotiating deals understand that they are not operating in a purely commercial environment and that the prime purpose of a local authority is to deliver statutory services to local residents. Therefore, the Strategy should comment on how they have been made aware of this.

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<sup>1</sup> <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/financial-sustainability-local-authorities-16-17/>



5

## Historical Financial Performance

The following graphs are based on audited accounting statements, information extracted from accounting systems and other sources. Prior to 2018–19 much less detail is available and, therefore, a degree of judgement was used to rebuild historic financial statements to make them comparable to subsequent years.

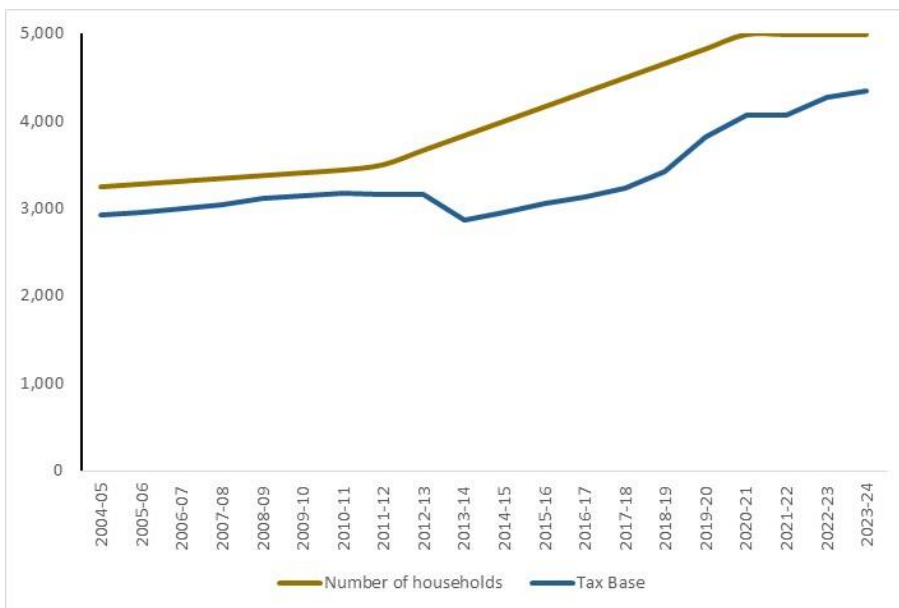
### Graph 1

Both revenue income and revenue expenditure rose over time. While the precept went up by a factor of five (from £55,300 to £353,800) it was outstripped by a sevenfold increase in revenue expenditure (from £34,600 to £286,300).



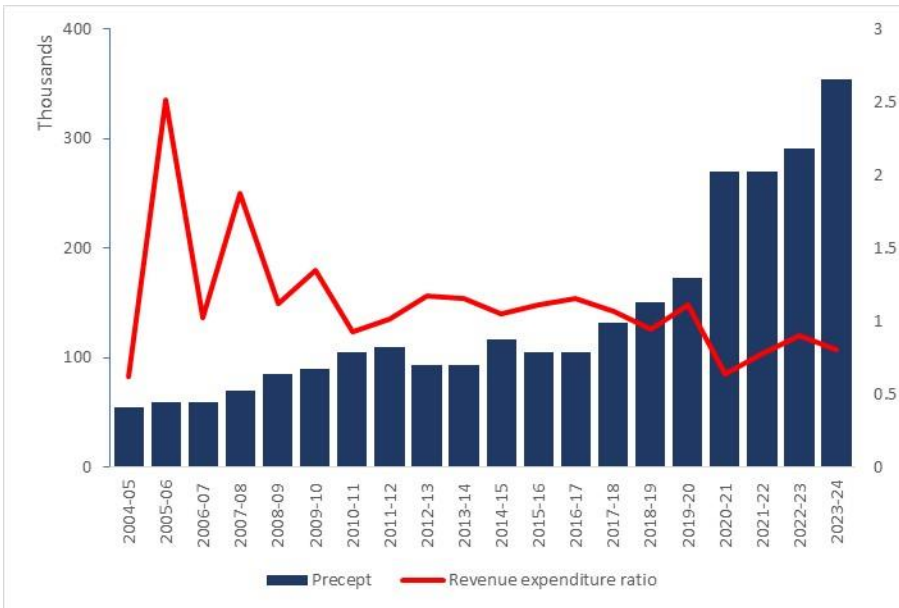
### Graph 2

With census data refreshed only once a decade, it is impracticable to track reliably the number of households in Stanway each year (measured by the taupe line). However, looking at the years of the census (2011 and 2021) reveals a widening gap between the number of households contributing Council Tax (the Tax Base) and the total number of households.



