

# KENDAL TOWN COUNCIL

## Audit, Grants and Charities Committee

**Monday 30<sup>th</sup> April 2018 at 7.30 pm  
in The Mayor's Parlour, Town Hall, Kendal**

**PRESENT** Councillors Rachael Hogg (Chair), Geoff Cook (Vice Chair), Andy Blackman, Paul Bramham, Sylvia Emmott and Douglas Rathbone

**APOLOGIES** Councillor Austen Robinson

**OFFICERS** Jack Jones (Town Treasurer) and Nicky King (Council Secretary)

**1181/17/18 PUBLIC PARTICIPATION**

None.

**1182/17/18 DECLARATIONS OF INTEREST**

There were no declarations of interest made at this point.

**1183/17/18 MINUTES OF THE MEETING HELD ON 29<sup>TH</sup> JANUARY 2018**

The Chairman presented the minutes of the meeting held on 29<sup>th</sup> January 2018, which had been approved by full Council on 5<sup>th</sup> March 2018.

**RESOLVED** That the minutes of the meeting of the Committee held on 29<sup>th</sup> January 2018 be accepted as a correct record.

**MATTERS ARISING** (Not on Agenda)

**1184/17/18** None.

**1185/17/18 AUDIT OF TOWN COUNCIL HERITAGE ASSETS**

The Treasurer confirmed that the audit of the Town Council's Heritage Assets had been completed by Morag Clement, Kendal Museum Archaeology Curator in March 2018.

Items equating to just under 5% of the total collection were selected at random and checked against the collection database. Three items were highlighted as missing. Last year there had been two items missing, one of which had since been found.

The Treasurer advised that the items were of low value and unlikely to be found. He suggested that they be written out of the catalogue. If they were subsequently found they could be written back in again.

The audit report made two recommendations:

1. Photos on the mezzanine need to be stored in racks or large folders.
2. Continue to update the database with information such as the number of items and a simple description.

The Treasurer advised that the Mayor's Attendant was working on these items. Councillor Bramham commented that photos should be on acid free paper. It was noted that the Mayor's Attendant was researching suitable paper.

The Treasurer advised that the report would be on the agenda for the next Mayoralty & Arts Committee.

Members discussed the need to ensure items are recorded if loaned out or leave the building. The Treasurer confirmed that a system had been set up to record movement of items.

Councillor Emmott proposed that Committee approve the two recommendations and ask the Mayoralty & Arts Committee to write off the missing items. This was seconded by Councillor Blackman and carried.

**RESOLVED**

1. Photos on the mezzanine to be stored in racks or large folders.
2. Continue to update the database with information such as the number of items and a simple description.
3. Mayoralty & Arts Committee to be requested to write off the missing items highlighted in the audit report.

**1186/17/18**

**REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

The Treasurer explained that the Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. The internal audit for 2017/18 had been carried out by R F Miller & Co. The review of the internal audit service comprised two aspects, meeting standards and characteristics of effectiveness. The Treasurer considered that the performance of R F Miller & Co was satisfactory in all respects. He asked Members to consider the review and the reappointment of R F Miller & Co as internal auditors for 2018/19.

Councillor R Hogg proposed the review be approved and forwarded to full Council and that R F Miller & Co be re-appointed for 2018/19 and this was carried.

**RECOMMENDATION**

That Council approves the review of the effectiveness of its internal audit arrangements in 2017/18.

**RESOLVED**

That R F Miller and Co be re-appointed as internal auditors for 2018/19.

**1187/17/18**

**ANNUAL REVIEW OF THE SYSTEM OF INTERNAL CONTROL AND ANNUAL GOVERNANCE STATEMENT**

The Treasurer presented the Annual Review of the System of Internal Control and Annual Governance Statement 2017/18.

Under the Accounts and Audit Regulations 2015 the Town Council must ensure it has a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- Ensures that the financial and operational management of the authority is effective; and
- Includes effective arrangements for the management of risk.

Each financial year the Council must also conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS) in the format prescribed by the Annual Return, Section 1. The AGS must be approved before the Council approves the annual accounts.

The Treasurer highlighted the following points:

#### **Internal Control Framework**

This summarises the key governance controls operating within the Council. The Council was considered to have a sound framework of internal control.

#### **Review of Effectiveness**

The Treasurer said that during 2017/18, the Council had complied fully with all the controls identified within the framework and had responded appropriately to new responsibilities eg. the calling of the Parish meetings and the new General Data Protection Regulations.

