

APPROVED BY COUNCIL 20 JANUARY 2021



Rhyl Town Council

Annual Financial Statements

For the period 1st April 2019 to 31st March 2020

Gareth Nickels
Town Clerk
January 2021

Rhyl Town Council

Statement of Accounts

For the period 1st April 2019 to 31st March 2020

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Introduction by the Town Clerk

The Financial Statements are produced annually and their aim is to:

- comply with statutory and professional requirements
- provide Members of the Council, electors and interested parties with clear information about the Council's finances

The Council's current overall financial position is satisfactory. The Council, through its Strategic and Operational Planning Committee, have developed a medium-term financial plan that is designed to bring its current expenditure and reserves holdings into balance through this electoral cycle to 2022/23.

The Council supports a range of initiatives and service development areas from its annual revenue budget which is funded by the precept it levies upon Denbighshire County Council which was £543,423 in 2019/20 (£520,022 in 2018/19).

The Council is required to report the reasons for significant variations in 2019/20 expenditure compared to the previous financial year, 2018/19, and also in comparison to the budget it originally set for the year 2019/20 and this has been included in pages 11 to 13.

The Council is required to have a clear policy with regard to the financial balances that it holds in reserve (see Balance Sheet page 10 and Note 12 to the accounts on pages 16 and 17) and this is included below.

Balances Policy Statement

The Council is aware that it is good practice to hold reserves to ensure the sustainability of the Council and to allow for unforeseen circumstances requiring expenditure above that budgeted for.

As part of its medium-term financial plan, the Town Council will utilise its balances and reserves to manage both capital and revenue expenditure and minimise any financial impact on the Council Tax payer.

The Council produced a revised 5-year plan with the intention to use reserves to reduce required precept increases in 2018/19, 2019/20 and 2020/21. As such, the Town Council has put a lower limit on its general balances of 25% of its annual precept for the period 2018 to 2022 but returning to 33% by 2023. This is in accordance with the advice contained within the Governance and Accountability for Local Councils Practitioners Guide. An updated Reserves policy was approved in early 2018.

Details of the balances held as at 31st March 2020 are shown in Note 12 to the accounts on pages 16 and 17.

Responsibilities of the Council

Rhyl Town Council is a Community Council which is a local government body that can only undertake what it is empowered to do by law. Anything else, no matter how apparently justifiable or useful, is beyond its powers ('ultra vires').

Particularly with regard to its accounts the Town Council is responsible for:

- making arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs (Section 151 Local Government Act 1972). In Rhyl Town Council the designated officer is the Town Clerk.
- having an adequate and effective system of internal control and internal audit. It is also subject to an annual external audit.

External Audit & Annual Return

The Council is required to complete an annual return each year and submit it to the appointed external auditors BDO LLP. The annual return has several purposes:

- to report the annual accounts as approved by the Council
- to certify that the Council has discharged its statutory duties in relation to its financial affairs
- to record that the external auditor has fulfilled his/her statutory responsibility
- to help inform local taxpayers and electors about what and how their Council has been doing during the last financial year
- to be a source of information for government and other stakeholders about the activity of local councils

The annual return is in four sections all of which are intended to be made publicly available:

- the statement of accounts
- the statement of governance / assurance
- the external auditor's certificate and opinion
- the internal auditor's report

Within the audit process the Council has to document its system of internal financial control and its arrangements for risk assessment. The Council approved an annual risk assessment for 2019/20 in July 2020 (The assessment was approved by Finance and General Purposes Committee in March 2020 but there was then a delay in approval by Full Council as they did not meet between mid February and mid July due to the Coronavirus outbreak and subsequent lockdown).

The Annual Governance Statement (including Internal Controls) was reviewed and approved by the Council in July 2020 (see pages 7 to 8). The Risk Management Plan is reviewed on an ongoing basis by the Risk Assessment Sub committee. Their workplans for 2019/20 and 2020/21 are provided on pages 4 to 6.

A copy of the Annual Return for 2019/20 is available on the Town Council's website.

