

# THE CHARTER TRUSTEES FOR POOLE



Report subject	<b>Budget and Precept 2021/22</b>
Meeting date	27 January 2021
Status	Public Report
Executive summary	<p>The Charter Trustees are required to set their 2021/22 budget, council tax requirement and resultant precept for submission to BCP Council by 31 January 2021.</p> <p>This report also updates the Charter Trustees on the conclusion of the external audit of the 2019/20 Annual Governance and Accountability Return.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <ul style="list-style-type: none"><li><b>(a) The draft budget for 2021/22 as set out in Appendix A be approved;</b></li><li><b>(b) The council tax requirement and precept of £121,920 be approved;</b></li><li><b>(c) The Charter Trustees form a working party to identify how best to utilise reserves in excess of the recommended prudent level;</b></li><li><b>(d) The Charter Trustees note the conclusion of the external audit of the 2019/20 Annual Governance and Accountability Return.</b></li></ul>
Reason for recommendations	To set the budget, council tax requirement and precept for 2021/22.

Honorary Clerk	Graham Farrant
Report Authors	Dan Povey, Responsible Financial Officer
Wards	Council-wide
Classification	For Decision

## Background

1. The budget for 2021/22 and resulting council tax requirement and precept must be agreed by a formal meeting of the Charter Trustees. In order for BCP Council, the billing authority, to produce the requisite calculations required for council tax billing under the Local Government Finance Act 1992, the precept must be agreed by 31 January 2021.

## Budget 2020/21

2. It was reported at the meeting of 28 October that the 2020/21 budget would be significantly underspent due to the effect of covid-19 and the associated restrictions on activity during the year. The current projection is that underspends across civic budgets will result in an in-year contribution to reserves of £50,929 compared to the budgeted contribution of £19,272.
3. Any in-year position would be added to the reserves carried forward from 2019/20 of £37,658.

## Budget 2021/22

4. The proposed budget for 2021/22 is detailed in Appendix A and results in a council tax requirement and precept of £121,920.
5. At their meeting of 28 October 2020 the Charter Trustees agreed to nominate members to form a budget workshop in order to provide guidance to officers in drafting the 2021/22 budget and so facilitate the budget setting process at today's meeting.
6. The budget workshop was held on 3 December 2020 and as a result of the discussions and guidance received at the workshop, the draft 2021/22 budget has been drawn up as follows:

## Review of individual budgets

7. In the main, individual budget lines have been maintained at 2020/21 levels in order to ensure that the base budget is fit for purpose once activity returns to normal after the pandemic.
8. As a result of the budget workshop a twinning budget of £1,500 has been included for 2021/22.
9. The budgets for stationery and postage have been reviewed and reduced to reflect actual activity.

10. The premises budget has been reviewed and reduced to reflect lower accommodation costs. This budget will be kept under consideration as the BCP Council accommodation project progresses.
11. A £100 budget for investment income has been included, based on a forecast of the average interest rate that BCP Council achieves for its investments and applied to the average level of reserves the Charter Trustees will hold for 2021/22.
12. As part of the budget setting process the level of salary and employee recharges that the Charter Trustees receive from BCP Council has been reviewed and updated where necessary. They were discussed in detail at the budget workshop which confirmed the proposed charges looked reasonable.
13. The main change to the recharges that the Charter Trustees receive are for accountancy which will increase from £500 to £3,400 to better reflect the level of support offered by the finance team in relation to budget setting, monitoring, annual accounts, VAT and bank reconciliation. The calculation of the accountancy recharge is detailed in Appendix B.
14. A recharge of £1,250 has also been included for internal audit's review of the Annual Governance and Accountability return. This is offset by a reduction to the external audit budget.
15. Salary budgets have also been reviewed in order to better reflect the support given to the Charter Trustees from the democratic services team, and now includes time allocations from the Head and Deputy Head of Democratic Services. Time allocations for the Mayor's personal assistants and macebearers are based on the team spending 80% of their time supporting the Bournemouth and Poole Charter Trustees, of which 40% of this is allocated to the Charter Trustees for Poole. The recharge has increased from £46,900 to £59,400 and the calculation is detailed in Appendix B.

## Reserves

16. The table below summarises the projected reserves position for the Charter Trustees for Poole as at 31 March 2021, and the recommended utilisation of reserves to fund items of one-off expenditure.

