



REPORT FOR DECISION

Item No:- FC24/070

Committee:-	Finance and Governance Committee
Date:-	19 <sup>th</sup> March 2025
Author:-	Martin Hammond, Clerk
Report Title:-	Internal Audit Interim Report for 24/5
Wards Affected:-	All

**1. Purpose of Report**

To submit the internal audit interim report for 24/5 and to address her recommendations.

**2. Recommendations**

**It is recommended that**

- a) A further publicity campaign be launched for the Town Lottery to increase participation
- b) That committee agree in principle to opening a new account for general reserves with another institution and that a recommendation be made to Council in due course as to which account.
- c) The annual contribution to the election reserve be increased, from 26/7 onwards, to £21,000 a year.

**3. Information**

3.1. The internal auditor has conducted her half yearly review and visit and prepared the attached report. (appendix one). There are three issues to address.

3.2. **Town Lottery** . This is generating relatively modest amounts of money and the fees associated with it are relatively high (40% in total). She recommends that the council monitor these costs and strive to increase participation where possible. As reported elsewhere on this agenda, the number of active players has reduced to 66 from a high of about 105 six months ago and a concerted recruitment campaign is required to keep it viable. It would also assist if some expenditure could be reported to players, but we are still waiting on a proposal from the cultural consortium as to the potential use of the

money. A campaign to increase participation would be possible in the early summer – the lottery fund has about £300 in it available for this purpose; it may be it has to borrow against future receipts to generate an effective campaign. Members' views on the form a campaign might take are welcome.

- 3.3. **General reserves** The interest rate on the reserve account is currently 2.52% but is about to reduce to 2.27% from May. Higher interest rates might be available from other institutions and indeed from Unity Bank through their fixed term deposits (varying from 3% to 4%) , and members are asked to agree that alternatives should be explored and a recommendation made to Council in due course.
- 3.4. **Election funding.** She asks whether the Council has sufficient monies to cope with with the all council elections in 2025 and any subsequent bye-elections in 25/6. Statistically, the first year after all council elections is the one most likely to produce a bye-election, although KTC has not had any bye-elections in the last four years.
- 3.5. The Council has £62,839 in its election reserve and can expect £375 in interest payments at the end of March. Added to that is the £18,000 allocated in the 25/6 budget as a contribution to those reserves, meaning a total fund of £81,200, plus four more interest payments – perhaps £750 for the year.
- 3.6. The last full elections in 2021 cost £51,103, so it is likely that the cost in 2025 will be about £75,000, given inflation, the fact that election costs will be divided between two elections, and not three as they were in 2021, and other changes to election practice and regulation since 2021. It is therefore true that a 25/6 bye-election, costing about £9000 on the basis of experience elsewhere in 2024, will exceed the remaining funds by about £2-3000. This can, if necessary, be met from the general reserves, which have £140,000 in them. It may however be prudent to start increasing the annual contribution to election reserves to £21,000 per annum from 2026/7 (from £18,000 now) to maintain a resilient amount in that for 2029.

#### **4. Consultation and Engagement**

Not applicable

#### **5. Finance, Legal and Resource Implications**

As set out above.

#### **6. Climate change implications**

None specifically

#### **7. Policy Implications**

The Council's policy is to eventually achieve a levels of reserves equal to 9 months of revenue expenditure, which can only be achieved over a long period of time. For election reserves, the policy is to maintain enough in the fund to pay for the full council elections every four years and to meet the cost of any bye-elections

The Town Lottery was established to provide additional resources to support local good causes.

Background Papers

4 x quotations received.