Statement on Internal Control

The Council has delegated detailed consideration of Risk and Internal Controls to a Risk Assessment Sub-committee and its Annual Review was approved by full Council in July 2020 (The assessment was approved by Finance and General Purposes Committee in March 2020 but there was then a delay in approval by Full Council as they did not meet between mid February and mid July due to the Coronavirus outbreak and subsequent lockdown).

The Risk Assessment Sub-committee's work is ongoing via an approved Work Plan. The Work Plans for 2019/20 and 2020/21 are included below.

Risk Management Plan 2019/20

The Key Areas of activity for 2019/20 were:

1.1 Office Accommodation / Community Facilities - There is a long-standing ambition for the Council to relocate to new office accommodation. The Risk Assessment Sub-Committee has been charged with overseeing this and is currently in sensitive discussions with Denbighshire County Council. It is currently envisaged that the relocation will take place in late 2021. Two members together with the Town Clerk have been appointed to oversee progress and negotiations and to report where appropriate to the Risk Assessment Sub-Committee - regular reports are submitted to Risk Assessment Sub-Committee as and when required.

1.2 Tynewydd Community Centre - During 2019 a review of the future of the Centre was instigated resulting in a decision to transfer the ownership of the Centre to the Rhyl Community Association subject to certain conditions. This is currently ongoing.

1.3 Insurance Provider - In May 2019 the Risk Assessment undertook a review of the Council's Insurance following notification that the then Provider was seeking to cease providing cover to the Local council market. The Council's Insurance broker undertook a tendering exercise which resulted in a new provider being appointed on a three year agreement with an overall saving to the Council.

1.4 GDPR - The Council's compliance with the regulations was reviewed in May 2019 and recommended policy documents submitted to Council which were subsequently approved and implemented. One policy relating to Social media has yet to be introduced.

1.5 Review of Decision Making process - A review was undertaken in September 2019 as to the processes followed by the Council to ensure that it has appropriate legal power to act for decisions made.

1.6 Grounds Maintenance Agreement - A review of the Grounds Maintenance Agreements was undertaken in October 2019.

1.7 Interim Internal Audit Report - The 2019/20 interim internal audit report was received by Council in February 2020 and has been delegated to the Risk Assessment Sub-Committee for consideration.

Risk Management Plan 2020/21

The sub-committee's planned work programme for 2020/21 is set out below:

Outstanding Issues	Period of Review	Review Taken / Scheduled
Determining any matter of concern raised by another Councillor under the protocol.	Ongoing	None as yet identified
To commission the Internal / External Auditor to raise any matter of concern if necessary in respect of the management of the Council	As required	
Risk Management Annual Review 2019/20 report to Council. To review progress on all issues in relation to the statements necessary within the Annual Governance Statement and to establish a draft plan for 2020.	2019	Review undertaken by Risk Assessment Sub-Committee in February 2020
Other work determined by – Individual Members The Council The risk assessment sub-committee Internal Auditor	2019	The Council by way of its adopted Strategic Plan have identified specific areas to be reviewed by the Sub-Committee over the life of the Plan – These will be additional to other work determined by the individual Members, the Council, the Risk Assessment Sub-Committee or the Internal Auditor.
Rhyl Community Association Issues	Ongoing but currently in abeyance	In addition to its Risk Assessment brief the Sub-Committee has been delegated authority to deal with a number of long standing issues relating to the Council's relationship with the Rhyl Community Association.
Proposed Relocation of Town Council	Ongoing	The Risk Assessment Sub-Committee have been delegated with responsibility for overseeing progression of the acquisition and development of alternative office accommodation and have agreed to meet on an as and when required basis to progress.
Community Bonfire Arrangements	Ongoing	Initial contact has been made –