#### **Practitioners Guide**

Proper accounting and governance arrangements are set out by CALC and related organisations in their publication "Governance and Accountability for Smaller Authorities", known as the Practitioners Guide. Councils were recommended to adopt the Practitioners Guide.

A new edition had just been published which applies to 2018/19. The main changes related to the treatment of Community Infrastructure Levy (CIL) receipts. Although assets are charged to revenue in the year of acquisition and do not appear on the Council's balance sheet, the Guide does not specify a method for their valuation. Based on current practice, the Treasurer put forward a draft policy statement for adoption by the Council, as follows:

*The Council records individual assets in its Asset Register when obtained and values them at their acquisition cost. Their recorded value does not change from year to year until disposal. Assets gifted or transferred at nil cost are recorded at a nominal value of £1 as a proxy cost.*

#### **Annual Governance Statement (AGS)**

Guidance from the External Auditors states that the results of the internal audit review must be considered before the AGS can be approved by full Council and signed by the Mayor and Town Clerk. The Treasurer advised that the internal auditors had been informed Council required at least an informal opinion from them before the full Council meeting on 14<sup>th</sup> May; to date, the auditors had attended the Council on the day of the Committee meeting and had not raised any concerns.

Members were satisfied with the review of the internal control framework and the AGS. Councillor Blackman proposed that these be taken forward to Council. This was seconded by Councillor Emmott and carried.

**RECOMMENDATION** That Council:

1. Adopts the CALC publication "Governance and Accountability for Small Authorities 2018" with effect for 2018/19.
2. Confirms its policy on asset valuation as per the draft policy statement presented.
3. Approves the review of the effectiveness of the Council's system of internal control and the draft Annual Governance Statement 2017/18.
4. Authorises the Mayor and Town Clerk to sign the AGS.

**1188/17/18**

**FINANCE OUTTURN REPORT – YEAR ENDED 31<sup>ST</sup> MARCH 2018**

The Treasurer presented two reports on the Council's financial position as at 31<sup>st</sup> March 2018. The first provided figures showing actual income and expenditure against the original budget and the second reported on the 2017/18 Annual Accounts, and the accompanying statements.

The first report confirmed that net expenditure for 2017/18 was contained within budget. The Treasurer highlighted a trend for underspending throughout the year and explained the main areas of underspend at year-end. The overall underspending of £21,346 for the year has been retained in accumulated reserves, which remain at a healthy total level, currently £283,528.

The Reserves Statement shows the transactions on individual funds and reserves for the financial year. Earmarked funds increased from £222,210 to £233,406 in the year. The General Fund working balance closed the year at £50,122, which is £8,726 higher than the £41,396 assumed in the 2018/19 Budget. Management Committee is recommending to Council that this excess should be reserved towards an increased target balance of £40,000 in order to provide a buffer against the possibility of further Parish polls.

In summary the Council has contained expenditure against budget and is in a sound financial position.

Councillor R Hogg proposed to recommend acceptance of the report as presented. This was seconded by Councillor Emmott and carried.

Councillor Cook commented that the reserves are substantial and that the new Council needed to progress projects already earmarked. It was suggested that the Treasurer clarify why reserves are held and indicate how much in total is already committed to projects, since new Councillors would not be aware of historic discussions/background.

**RESOLVED**

That the Finance Outturn Report – Year Ended 31 March 2018, as presented, be accepted. The Treasurer to clarify why reserves are held and indicate how much in total is already committed to projects.

**RECOMMENDATION** That Council approves the Finance Outturn Report (Year Ended 31 March 2018).

**1189/17/18 ANNUAL ACCOUNTS 2017/18**

The Treasurer presented a report in respect of the Council's Annual Accounts 2017/18 for consideration prior to submission to Council. These included an Income and Expenditure Account (showing comparative figures for the 2016/17 financial year), Balance Sheet, Reserves Statement and the Annual Return (Section 2, Accounting Statements).

He highlighted several variations between the 2017/18 figures and those for the previous year; these included an increase of £15,357 in income. Of this figure, £11,845 was due to the rise in Council Tax and £2,666 from CIL income. Several expenditure headings showed reduced spending in 2017/18 as the 2016/17 accounts contained a backlog of work planned for 2015/16, which had been delayed following the December 2015 flooding.

Debtors showed a balance of £29,518, the majority of which is to be claimed back from HMRC. A claim had been submitted.

Members were requested to review the draft Annual Accounts prior to submission to the Town Council. The Treasurer advised that these would be presented to Full Council on 14<sup>th</sup> May 2018 for approval and signing by the Mayor and Town Clerk, for subsequent submission to the External Auditors.

