

## **BRAUNSTONE TOWN COUNCIL**

### **COUNCIL – 25<sup>th</sup> JANUARY 2024**

#### **SUPPLEMENTARY REPORT**

##### **Item 5 – Financial Position – Cashbook, Reserves and Short-term Borrowing**

###### Purpose

To provide an update on the Council's Cash and Reserves, and the actions taken by Policy & Resources Committee and the Responsible Financial Officer to ensure that the Council has sufficient cash and reserves to function.

###### Background

A report has been included with the agenda, which provides a summary of the Council's Cash and Reserves for the period 1st April to 31st December 2023; and to 16<sup>th</sup> January 2024. The report sets out the actions taken by the Policy & Resources Committee and Responsible Financial Officer to ensure that the Council has sufficient cash and reserves to function; and asks Council to seek approval from the Secretary of State for Levelling Up, Housing and Communities to apply for short-term borrowing approval for the purpose of meeting expenses at the end of the financial year (2023/2024) pending the receipt of revenues in the next financial year (2024/2025).

###### Cash Flow

On 23<sup>rd</sup> January 2023, cash balances stood at **£137,462.14**:

- Operating Account: £27,187.75;
- Payroll Account: £47,005.25;
- Business Savings: £58,000;
- Building Society Savings: £5,269.14.

Prior to the first tranche of 2024/2025 precept being paid into the Council's Operational Bank Account on 26<sup>th</sup> April 2024, the Council will need to meet a £200,000 wage bill (includes on-costs) and an approximately £58,000 in operational costs. The total commitment for the 14 week period 24<sup>th</sup> January to 26<sup>th</sup> April 2024 being approximately **£258,000**.

###### *Building Society Savings*

The Council has withdrawn £58,000 from its Building Society Savings account, without giving 90 days' notice, which incurs a penalty of £442.13; leaving a balance in the account of £5,269.14. A minimum of £5,000 must be maintained in the account.

The £58,000 is being paid into the Cooperative Business Savings account, in order

to set it aside for future payrolls (as agreed by Policy & Resources Committee on 11<sup>th</sup> January 2024).

### Progress with addressing the Cash Deficit

Blaby District Council have agreed to advance the balance of commuted sums (£27,920.44) held for Thorpe Astley park during February. This will greatly assist the Council's cash flows at the end of February/early March.

This means that the predicted deficit on 31st March 2024 would reduce from -£67,974 to -£40,054 (as shown at Appendix 4) and the deficit on 25th April 2024 would reduce from approximately -£138,776 to -£110,846.

As set out in the report circulated with the agenda, it is therefore recommended that the Council request borrowing approval from the Secretary of State for 31<sup>st</sup> March 2024 of up to £50,000.

Blaby District Council have also offered to lend Braunstone Town Council funds to cover the predicted short-term cash deficit during March and April. There will be no arrangement fee for the loan but there will be interest charged. Blaby District Council will deduct the sums lent, plus the agreed interest, from the first precept payment due on 26<sup>th</sup> April 2024.

In order for Braunstone Town Council to borrow during one accounting period, i.e. in March, and repay the borrowing in the next accounting period, i.e. in April, the Town Council must obtain borrowing approval from the Secretary of State.

Borrowing approval is not needed for any funds borrowed during April, since the receipt will be during the same accounting period as the expenditure.

The detailed arrangements of the loan from Blaby District Council, once received, will be considered by Policy & Resources Committee.

### *Bank Overdraft*

An application to the Cooperative Bank was submitted for an overdraft facility of up to £150,000 over March and April. This is based on the cash flow assumptions of a £40,000 deficit on 31st March and £110,000 deficit on 25th April, leaving some room for unforeseen circumstances. The Cooperative Bank rejected the Town Council's application stating "*We do not consider there is scope for the organisation to make the necessary cost reductions or increased income growth to revert to a surplus level that would support the lending requested*".

The Responsible Financial Officer challenged this assertion, given the funds would be raised on the council tax precept in 2024/2025, and contacted the Relationship Manager. The Responsible Financial Officer spoke with the Senior Relationship Manager at the Cooperative Bank on 23<sup>rd</sup> January. The Senior Relationship Manager stated that she had checked with the Credit Department and Legal Department and that an overdraft facility could only be offered based on the

registration of a physical asset (e.g. the Civic Centre) as security. The registration of the asset with Land Charges would take longer than the requested overdraft period.

### Short-term Borrowing

Under paragraph 2(3)(a)(i) of Schedule 1 of the Local Government Act 2003, no approval is required for borrowing by temporary loan or overdraft from a bank or otherwise of sums which a Parish Council “may temporarily require for the purpose of meeting expenses pending the receipt of revenues receivable by it in respect of the period of account in which the expenses are chargeable”.