Outstanding Issues	Period of Review	Review Taken / Scheduled
		full review during 2021 with an intention to alter the basis of the current arrangements.
Review of the future of Tynewydd Community Centre	Ongoing	
Develop a Communications and Social Media Policy as part of the Council's obligations under GDPR		Completed May 2019
New Issues for 2020		
Consider and address any issues arising from the External Audit including any matters identified by the Wales Audit Office.		Following receipt of the report later in 2020
Wellbeing of Future Generations Act - To ensure compliance with the Council's statutory obligations	Ongoing	
Review of Financial Regulations	April 2020	Completed April 2020
Provision of Secure Website Status	March 2020	Completed March 2020
Practitioners Guide – To review the recently published revised Practitioners Guide to confirm that the Council is compliant		
Health and Safety Policy - Under continuing review	01/04/20	

The Council has delegated responsibility for detailed consideration of risk management and assurance issues to the Risk Assessment Sub-Committee and it establishes an annual work plan to meet this responsibility. The Sub-Committee's work is guided principally by the Governance and Accountability for Local Councils Practitioners Guide (Wales) but it has the freedom and responsibility to consider any area of Council work that merits attention. Within the Council's Financial Regulations there is a protocol permitting any individual Council Member to raise any matter of concern and for the Risk Assessment Sub-Committee to investigate it.

We acknowledge as members of Rhyl Town Council our responsibility for the preparation of the Statement of Accounts and for the Council's internal controls and confirm, to the best of our knowledge and belief, with respect to the Council's Statement of Accounts for the year ended 31 March 2020 in Section 2 (of the Annual Return) that:

Assurances	Agreed? Yes / No	"Yes" means that the Council:	PG Chap
1. We have put in place arrangements for effective financial management during the year and for the preparation and approval of the accounting statements	YES	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness	YES	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the council to conduct its business or on its finances	YES	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014	YES	Has given all persons interested the opportunity to inspect and ask questions about the Council's accounts	6, 23
5. We have carried out an assessment of the risks facing the Council and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required	YES	Considered the financial and other risks it faces in the operation of the Council and has dealt with them properly	6, 9

Assurances	Agreed? Yes / No	“Yes” means that the Council:	PG Chap
6. We have maintained an adequate and effective system of internal audit of the Council's accounting records and control systems throughout the year and have received a report from the internal auditor	YES	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Council.	6, 8
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring after the year-end, have a financial impact on the Council and, where appropriate, have included them on the accounting statements.	YES	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	YES	Considered and taken action to address issues / weaknesses brought to its attention by both internal and external auditors	6, 8, 23
9. Trust funds — in our capacity as trustee we have: discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination.	N/A	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6
10. We have prepared and approved minutes for all meetings held by the Council (including its committees) that accurately record the business transacted and the decisions made by the Council or committee	YES	Has kept and approved minutes in accordance with Schedule 12, Paragraph 41 of the Local Government Act 1972	N/A
11. We have ensured that the Council's minutes (including those of its sub committees) are available for public inspection and have been published electronically	YES	Has made arrangements for the minutes to be available for public inspection in accordance with section 228 of the Local Government Act 1972 and has published the minutes on its website in accordance with section 55 of the Local Government (Democracy) (Wales) Act 2013	N/A

Income and Expenditure Statement for 2019/20

	2020	2019
	£	£
Income		
Precept	543,423	523,022
Other Income	1,605	2,070
Investment Income	1,972	1,577
Total Income	547,000	523,669
Expenditure		
Salaries & Expenses	170,933	166,071
Office Accommodation	22,892	22,360
Administration	19,113	21,012
Advertising	508	2,490
Civic Expenditure	4,975	4,514
Members Expenses	3,372	10,518
Amenity & Events	72,259	74,644
Public Spaces	46,225	54,342
Commissioned Services	31,000	21,000
s19 Expenditure	10,695	10,600
Town Promotion & Development	112,866	112,866
Total Expenditure	494,838	500,416
Surplus / Deficit for the Year	52,162	23,253
Transfer to Elections Reserve	-5,000	-5,000
Transfer to Major Projects Reserve	-45,000	-20,000
Transfer to General Reserve / Other Reserves	-2,162	-15
Transfer from Specific Reserves no longer required	0	1,762
Total Transfers to Reserves	52,162	23,253

