

MAESTEG TOWN COUNCIL

Minutes of a **HYBRID** meeting of the **Finance committee** held remotely via Microsoft Teams and at the Council Chamber, Council Offices, Talbot Street, Maesteg, on **Wednesday 26th October 2022**.

PRESENT:

COUNCILLORS: **G Thomas (Chair)**

F Abedalkarim, P Davies, K Edwards, C Knight, R Martin
and L Thomas

DECLARATIONS OF INTEREST: None received

269. TO CONSIDER ADVICE FROM AUDIT WALES

Members were provided with the following correspondence between the Council and Audit Wales;

Email sent to Audit Wales by Chair of Finance 19/10/22

I write to you as the current chair of finance for Maesteg Town Council. As you are aware we have had a difficult few years with our accounts and the actions of our previous clerk, but these have led to an exceptional position. We don't have true records of our expenditure for the last few years, and this coupled with us getting back our insurance claim, additional VAT reclaim, and not losing large sums to fraud has made setting a realistic budget for next year difficult. The council has made a best estimate that we will have an approximate surplus of 450K at the year end, which is more than our annual precept of 330K. MTC has some capital plans in place but we do not have detailed costed plans that we could enact within next years financial year.

I understand that if a town council has excessive funds in reserves we should not be raising a precept on the tax payer, but given this is a one off "windfall" that was not known or planned we are afraid of removing the precept this year only to have to reinstate it next year at the same level or worse to maintain the public services. MTC would like to go out to public consultation to enable us to gather public opinion and to spend the money wisely for the good of the community, but that would require us to ringfence the money whilst we work up detailed, costs and plans.

I would like to ask your opinion on if the town council can collect the precept at the same level as last year (approx. £60 per D band property) but after public consultation present a full costed and time lined plan to use the excessive reserves over the rest of the council term which we would publicise.

Many thanks for your help

Chair of finance

MTC.

Response from Audit Wales 19/10/22

I can't offer any advice on this issue for independence reasons. However, I can offer some comments for the Council to consider;

The Local Government Finance Act 1992 sets out the requirement for the Council to calculate its budget requirement. Section 50 states as below:

50 Calculation of budget requirement by authorities in Wales.

1. In relation to each financial year a local precepting authority in Wales shall make the calculations required by this section.
2. The authority must calculate the aggregate of—
 - a) the expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year;
 - b) such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;
 - c) the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and
 - d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.
3. The authority must calculate the aggregate of—
 - a) the sums which it estimates will be payable to it for the year and in respect of which amounts will be credited to a revenue account for the year, other than sums which it estimates will be so payable in respect of any precept issued by it; and
 - b) the amount of the financial reserves which the authority estimates that it will use in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (2) above.
4. If the aggregate calculated under subsection (2) above exceeds that calculated under subsection (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated shall be its budget requirement for the year.
5. For the purposes of subsection (2)(c) above an authority's estimated future expenditure is—
 - a) that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year and will have to defray in the year before the following sums are sufficiently available, namely, sums—
 - i) which will be payable to it for the year; and
 - ii) in respect of which amounts will be credited to a revenue account for the year; and
 - b) that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year.

This means that in effect the Council should only raise funds where it has plans to spend the monies raised. Due to Mrs Buckley's fraud over the last few years, the Council was raising money that it was not spending on services. This clearly needs to be addressed in future budgets. As regards the precept, the Council may wish to consider:

- What would be the impact of setting a £Nil precept for 2023-24 and then a £60/band D for 2024-25?
- Is a £60/band D precept appropriate given a proportion of the previous years' precepts was subject to fraud? Should this be reduced to meet planned expenditure for 2023-24? The funds from the insurance claim and underspends from 2020-21 and 2021-22 could be run down separately.
- Is it possible to apply some of the current balances to support expenditure in 2023-24 and future years, thereby reducing the excess balances over a period of time and potentially reducing the precept for a time period? E.g. to absorb some inflationary pressures
- What is the likely timescale for development of capital plans or any proposed projects that would use the excess funds?

From an audit perspective, we would be looking to understand how the Council will use the funds.

Advice from a telephone conversation with Audit Wales emailed to Finance Committee 21/10/22

Chair of Finance spoke to Wales Audit office this morning and whilst they can't offer us any specific advice they did explain examples of other councils who were in the same position and what they did and had to consider.

A County Council had an issue where they mistakenly raised the precept to cover for people not paying council tax that resulted in them collecting more than £15 million in excess. In theory they should return the money to the tax payers, in practice they could not due to being unable to trace everyone who paid – "Current tax payers are not ALL previous tax payers" so by cutting the precept to zero they would reward people who had not overpaid, but also would miss out people who had moved or passed away".

MTC would be in a similar position so should be mindful about lowering the Precept to "pay back" the money. Setting a Zero Precept would be financially irresponsible because it would leave the council in a position of knowing it would have to raise the precept next year back to a similar level or leave the council in a deficit position.

They also cited that the Council had to take action to ensure it collected the correct precept from that point onwards. In our example the former clerk was stealing a large sum of money approx. 40K per year and so that money was not being spent on public services, so it would not be correct to set the same precept as previous years unless we are going to increase the levels of service to account for the extra income – which in

our case we didn't with the proposed budget. I took this to we should reduce the precept by the amount of the fraud per year.

From an Audit Wales "process" point of view MTC need to have a complete review of all its actions and budget, what are we trying to achieve, what do we need to do that, in staff and resources and what money do we need to achieve it. Given the position and timescales Audit Wales recognise we would not be able to do that effectively before setting the precept in January, but they would expect it by the following year.

