This is an extended report to the committee to provide Members and readers with information, and also reminders of Councillors' roles in terms of financial planning for council business.

1. Firstly I thank the Town Clerk as the Responsible Finance Officer for all the work done: ensuring the audit trail is fully compliant is no simple task, nor is dealing with competing pressures on our finances and demands for work.

   The Council is required to appoint an RFO, whose role is to:
   - Keep accounts & supporting records
   - Ensure systems are in place & followed
   - Ensure accounts are up to date
2. I remind committee members and observers that Councils use an **incremental budget**. In planning the budget for the year ahead, and the amount asked of residents through the Precept, the Council considers all of the following:

2.1 What has the actual cost been so far this year? Well informed projections Year To End (YTE)
- Councillors received 6-month Financial Budget Comparison on 26/10/2026
- Degree of in-year review to balance and look ahead

2.2 Using the projected YTE figures, how do the figures need to be revised for next year? eg inflation, price rises, projects beginning or ceasing,- advised by the RFO

2.3 What needs to be put aside to accrue for large capital spends – major repairs, refurbishment, fees, acquisitions
- Looking ahead 1 – 5 years
- Looking ahead 10 – 15 years
- Will be earmarked in reserves and accrued gradually over time

2.4 Contingency "wiggle room"
- What is the likely picture of changes over the year – economy, financial resilience,

2.5.Planned use of reserves
- For earmarked projects
- Unexpected charges on capital
- Agreed by Full Council

2.6 What does the Council need / want to achieve
- Neighbourhood Plan, remembering new council to be formed in May 27
- Remembering need and want are different concepts
- Does the Council actually have the "Powers and Duties" to undertake specifics?

2.7 Any new call on finances for the next year to be considered for adoption by Full Council
- Worked up written proposals presented, including scope, staffing and running costs
- Presented to Full Council before the precept is set at the December Council meeting
- To note, desired for new projects presented after the Precept set may not have funding in the next year.

2.8.**What is affordable for our residents** – band D as a rough comparator, not reality
- Cost of living pressures, employment levels, fixed incomes

3. **Full Council sets the strategy for the financial years ahead and agrees the Precept request.**

4. Councils, and therefore Councillors, are governed by law. The Council has an obligation to manage well the money our residents have placed in our keeping. In presenting the Precept request to our public, the Council is stating what it intends to use the money for. Therefore

any decisions about significant changes must be made in public, with the ramifications made explicit.

5. To note: budget lines are just a coding method to build up the financial envelope; create the Precept; and to facilitate keeping track and reporting on spend. **They are not ring-fenced amounts of money.**

6. I appreciate there has been the tradition to revise figures in some budget lines as it has become apparent that the original figure is insufficient, or indeed underspent. If these changes are to occur, they should be minuted. However, in my opinion, these revisions, happening in-year, too often confuse and make the accounting processes more opaque to the public.

   It is my recommendation that publishing in-year revisions and the ensuing altered balances should no longer be routine practice. Leaving the balances stated to be clearly the result of the original budget set minus expenditure.

   Nevertheless, to ensure the accounts balance at the end of the year, the RFO must adjust anticipated spend. For the RFO, managing the overall finances means flexibility to a degree about the actual net spend, without losing the original intentions of the Council when it had set the budget / Precept in December of the year before.

7. As we move towards setting the Precept, anticipated revised future figures for the various expenditures are appropriate to inform the next year's budget.

8. In setting the Precept, we must be aware of the cost-of-living pressures on people in our town. The Council has a collective responsibility to ensure that public money is carefully used and when the Council makes decisions, they take into account the needs of all our residents, of all ages.

9. The Council, through the Town Clerk, works with other agencies and Councils. BSTC needs to work in close collaboration with them, ensuring public money is not being allocated twice for the same activity.

10. If any new costs and projects are agreed after a Precept has been set, they must be done so in the full knowledge of the annual budget as a whole; where money will come from; and therefore, what the council will have to drop to fund them. "Robbing Peter to pay Paul" or raiding Peter's piggy bank if taking money from reserves.

    One committee's aspirations could well be to the detriment to another important strand of work. The public money the Council has is finite. These decisions are for the Full Council to make, and to take responsibility for the consequences to our residents.

11. A number of detailed questions about the budget were raised internally on 27 October 2026; most of which refer to transferring money into reserves and the way Councils manage long term financial planning. These are being answered in public and open to being minuted.

    <u>Reserves,</u> to note:

    - Provide a working balance (smooth cashflow)
    - Contingencies (for the unexpected)
    - Money set aside for future projects

    To firstly remind Councillors - the movement into reserves to accrue for future need was discussed in depth at the last Finance Committee on 14th September 2026.

At the Town Council meeting on 28th September 2026, the Council agreed a Reserve Policy, and the creation of New Reserves, including the movement of £21,810.00 earmarked for professional services, intended for the Capital Asset Transfer agreements, which have not been completed in this current year but are still likely to go ahead. Minute 26.228

Money for capital works can only come out of the reserves if they have already been accrued. Current amounts are not deemed sufficient to meet future need. Therefore, unused amounts in lines 101 (car park fund), 521 (Public Hall major repairs), 522 (Hall Improvements), and 771 (Norman Centre major repairs), will be considered for transfer to reserves in order to be accrued towards future use.

In addition: 6 months of the running costs of the Council need to be held back in reserves as a contingency and resilience fund. Current figures suggest this is £150k.

The process for accounting for the movement out to reserves must be compliant with the requirements of the auditors, good practice guidelines for Town Clerks, and the law governing Councils.

Specific budget lines: Some other questions raised referred to specific expenditures, and the Year To End (YTE) prediction. I remind Councillors that the strategy for the council, and decisions on the allocation of finances for areas of work, is made by Full Council and in public. Responsibility for the day-to-day management of the accounts and figures is with the RFO.

115 Emergency Planning: Resources and equipment are being built up for various contingencies. If there is any surplus at the end of the year it will offset overspend in another strand of work. The amount in question will be apparent towards the end of the financial year but should not be curtailed 6 months away from year end. Councils have a responsibility to prepare for emergencies in the town (flooding, power cuts, interruption to utilities etc).

499/2 Retirement of an individual contractor commissioned to undertake work around the town on behalf of the Council. The need over the winter will be reviewed by the Town Clerk. East Devon District Council teams and other contractors will undertake work as required. Reviewing, monitoring, and placing contracts is the responsibility of the Town Clerk.

301 Civic Fund. As of yet the Mayor has not made a decision about a Civic Reception this financial year. The Civic Fund provides funds for Council arranged events. There has been no suggestion that the amount in this line would be transferred to reserves, it does not relate to capital or projects. Any surplus will not be known until the end of the year and if it existed it would go towards offsetting any overspend in another aspect of Council work.

In conclusion

I have taken the unusual step of providing a very detailed Chair's Report in order to make public the answers to a series of questions raised internally, and which should be known to the public and Members of the Council. Councils appoint an RFO to manage the accounts in order to achieve the strategy the Town Council has set through the Precept process.