Balance Sheet as at 31 March 2020

	2020	2019
	£	£
Non-Current Assets		
Property, Plant & Equipment	426,465	424,776
Investments	0	0
Total Non-Current Assets	426,465	424,776
Current Assets		
Debtors & Prepayments	3,896	10,452
Cash at Bank and In Hand	377,870	326,436
Total Current Assets	381,766	336,888
Current Liabilities		
Creditors	14,652	21,936
Total Current Liabilities	14,652	21,936
Net Current Assets	367,114	314,952
Long-Term Liabilities		
Loan	1,702,000	1,776,000
Total Long Term Liabilities	1,702,000	1,776,000
Total Assets – Long Term Liabilities	-908,421	(1,036,272)
Financed By:		
Usable Reserves		
General Fund	367,114	314,952
Unusable Reserves		
Capital Adjustment Account	-1,275,535	(1,351,224)
Total Reserves	-908,421	(1,036,272)

The annual financial statements were approved by the Council on 20th January 2021
and signed on their behalf by:

Cllr A Rutherford
Chair of Finance & General Purposes Committee

Gareth Nickels
Town Clerk

Report on the Accounts 2019/20

Report of significant variations in income and expenditure

Comparison of 2019/20 : Actual Expenditure vs Budgeted Expenditure

The Council budgeted for income of £545,023 and expenditure of £562,000 resulting in a budget deficit for the year of £16,977. The Council's actual income and expenditure account showed income of £547,000 and expenditure of £494,838 resulting in a surplus of £52,162 for the year. The reasons for this surplus are explained below:

1. **Income** was budgeted at £545,023 and actual income was £547,000. This is £1,977 better than budgeted. The main reason was that we earned £1,972 from investing surplus cash with the money markets.
2. **Staff expenditure** was budgeted at £177,000 and actual expenditure was £170,933. This is an underspend of £6,067. The two main reasons were that the part-time finance officer worked less hours than budgeted and we did not spend the staff training budget.
3. **Office Accommodation expenditure** was budgeted at £25,100 and actual expenditure was £22,982. This is an underspend of £2,208. The main reason was that service charges for Wellington Road were less than budgeted due to lower than budgeted expenditure on building maintenance.
4. **Administrative expenditure** was budgeted at £21,345 and actual expenditure was £19,113. This is an underspend of £2,231. There was an overspend of £1,028 on ICT as we bought a new server computer for the office. This overspend was however more than offset by underspends on other headings including insurance, stationery, welsh language and health & safety.
5. **Advertising expenditure** was budgeted at £5,000 and actual expenditure was £508. This is an underspend of £4,492. The main reason was that we budgeted for two newsletters in the year but did not publish any.
6. **Civic expenditure** was budgeted at £7,590 and actual expenditure was £4,975. This is an underspend of £2,615. The main reasons were that all civic events were delivered below budget.
7. **Members expenses** was budgeted at £12,000 and actual expenditure was £3,372. This is an underspend of £8,628. There are two main reasons, firstly an underspend on Members Allowances of £3,150 as most members did not take up their costs and expenses allowance. Secondly an underspend of £5,000 on election costs as we did not have any bye-elections in the year. This latter saving was transferred to the Elections Reserve at the year-end.
8. **Amenity Services and Events expenditure** was budgeted at £80,200 and actual expenditure was £72,259. This is an underspend of £7,941. There are two main reasons, firstly an underspend on smaller events management and fees of £4,198 and secondly an underspend on illuminations of £3,743 as we did not purchase any new illuminations in 2019/20.