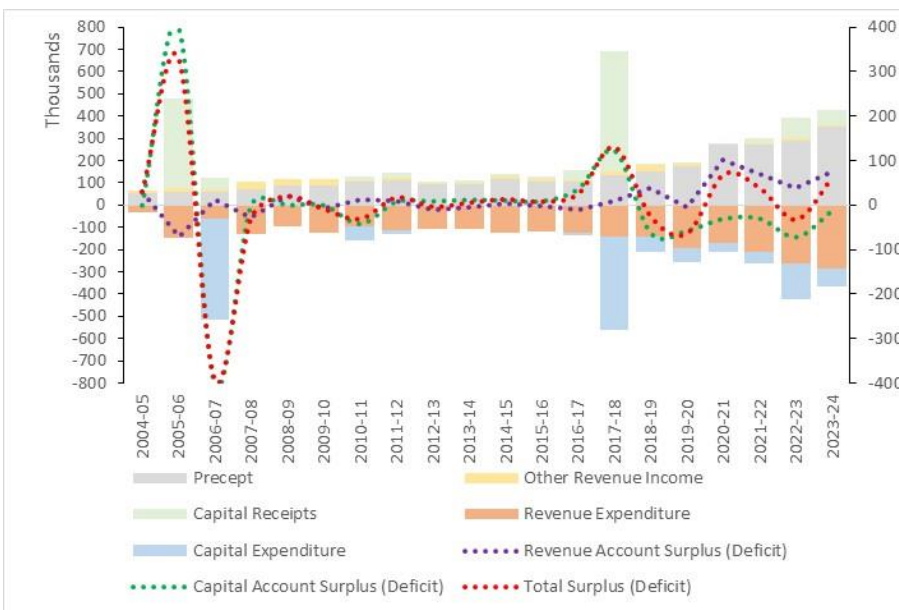
### Graph 3

This shows the annual precept (the blue boxes measured by the left hand scale) and tracks revenue expenditure as a factor of precept (the red line measured by the right hand scale). When budgets are set accurately the ratio should be 1. A ratio above 1 signifies revenue expenditure more than the precept. Before 2018–19 the precept was set adequately only twice — in 2004–05 and 2010–11.



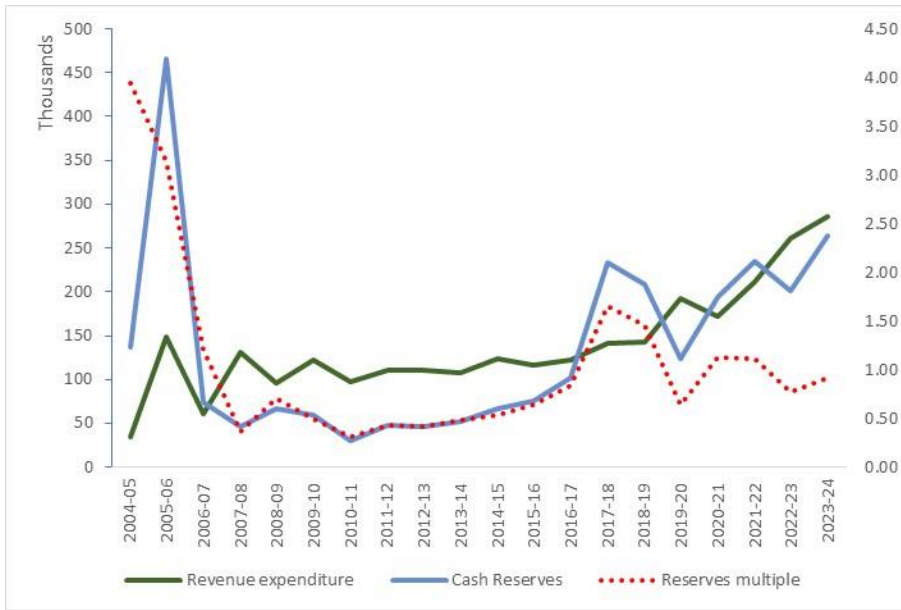
### Graph 4

There is a lot of information on this graph. It shows revenue and capital income as boxes above the line, with expenditure below the line (both measured on the left hand scale) and the corresponding surplus or deficit tracked by the dotted lines (measured on the right hand scale). Underfunded capital projects (shown by the green line) regularly pushed the overall account into deficit (shown by the red line). This happened even when the revenue account produced a surplus — such as in 2006–07, 2010–11, 2018–19, 2019–20 and 2022–23.



### Graph 5

The impact of budget deficits was reflected in the cash reserves. Although in absolute terms cash reserves increased over time, as the Council grew (reflected in higher revenue expenditure) the relative value of reserves fell dramatically.



## **Background Papers**

These papers include personal data, financial information and confidential information belonging to third parties which the Council does not have express permission to publish. Consequently, these papers are exempt from disclosure or inspection pursuant to the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, as amended, Standing Order 11, and Financial Regulation 21.6.

- 1. Invoices and other supporting paperwork**
- 2. Bank statements**