However, formal borrowing approval is required from the Secretary of State for an overdraft facility or any other short term loan or borrowing that straddles financial years; i.e. for expenses accrued up to and including 31st March 2024, such as any borrowing (overdraft or loan) for expenses relating to 2023/24 which will be offset by revenue received in 2024/25.

The Council’s Financial Regulations permit Policy & Resources Committee to authorise an overdraft facility to be set up on the general operating account and to make arrangements for a short-term loan. A request to the Secretary of State for borrowing approval will need to be authorised by Council.

Given the Council has received confirmation that the balance of commuted sums £27,920.44 will be advanced during February, and that this will reduce the predicted cash deficit to -£40,054 on 31<sup>st</sup> March 2024; it is recommended that the Council request borrowing approval from the Secretary of State for up to £50,000.

### Summary

The Council’s cash balances are highly likely to be in deficit by 31<sup>st</sup> March 2024. The balances will definitely be in deficit before 25<sup>th</sup> April 2024, when the first tranche of the 2024/2025 precept is due to be received.

A loan from Blaby District Council during March of up to £50,000 and during April for up to £100,000 will be sufficient to cover the anticipated cash deficit of -£40,054 on 31<sup>st</sup> March 2024 and -£110,846 on 25<sup>th</sup> April.

Approximately £40,054 of the overdraft at the bank and/or advancement of the precept will be used in the current financial year, but funded from the next financial year. Therefore, borrowing approval from the Secretary of State will be required.

This funding will need to be raised on the 2024/2025 precept or met by making £50,000 of savings in the 2024/2025 financial year to avoid the Council running of cash in March / April 2025. The 2024/2025 budget, enclosed as a separate item on the agenda, proposes to raise this amount on the Council Tax precept in 2024/2025.

## Revised Recommendations

1. That the eight *primary reasons* for the cash balances being low, as detailed in the *Cash Flow* section of the report, be noted; and be addressed in the forthcoming 2024/2025 budget and precept setting;
2. that it be noted that the *Options for Addressing the Cash Deficit*, as detailed in the relevant section of the report, had been approved by Policy & Resources Committee on 11<sup>th</sup> January 2024, with delegated authority to the Chief Executive & Town Clerk to determine amounts, timings and arrangements, and were being pursued as follows;
  - a) Blaby District Council **have agreed** to release the balance of £27,920.44 in Section 106 funding for Thorpe Astley Park to the Town Council,
  - b) Blaby District Council requested to release the first tranche of the 2024/2025 precept, or any part thereof either on or before 20th March 2024 or if this was not possible, during April 2024 (**this would be in the form of a loan**), and
  - c) an application made to the Cooperative Bank for a short-term overdraft facility on the General Operating Account, with a value of up to £150,000 **had been declined**;
3. that the following resolution be approved “to seek the approval of the Secretary of State for Levelling Up, Housing and Communities to apply for a short term loan/overdraft facility of **£50,000** in March 2024 for the purpose of meeting expenses in the 2023/2024 financial year pending the receipt of revenues receivable in the 2024/2025 financial year;
4. that the *Budget and Cash Management and Monitoring* proposals, set out in the relevant section of the report, and approved by Policy & Resources Committee on 11<sup>th</sup> January 2024, be noted; and
5. that a report be submitted to the next meeting of the Council, scheduled for 21<sup>st</sup> March 2024, setting out the context of the current cash flow position and the approved actions to ensure the Council had sufficient cash and reserves to function.

## Reasons

1. The position in respect of the Council’s Reserves and the commitments and overspends during 2023/2024, were all matters that the Council would be able to address.
2. To take immediate action to ensure the Council had sufficient cash in the short term to function.
3. Formal borrowing approval would be required from the Secretary of State for an overdraft facility or any other short term loan to meet expenditure in the current financial year (i.e. before 31<sup>st</sup> March 2024), pending the receipt of revenues in 2024/2025 (i.e. from 1<sup>st</sup> April 2024).
4. By placing the income and expenditure relating to major capital schemes into a dedicated Capital Projects Cost Centre, it would be easier to identify income and expenditure trends in the operational service budgets and flag issues and potential action to address these earlier in the financial year. When receiving the precept instalments, by placing the equivalent of the payroll commitment into an instant access savings account, it becomes easier to identify trends in cash

balances in the general operating account and therefore, manage commitments, receipts and payments accordingly.

5. To ensure that all members of the Council were fully informed of the cash flow situation and the short and long term proposals to address the issue and avoid a repeat occurrence. To enable Council to debate, discuss and question the context and actions accordingly.