9. **Public spaces expenditure** was budgeted at £61,400 and actual expenditure was £46,225. This is an underspend of £15,175. There are 2 main reasons, firstly we have an underspend on the plants and service level agreements for grounds maintenance and remembrance gardens of £11,776 due to revising the specifications and secondly we have an underspend of £3,399 on general public spaces and bus shelters.
10. **Commissioned services expenditure** was budgeted at £29,000 and actual expenditure was £31,000. This is an overspend of £2,000. This was due to providing some one-off matched funding to support a local scheme, enabling it to access further external funding to enhance services for residents of Rhyl.
11. **Section 19 expenditure** was budgeted at £10,500 and actual expenditure was £10,695. This is an overspend of £195. This was due to some building survey work undertaken on Tynwydd Community Centre.
12. **Town Centre promotion and development expenditure** was budgeted at £132,865 and actual expenditure was £112,866. This is an underspend of £19,999. The main reasons are that major projects and contingency were unused in year. These have both been transferred to the major projects reserve at year-end.
13. The results for 2019 / 2020 have seen the Town Council's balances increase by £52,162 from £314,952 to £367,114. Of these balances the Town Council holds £110,000 for specific purposes (please see Note 12 to the accounts on page 16 for details). This leaves a general reserves balance of £257,114. We have planned to reduce these general reserves by £8,109 in 2020/21.

Report on the Accounts 2019/20

Report of significant variations in income and expenditure **Comparison between financial years 2019/20 and 2018/19**

1. **Income** for 2019/20 was £547,000 compared to £523,669 in 2018/19. This is an increase of £23,331. There main reason is that the precept was increased by £23,401 (4.5%).
2. **Staff expenditure** for 2019/20 was £170,933 compared to £166,071 for 2018/19. This is an increase of £4,862. The increase is due to increments and cost of living (2%) pay award for town council staff.
3. **Accommodation expenditure** for 2019/20 was £22,892 compared to £22,360 for 2018/19. This is a increase of £532. The main reasons for the increase were an increase in non-domestic rates and a required contribution to Rhyl BID.
4. **Administrative expenditure** for 2019/20 was £19,113 compared to £21,012 for 2018/19. This is a decrease of £1,898. There were reductions in expenditures across a number of headings including insurance, ICT and stationary.

5. **Advertising expenditure** for 2019/20 was £508 compared to £2,490 for 2018/19. This is a decrease of £1,982. The main reason is that we did not produce a newsletter in 2019/20.
6. **Civic expenditure** for 2019/20 was £4,975 compared to £4,514 for 2018/19. This is an increase of £461. The main reason is due to the new requirements for mayoral support following the Independent Remuneration Panel for Wales's changes made in early 2019.
7. **Members expenses** for 2019/20 was £3,372 compared to £10,518 for 2018/19. This is a decrease of £7,146. The main reason is that we had two by-elections in 2018/19 and non in 2019/20.
8. **Events expenditure** for 2019/20 was £72,259 compared to £74,644 for 2018/19. This is a decrease of £2,385. The main reason is that the small events programme cost less in 2019/20 compared to 2018/19.
9. **Public spaces expenditure** for 2019/20 was £46,225 compared to £55,342 for 2018/19. This is a decrease of £8,117. The main reason was that we had one-off expenditure on bus shelter refurbishments in 2018/19.
10. **Commissioned services expenditure** for 2019/20 was £31,000 compared to £21,000 for 2018/19. This is an increase of £10,000. This is due to supporting two additional schemes in 2019/20 compared to 2018/19.
11. **Section 19 expenditure** for 2019/20 was £10,695 compared to £10,600 for 2018/19. This is an increase of £95.
12. **Town promotion and development expenditure** for 2019/20 was £112,866 compared to £112,866 for 2018/19. There was no change here.

Value for Money (VFM)

The Grounds Maintenance service was a new town council delivered service from 1 April 2015. We have now managed this service for 5 years and as a result of reviews in 2018/19 and 2019/20 further savings have been made in comparison to the estimated cost of the previous service as provided by Denbighshire County Council prior to transfer to the Town Council. The budget for Grounds Maintenance in 2018/19 had been reduced from £60,000 (on transfer) to £50,000 to reflect some of the savings already achieved by our reviews of the service. A further reduction of £5,000 has been made in the 2020/21 budget.