**Figure 1: Projected Reserves**

	<b>Forecast 2020/21</b>	<b>Recommendation 2021/22</b>
	<b>£</b>	<b>£</b>
<b>Opening Balance 1 April</b>	37,658	88,587
Contribution to Reserves	50,929	1,420
Utilisation to Fund One-off Expenditure	0	(37,658)
<b>Closing Balance 31 March</b>	<b>88,587</b>	<b>52,349</b>
<b>Percentage of Proposed Precept 2021/22</b>	<b>73%</b>	<b>43%</b>

17. The projected level of reserves as at 31 March 2021, taking into account the in-year underspend due to covid-19, is £88,587. This represents 73% of the proposed precept for next year. The RFO would recommend a level to be held in reserves of 20% in order to provide for unforeseen expenditure.

18. There is an opportunity therefore to use the £37,658 of reserves as at 1 April 2020 that are already at the disposal of the Charter Trustees to fund items of one off expenditure. The budget workshop considered spend on civic regalia, VE and VJ Day commemorations or updating the list of former Mayors in the Council Chamber as possible areas for the use of reserves.
19. It is recommended that the Charter Trustees form a working party to decide how best to utilise reserves in excess of the recommended prudent level.
20. Once the 2020/21 financial year is closed it is likely that the Charter Trustees will have reserves representing approximately 43% of the annual precept and so there are likely to be further monies available to fund one-off items of expenditure.
21. Due to the level of reserves held by the Charter Trustees, it is also proposed that the budgeted contribution to reserves of £19,272 is reduced to £1,420 for 2021/22 in order to mitigate the salaries and recharges budget growth. The modest contribution to reserves will enable the Band D charge to residents to be maintained at 2020/21 levels as per paragraph 27.
22. The reduction of the base budget reserve contribution would be for one financial year, with the level of reserves being monitored and potentially an additional contribution to reserves being reinstated as part of the 2022/23 budget process. This strategy was endorsed in the budget workshop, and if approved would result in forecast reserves of £52,349 as at 31 March 2022, or 43% of the precept.

#### **Tax Base 2021/22**

23. The council tax requirement, or precept, that funds the budget is apportioned across the tax base to arrive at a charge per property. The tax base is the number of chargeable properties in the Charter Trustee area converted into Band D equivalents.
24. Usually the expectation would be that the tax base increases year-on-year as new homes are built. However the tax base has reduced from 58,609.0 in the current year to 56,971.9 in 2021/22. This reduction is due to the effects of the pandemic which have increased the costs of local council tax support and affected collection rates.
25. The reduction in the tax base of 1,637.1 Band D equivalent properties, or 2.8% of the tax base, has the effect of increasing the charge made to residents in the Charter Trustee area because there are fewer properties over which to spread the precept. It is hoped that the effect will reverse in future years as the economy recovers and as more homes are built.
26. The assumed one-off nature of the tax base decrease reinforces the strategy of reducing the budgeted contribution to reserves in 2021/22 to mitigate growth in the Band D charge.

#### **Council tax requirement and precept 2021/22**

27. If the draft budget as set out in Appendix A is approved, it would result in the following precept and Band D charge.

	2020/21	2021/22	Increase £	Increase %
Precept £	125,222	121,920	(3,302)	(2.6)%
Tax Base	58,609.0	56,971.9		
<b>Band D Charge £</b>	2.14	2.14	0	0%

28. The proposed budget would result in no council tax increase for a Band D property.
29. It should be noted that the Charter Trustees are not subject to council tax referendum principles for 2021/22.

### **Conclusion of audit: Annual Governance and Accountability Return 2019/20**

30. The external auditor has completed their review of the 2019/20 Annual Governance and Accountability Return and confirmed that in their opinion:
- “the information in Sections 1 and 2 of the AGAR is in accordance with proper practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met”.*
31. The auditors did refer to the non-compliance with respect to risk management as reported in the AGAR and internal audit report, but that adequate explanation has been given and actions are being taken to address the weaknesses. The auditors also referred to the other weaknesses reported to the Charter Trustees in August as part of the internal audit report relating to VAT, risk assessment, salaries and assets, all of which are subject to the action plan as reported to the August meeting.
32. A Notice of Conclusion of Audit and the certified Annual Governance and Accountability Return have been published on the Charter Trustee’s website in accordance with the requirements of the Accounts and Audit Regulations 2015.

### **Summary of financial implications**

33. As detailed in the report.

### **Summary of legal implications**

34. The Charter Trustees must set their council tax requirement in accordance with the Local Government Finance Act 1992 and subsequent legislation.

### **Summary of human resources implications**

35. None.

### **Summary of sustainability impact**

36. None.

### **Summary of public health implications**

37. None.

**Summary of equality implications**

38. None.

**Summary of risk assessment**

39. None.

**Background papers**

None.

**Appendices**

Appendix A – Charter Trustees of Poole Proposed Budget 2021/22

Appendix B – Salary and Recharge Review 2021/22