As for the ringfencing of capital spend, Again the County Council (from above example) produced a plan to spend the money over a 4-year period that showed clear benefits to the area, MTC could do the same. Wales Audit would not expect fully costed plans in this financial year, but would by next year, but we should have a clear plan to spend it wisely for the good of the area and we should enact that. Audit Wales would not expect.

Following the above advice, the Chair of finance opened the floor to members of the finance committee to comment on the correspondence;

Cllr P Davies advised that he had attended One Voice Wales advanced Finance course last night and asked the tutor how she would approach the Councils' finances having experienced fraud previously. She advised that earmarking funds can help with the issue but it would be sourcing the projects that may prove difficult.

Cllr L Thomas has advised he seen the emails between GoSafe and Maesteg Council in regards to the average speed cameras on Heol Ty Gwyn. He believed that the wording of the emails suggests that the project won't be approved given how it would set a precedent going forward. He also mentioned that this would release over £100,000 back into non earmarked reserves worsening our position with Audit Wales.

The Chair advised that there is a meeting arranged for 1st November before the next full council meeting to discuss the speed camera software and how it can integrate with a town councils database whereas usually, they link to Borough Council databases.

Cllr K Edwards stated that he read the report from Audit Wales and believes we should use common sense to pre-empt the fact that this section of road will become a 20mph road and other parts of the valley are equally, if not worse off speed wise. Cllr R Martin advised that many cars ignore the speed limit on that road.

Chair of Finance advised that he doesn't agree with Cllr Edwards, he stated that it is a road safety issue and added that since the survey took place two years ago there have been two more accidents on that stretch of road and the fence adjacent to the park had taken more damage as the result of cars crashing into them.

Cllr L Thomas advised that this project commands a lot of money and if the project falls through this can affect how we set the precept next year. The Chair countered this stating that the committee can only act on the information they have at the current point in time and if the project falls through then the earmarked money would go back into reserves and Council would need to discuss this further.

Cllr K Edwards advised that, having sat on the budget committee previously, the revenue budget should come first and then the capital budget not all in one.

Cllr L Thomas advised that some sections would require revisiting highlighting the bus service funding that he believes is too low. Cllr L Thomas advised that this trial was for Maesteg Park only and if successful then would be extended to other parts of the Valley so £100,000 would be in excess. Cllr L Thomas **proposed**, seconded by Cllr F Abedalkarim, to add another £20,000 to the budget for the bus service totalling £70,000.

Cllr F Abedalkarim raised concerns that projects he has brought forward were not budgeted for. The Clerk advised that these had been sent to BCBC for costings and has not been responded to. The Clerk also advised that today an email was received regarding the bus shelters on Commercial Street, however, this needs to go to Full Council to agree/disagree.

Cllr F Abedalkarim asked if he could propose to the Council if the CMO van could be upgraded to an electric one. Members raised a few more suggestions and they were advised that these would have to be taken to full council to approve and can then be budgeted for.

Cllr L Thomas and Cllr P Davies requested to increase the floral display budgets by £5,000 to make the approach into town and outside of the town more agreeable totalling £17,000.

Cllr F Abedalkarim requested to make a proposal to provide a one-off payment to staff members to help them with the cost-of-living crisis. Members advised that you cannot gift public money to staff members although appreciated the premise of the proposal.

Cllr P Davies requested further information on the ward fund and asked who to approach to make spend out of the ward fund having thought previously the ward fund was to clear fly tipping using skips etc. Cllr K Edwards advised previously MTC provided 3 skips every month to all Wards and the skip companies refused to take them away as residents placed asbestos in them so the liability is left with the ward.

Cllr R Martin asked what about an environment budget? Could one be included to cleanse the town on a monthly basis? Clerk asked who would complete this as the CMO does not have a jet wash etc. Cllr L Thomas stated that Cllr R Martins idea of setting aside funds to provide a monthly clean of the town was a good one and would

put this forward as a **proposal**, seconded by Cllr R Martin. The Chair advised members to obtain costings and take these to Council and then the budget can be adjusted to account for this providing Full Council approve the motion. This was provisionally added to the draft budget to the amount of £30,000 for Full Council to discuss.

Cllr P Davies requested where funds would be pulled from to fund the CAT transfer of Blaencaerau park. The Chair advised that the working reserve funds allow the Council to spend on unrepresented costings at the time of this meeting and that the budget is set for worst case scenario so chances are there will be more monies left over throughout the year. Cllr K Edwards suggested that the Caerau Ward members request from V2C that they utilise a playparks fund that they have previously been privy to and bring the park up to standard ready for us to take over.

Members **agreed** to the draft budget to be presented to Full Council on 1st November 2022. The Chair of Finance will add a summary sheet to the draft budget for Full Council.

Members **agreed** to add a line for the fraud to show that a 5th of the fraud would be repaid to residents every year for 5 years making the requested precept approx. £305,107.59 for 2023/24. The Clerk advised that BCBC had not sent the tax base figure to MTC yet but based on last years tax base the Band D property would equate to:

Precept / tax base = Band D

$£305,107.59 / 5607 = £54.42$ for the year for a Band D property.

Cllr K Edwards would like his objections noted that he is unhappy with the Chair of Finance and not the RFO communicating with Audit Wales, as a Councillor he should have the same position as other Councillors and leave correspondence to go through the Clerk/RFO and the Office and presented to Full Council in turn.

270. RECOMMENDATIONS;

Full Council to review the draft budget and to discuss the items highlighted in yellow.

Minutes emailed to all Councillors to Read on 26th October 2022

Minutes accepted at a hybrid meeting of the Council held on 1st November 2022

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Mayor