During the year we also reviewed and obtained quotes for the provision of plants for grounds maintenance and for the provision of events management and public relations services. Planned reviews for Telephony and the Printing / Photocopying were deferred pending a planned move to a new office in late 2020.

Supporting Notes to the Accounts

1. Accounting basis

The Council's accounts are maintained on an accruals basis. This means that income and expenditure are recorded on the date at which it was incurred and not the date that payment was made or received. For example, a Civic event held on 30/03/2020 cost the Council £500. The actual payment for this event was made on 05/04/2020. The expenditure is recorded in the accounts to year ending 31/03/2020 as that is when the actual physical event happened.

2. Assets

Assets are classified as expenditure over £100 on the acquisition of an asset or expenditure which adds to the value of an existing asset, both tangible and intangible, provided also that it yields economic benefits to the Council for a period of more than one year. The Council accounts for its fixed assets in accordance with the CIPFA Statement of Recommended Practice (SORP) although formally the SORP does not apply to the Town Council due to its smaller size.

<u>Value of assets acquired / revalued during the year</u>	£
Community Assets, Civic and other assets, Plant and equipment.	710
Office equipment and furniture	1,979
 <u>Value of assets disposed of during the year</u>	
Community Assets, Civic and other assets, Plant and equipment.	0
Office equipment and furniture	1,000

<u>Value of assets held as at 31st March 2020</u>	£
Community Assets	-
Land and buildings	245,000
Civic and other assets	81,802
Plant and equipment	77,278
Office equipment and furniture	22,385
Total	426,465

The basis of valuation is -

Community Assets – historic cost.

Land and buildings – historic cost (revalued for insurance purposes)

Civic and other assets - periodic professional valuation for certain nominated assets (2009) and replacement value for all others.

Plant and equipment – historic costs / replacement value.

Office equipment and furniture – historic cost / replacement value.

The majority of the Inventory checks were conducted in early 2020. The Council maintains an accurate inventory of all assets, leased land, leased furniture, leased equipment, loan items and other non-asset de-minimis purchases for insurance purposes.

3. Investments

Various short term investments are made in accordance with the Council's approved Annual Investment Strategy. As at 31 March 2020 £240,005 was deposited with HSBC bank on a 7 day basis and £75,000 desposited with Santander bank in a 31 day notice account.

4. Borrowings

At the close of business on 31st March 2020 the Council had borrowings of £1,702,000. This loan is being repaid with interest over 25 years to Denbighshire County Council. The loan was taken out to fund the Town Council's contribution to the new Water Park (SC2) which opened in Rhyl in Easter 2019.

5. Leases/Rentals

The Council leases a photocopier under a five-year agreement which expired in October 2018. This has been extended on a quarter by quarter basis.

6. Tenancies

During the year the following tenancies were held.

<u>Council as Landlord</u>			
<u>Tenant</u>	<u>Property</u>	<u>Rent p.a.</u>	<u>Type</u>
Rhyl Community Association	Tynwydd Community Centre	Nil	Non-repairing

<u>Council as Tenant</u>			
<u>Landlord</u>	<u>Property</u>	<u>Rent p.a.</u>	<u>Type</u>
Denbighshire County Council	Civic Offices, Wellington Rd	Nil	Repairing
Denbighshire County Council	Remembrance Gardens	£13.50	Repairing

7. Debts outstanding

At the end of the year debts totaling £3,896 were due to the Council. These were: Recoverable VAT of £3,855 and Interest earned on Deposits of £41. A claim for the reimbursement of VAT was submitted to HMRC in early April 2020 and we received payment in late April 2020.

8. Creditors

At the end of the year the Council owed £14,652 to creditors. These were: HMRC £2,743, Clwyd Pension Fund £4,290, and General / Trade Creditors £7,619. The vast majority of creditors were paid in April and May 2020.