Members concluded that they were happy for the Treasurer to present the annual accounts to Council. Councillor Cook proposed that Committee recommend acceptance of the report by Council. This was seconded by Councillor Bramham and carried.

Councillor Cook thanked the Treasurer for his work in preparing the Annual Accounts.

**RECOMMENDATION** That Council accept the Annual Accounts 2017/18 as presented.

**1190/17/18 GENERAL GRANT APPLICATIONS 2018/19**

The Treasurer advised that there were two applications for consideration. The available budget was £9,130.

**1191/17/18 North West Air Ambulance**

Application received for a grant of £1,000 towards general running costs. It was noted that North West Air Ambulance carry out approximately 450 missions a year in Cumbria. The application was discussed and supported by Members. Councillor R Hogg proposed that a grant be awarded. This was seconded by Councillor Emmott and carried.

**RECOMMENDATION** That a grant of £1,000 be awarded to North West Air Ambulance.

**1192/17/18                      Space2Create**

Application received for £1,500 to create a confidential area within their unit. The Charity works with vulnerable adults suffering with long term mental or physical illness. It was noted that the unit is rented with five years remaining on the lease. The Treasurer advised that audited accounts were not yet available and these would need to be produced prior to an award being made.

Councillor Blackman proposed that a grant be awarded, subject to receipt of audited accounts, and this was carried.

**RECOMMENDATION** That a grant of £1,500 be awarded to Space2Create, subject to receipt of audited accounts.

**1193/17/18                      GENERAL GRANTS CRITERIA 2019/20**

The Treasurer presented the General Grants Criteria for 2019/20 and advised that only minor changes had been made. Committee considered the criteria and agreed that they were happy to approve it.

**RESOLVED** That Committee approve the General Grants Criteria for 2019/20.

**1194/17/18                      GENERAL GRANTS – MULTI-YEAR FUNDING AGREEMENTS**

In January 2017 the concept of longer term funding agreements for general grant recipients was referred to the Committee for consideration. The Committee deferred making any recommendations for 2018/19, as it would create a commitment for an incoming Council. Instead it asked that the matter be brought back to this meeting so that the current Committee membership could propose suitable principles before them being presented for ratification by the newly composed Committee in July 2018.

The Treasurer advised that any offer of multi-year agreements would apply to grant applications for the 2019/20 financial year. In principle he had no problems with the concept of multi-year agreements; the Council's finances are stable and its Grants budget has been maintained at a consistent level for several years. However he suggested that it would be prudent to include a condition that any multi-year agreement be reviewed should these circumstances change. Multi-year agreements would give certainty to organisations but would not necessarily result in less work for KTC or result in a saving of admin costs. He added that conditions of agreement would also need to be applied to multi-year agreements in order to safeguard the Council's interests.

A general discussion ensued. Councillor Cook suggested that the phase 'multi-year' should be specified. There was general agreement that this should be no more than 3 years. Members further agreed

that a breakout clause should be written into the agreement should funds be misused or the organisation cease to exist etc.

Committee discussed the requirement for recipients of grants to submit a report. Currently this was only requested for grants over £2,000. It was felt that an annual report should be provided with a due date specified.

It was agreed that the Treasurer would re-draft the report for further consideration at the next Committee meeting.

**RESOLVED**

That the Treasurer re-draft the report on multi-year funding agreements for further consideration at the next Committee meeting.

**1195/17/18**

**SCHOOLS OF SCIENCE AND ART CHARITY – 2017/18 ACCOUNTS AND 2018/19 FORECAST**

The Treasurer presented a report which set out the Schools of Science and Art Charity's summarised Receipts and Payments Accounts for year ended 31<sup>st</sup> March 2018 and a forecast for 2018/19. Committee were asked to review the Charity's financial position prior to it being reported to the Trustees at their meeting on 14<sup>th</sup> May.

The Charity's income for the year was £419, representing interest on its investments, while there was £520 expenditure on awards and grants. The Charity closed the year with accumulated funds of £15,491, of which £8,992 is invested on a long term basis.

The Treasurer highlighted that the Charity made regular annual awards of £50 each to Kendal College, Kirkbie Kendal School and Queen Katherine School to fund a prize in the name of the Mayor of Kendal. Members were asked to approve this for 2018/19.

In August 2016, the Trustees agreed to provide £1,000 to the Brewery Arts Centre in support of one of its bids to funding organisations. This money was yet to be requested by the Centre.

