

Date of Meeting: 11<sup>th</sup> June 2020

## Capital Fund and Revenue Fund

### 1. Purpose of Report

To consider the attached spreadsheet detailing historic capital costs spent from the revenue fund.

### 2. Background

Historically the Town Council has aimed to protect the Capital fund, the balance of which originated from the sale of allotment land. Capital receipts from the disposal of land can only be spent on any lawful capital purpose (Local Government Act 2003, s11). However, in attempting to protect the Capital fund the revenue fund has been significantly affected.

The Town Councils policy is to ensure a revenue balance of between 3 to 6 months gross expenditure (approximately £300-£600K). As of 31 March 2020, the closing general revenue fund equated to (£116,220). This figure is shown on the attached draft statutory balance sheet and shows how the figure is arrived at.

### 3. Considerations

The above issue has only been highlighted to the Clerk following the financial year end close down procedures, and in discussion with the internal auditor. To address this issue, the Clerk has carried out an exercise to identify all capital spend dating back to 2013/14 where the costs were spent from the revenue fund. The previously circulated spreadsheet details a description of the expenditure together with the associated cost. The total capital costs since 2013/14 spent from the revenue fund amounts to £356,959.61. The Clerk recommends the transfer of these funds from Capital to the General Revenue Fund.

In addition, there are currently added financial pressures on the Town Council due to the lack of income as a direct result of COVID-19. It is anticipated that during the first quarter the Town Council will be down on income compared to the same period in 2019/20, (see following report) although a proportion of this will be off-set by reduced expenditure during the same period.

To ensure compliance and that the proposed actions are legally permissible the Clerk has sought professional advice from DCK Accounting Solutions. Upon receipt of this advice and subject to confirmation that the actions can be taken the Clerk seeks support from the Town Council to transfer the capital funds identified above to the revenue fund account. It is hoped that by the time of the meeting the Clerk will be in a position to provide details of the responses received.

Should this action not be permissible then the Town Council will need to consider the likely outcome of the 2019/20 audit, and the actions required by the auditors to be

address over the next financial year, this will be in addition to the pressures as a direct result of the COVID 19 pandemic.

#### **4. Recommendations**

That members approve the transfer of capital funds to revenue funds as detailed within the report.

#### **5. Financial Implications**

Approving the above proposals will address issues already identified by the internal auditor and aid the management of the Town Council's finances for 2020/21 following the impact of the pandemic.

#### **6. Equalities Impact**

Not applicable

#### **7. Personnel Implications**

Approving the recommendations will have no financial negative impact on staff.

#### **8. Environmental implications**

Not applicable.

#### **9. Consultation**

The Clerk has sought professional advice from DCK Accounting Solutions.