9. Advertising and publicity

The following direct costs were incurred during the year:

General adverts	-	£	50
Public Notices	-	£	458

10. Staff Pensions

The Council makes a contribution on behalf of its current staff to the Clwyd Pension Fund (managed by Flintshire County Council) which provides pensions within the conditions of the Local Government Pension Scheme. The Fund also provides for ongoing pensions to the dependants of a deceased former member of staff. The Clwyd Pension Fund regularly reviews the adequacy of its funds and investments to meet its current and future obligations. During the year employer contributions of 15.5% of salary were made plus and an additional lump sum payment of £24,900 to assist with reducing the deficit.

11. Section 137 Payments

Section 137 of the Local Government Act 1972 enables the Council to spend up to the product of £8.12 per head of the electorate for the benefit of the people in the area on activities or projects not specifically authorised by other powers. The limit for spending under this power was £162,424 and the expenditure in the year is set out below.

Payee	Nature of payment	£
None	N/A	0
Total expenditure under Section 137		0

12. Reserves

The Council has a Balances policy that requires a general reserve to be maintained at a minimum 33% of the annual precept. For 2019/20 a general reserve of £179,330 was required to meet this condition. The actual general reserves as at 31 March 2020 were £257,114 (47% of precept).

The Council intends to reduce its general reserves over the next few years. In setting the budgets for 2018/19, 2019/20 and 2020/21 over £68,000 of general reserves were earmarked to reduce precept requirements.

The Reserves policy from April 2018 has also been flexed to allow for General Reserves to be maintained at a minimum of 25% for the period 2018 to 2022 (but returning to 33% by 2023 – the end of the five-year plan). The allocated reserves will also be reviewed during the 2019/20 financial year. The table below shows reserves as at 31 March 2020:

Item	Amount £
Elections 2022	15,000
Tynwydd CC Refurbishment	20,000
Dilapidations Wellington Road Lease	10,000
Major Projects Fund	65,000
Sub-Total Allocated Reserves	110,000
Add : Unallocated / General Reserve	257,114
Total Reserves as at 31 March 2020	367,114

The movements in Reserves from 1 April 2019 to 31 March 2020 are as follows:

Reserve	Balance 1 April 2019 £	Increases £	Decreases £	Balance 31 March 2020 £
Elections	10,000	5,000	0	15,000
Tynewydd CC DDA Works	20,000	0	0	20,000
Wellington Rd Lease	10,000	0	0	10,000
Major Projects Fund	20,000	45,000	0	65,000
General Reserve	254,952	2,162	0	257,114
Total	314,952	52,162	0	367,114

13. Contingent liabilities

The Council's revenue accounts do not include provision for the following earmarked expenditure.

1. The Council rents furnished accommodation at the Civic Offices from Denbighshire County Council (previously lease was with Rhyl Community Association) and under the terms of the lease it has to meet certain shared costs of defined maintenance work. These planned and unplanned works can vary in their timing and value and whilst the Town Council has set aside a provisional budget it is dependent upon the Landlord advising accordingly of any works.

2. The Council rents furnished accommodation at the Civic Offices from Denbighshire County Council (previously lease was with Rhyl Community Association) and under the terms of the lease, and dependent upon certain conditions, it might be required to leave specified items of furniture in good condition or otherwise replace them upon termination of the lease. The estimated expenditure necessary to meet this condition is £10,000.

3. The Council owns the Tynewydd Community Centre and it is managed via an agreement with the Rhyl Community Association and within the terms the Council has to meet all financial operating deficits. Ordinarily these are known in advance and budgeted annually accordingly but there might be unforeseen or emergency expenditure required at any time. A reserve of £20,000 is available.

14. Inventories

The Council holds miscellaneous, but relatively minimal value, inventory items such as stationery, Town Crests and Civic badges. The value of all inventory purchased, unless classified as an asset (see note 2 above), is treated as revenue expenditure in the year of purchase.

15. Value Added Tax (VAT)

The Council is not registered for VAT. It is an exempt body under Section 33 of the VAT Act 1994. As such it is permitted to recover legitimate VAT incurred. A VAT control account is maintained to record all sums paid and to facilitate claims back from HMRC.