The Treasurer advised that there are sufficient resources, around £2,400 forecasted income, for the Council to continue making the grants to the High Schools and College, as well as considering new applications. The availability of grants is advertised in the KTC newsletter and on the website.

Following a general discussion, Councillor R Hogg proposed that the Charity's accounts for 2017/18 and forecast income for 2018/19 be accepted and forwarded to the Charity's Trustees for approval. Also that the payment of the regular annual prize grants be made. This was seconded by Councillor Bramham and carried.

**RECOMMENDATION**

That the Trustees of the Charity be recommended to:

1. approve the Charity's Accounts for 2017/18 and forecast income for 2018/19;
2. approve the payment of the three regular annual prize grants for 2018/19

**1196/17/18**

**ITEMS FOR THE NEWSLETTER**

It was suggested that a follow-up story from a grant recipient be included in the summer edition, if space allowed.

**1197/17/18**

**ANY OTHER BUSINESS**

Councillor Blackman informed Committee that the Treasurer would be leaving KTC. One implication of this was bank account signatories. The Treasurer was currently a signatory with Barclays Bank and it was suggested that the Town Clerk become a signatory alongside the Treasurer for the time being. This was proposed by Councillor Emmott and carried.

**1198/17/18**

**DATE OF NEXT MEETING**

Monday 30<sup>th</sup> July 2018 at 7pm.

The meeting closed at 9.03pm.



**Summary of Information, Resolutions and Recommendations to Council**

| <b>Min</b>  | <b>Subject</b>  | <b>Information/Resolution/Recommendation to Council</b> |  |
|-------------|---|---|--|
| <b>1185</b> | Audit of Town Council Heritage Assets   | <b>RES</b>  | <ol style="list-style-type: none"> <li>1. Photos on the mezzanine to be stored in racks or large folders.</li> <li>2. Continue to update the database with information such as the number of items and a simple description.</li> <li>3. Mayoralty &amp; Arts Committee to be requested to write off the missing items highlighted in the audit report.</li> </ol>   |
| <b>1186</b> | Review of Effectiveness of Internal Audit                                       | <b>REC</b>  | That Council approves the review of the effectiveness of its internal audit arrangements in 2017/18.   |
|             |   | <b>RES</b>  | That R F Miller and Co be re-appointed as internal auditors for 2018/19.   |
| <b>1187</b> | Annual Review of the System of Internal Control and Annual Governance Statement | <b>REC</b>  | <p>That Council:</p> <ol style="list-style-type: none"> <li>1. Adopts the CALC publication "Governance and Accountability for Small Authorities 2018" with effect for 2018/19.</li> <li>2. Confirms its policy on asset valuation as per the draft policy statement presented.</li> <li>3. Approves the review of the effectiveness of the Council's system of internal control and the draft Annual Governance Statement 2017/18.</li> <li>4. Authorises the Mayor and Town Clerk to sign the AGS.</li> </ol> |
| <b>1188</b> | Finance Outturn Report  | <b>RES</b>  | That the Finance Outturn Report – Year Ended 31 March 2018, as presented, be accepted. The Treasurer to clarify why reserves are held and indicate how much in total is already committed to projects.   |
|             |   | <b>REC</b>  | That Council approves the Finance Outturn Report (Year Ended 31 March 2018).   |
| <b>1189</b> | Annual Accounts 2017/18   | <b>REC</b>  | That Council accept the Annual Accounts 2017/18 as presented.  |
| <b>1191</b> | General Grant Applications 2018/19 – North West Air Ambulance                   | <b>REC</b>  | That a grant of £1,000 be awarded to North West Air Ambulance.   |
| <b>1192</b> | General Grant Applications 2018/19 – Space2Create                               | <b>REC</b>  | That a grant of £1,500 be awarded to Space2Create, subject to receipt of audited accounts.   |

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|-------------|--|------------|---|
| <b>1193</b> | General Grants Criteria 2019/20                | <b>RES</b> | That Committee approve the General Grants Criteria for 2019/20.   |
| <b>1194</b> | General Grants – Multi-Year Funding Agreements | <b>RES</b> | That the Treasurer re-draft the report on multi-year funding agreements for further consideration at the next Committee meeting.  |
| <b>1195</b> | Schools of Science and Art Charity             | <b>REC</b> | That the Trustees of the Charity be recommended to:<br><ol style="list-style-type: none"><li>1. approve the Charity's Accounts for 2017/18 and forecast income for 2018/19;</li><li>2. approve the payment of the three regular annual prize grants for 2018/19</li></ol> |