

STRATFORD-UPON-AVON TOWN COUNCIL

VIRTUAL MEETING OF THE FINANCE & SCRUTINY
COMMITTEE

In accordance with s78 of the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulation 2020

17 NOVEMBER, 2020

MINUTES
Open Pages 1 - 9

Present:
Councillors:

Alcock	How
Coles (Chairman)	Jackson (Mayor)
Dowling	Lee
Dyer	Vos

Clerk: Deputy Town Clerk
Town Clerk as an observer
Press: None
Public: None

(The meeting was live streamed on YouTube)

43. To Reaffirm the Chairman and Deputy Chairman

The Mayor took the Chair to reaffirm the appointment of the Chairman and Deputy Chairman of the Finance & Audit Committee, following the change to the Standing Committee structure, approved at the Town Council meeting on 29 September 2020.

It was RESOLVED to appoint Cllr Coles as Chairman of the Finance & Audit Committee.

It was RESOLVED to appoint Cllr Fojtik as Deputy Chairman of the Finance & Audit Committee.

44. To Accept Apologies for Absence

Apologies were received from Cllr Curtis during the meeting.

Cllr Fojtik was absent from the meeting.

45. Declarations of Interest on items on the Agenda

None.

46. To Receive Written Requests for Dispensation for Disclosable Pecuniary Interests.

There were no written or verbal requests for dispensations.

47. To Grant Any Requests for Dispensation

There were no requests for dispensation required.

48. Public Participation

No one wished to speak during public participation.

49. To Approve Draft Open Minutes of the Finance & Scrutiny Committee Meeting held on 8 September, 2020

It was Proposed, Seconded and unanimously

RESOLVED:

That the Open Minutes of the Finance & Scrutiny Committee Meeting held on 8 September 2020 be approved as a correct record.

In accordance with current procedures, the Chairman's signature and the date will be appended electronically to the Minutes.

50. To receive an update on the External Audit and Annual Return for the year 2019-20

The Deputy Town Clerk gave an update regarding communication with the External Auditors over a reconciliation issue queried earlier in November.

It had transpired that the changes to the figures relating to the reporting of Long Term Investments last year had been incomplete. The External Auditors had originally specified which figures needed changing but the recent reconciliation query for 2020 had now identified further changes to two of the values for 2019. Their explanation for these changes meant the Deputy Town Clerk had subsequently determined that the two equivalent figures for 2020 also required amendment. Members were advised the amendments made no difference to the Balances carried forward.

The External Auditors had confirmed there were no further outstanding queries and the revised figures for Section 2 – Accounting Statements 2019/20 had all now been agreed. These amendments needed to be initialled and dated by the Town Clerk and the Mayor and returned to the External Auditors by 20 November, 2020. This should allow time for the External Auditors to return their completed Report and Certificate by this year's extended deadline of 30 November, 2020.

Members will be asked to note the report at the next Finance & Audit Committee meeting in January, 2021.

51. To receive the Management Accounts for the Period 1 April 2020 - 31 October 2020

Members noted the report.

52. To review the latest Draft Budget Strategy for the year 2021-22

The Deputy Town Clerk provided a verbal update on the budget process so far this year. The spending committees with new delegated powers to set up designated reserves had determined to defer decisions until their meetings in the next 2 months but were mindful of the requirement to determine the final draft budget for review and recommendation to Council in January 2021.

Members were also advised of a request by a councillor for the Excel version of the draft budget to be circulated and whether they considered this would be beneficial, for reference purposes only, on the understanding that any

further changes would still need to be communicated to the Deputy Town Clerk to update the master version.

During the debate which followed, several Members advised they did not require the Excel version of the budget, while some felt that it should be distributed with the PDF version for reference purposes.

Members were also asked to consider the repeated request for a three year budget forecast and whether it was worthwhile to spend time on this, given the level of uncertainty over the impact of the coronavirus pandemic on many of the figures which would inevitably become out of date very quickly. Previous analysis had also shown significant differences in the projected housing supply figures by the District Council and the subsequent confirmation of the tax base figures for the last few years.

That said, a three year forecast could help in considering the potential impact on reserves of running continued budget deficits going forward. The Deputy Town Clerk confirmed that a quick analysis of average Actuals figures for the last three years, as shown in the detailed draft budget, indicated an average Net Deficit of approximately £42,000. Members were advised to note this was significantly less than the considerable budget deficits approved for the last two years.

It was suggested that an Excel version of the three year forecast would be useful to enable councillors to make adjustments to see the impact of changes.

A query was raised on how the budget would reflect a potential request for funding from the new Youth Council and it was confirmed this will depend on the level of detail available when the budget is finalised.

There was some concern that producing a three year forecast was premature at this stage and should be delayed until next year when there would hopefully be more clarity on when the coronavirus pandemic restrictions could be eased.

Given some of the income deficit for the current financial year has been caused by lockdown restrictions, it was also suggested that the Town Council applies to the District

Council for one of the new discretionary grants for businesses and organisations which pay rates.

It was confirmed that the net figures of £837,143 for income and expenditure in the draft budget were the starting point for next year's budget which needed to include a balancing figure of over £258,000 from reserves in the income section to support the net expenditure.

With the three year forecast, it was felt that it was good business practice to undertake this but an issue was raised with the year commencing in April 2023 when unitary authorities may well be introduced. It was also observed that many of the expenditure items within the budget were relatively static and that any work on a three year projection should highlight the variable costs / discretionary spend, such as the planned Town Hall maintenance and repair expenditure which has been ongoing for the last two years and will continue into next year. It was further suggested that splitting out the Town Hall planned maintenance into a separate budget line would help to give a better understanding of the overall expenditure under Operational & Administrative Expenses.

There was some consensus that a three year high level forecast based on assumptions and differentiated between fixed and variable costs would be worthwhile, though Council should continue to agree a one year spending plan as part of the annual budget process.

It was confirmed that the budget lines had been allocated to the different committees so there were specific versions of the draft budget available, as and when required.

In response to a query on the budgeted reserves figure for 2021 and 2022, it was confirmed this was included in the Excel version of the budget but had not yet been published due to further analysis being required on the expected underspend for 2020-21 and its impact split over designated and general reserves. The total reserves at 31 March 2020 stood at £750,985 so it is believed there are still sufficient reserves to cover the revised deficit for 2020-21 and the budgeted deficit for 2021-22. This is still expected to allow a balance to remain in the General Reserve which should adhere to the Reserves Policy requiring this to be at least

50% of the annual precept. However, there are still concerns with the future implications for replenishing the reserves.

It was confirmed that a request for a further £10,000 for climate change initiatives has already been added to the next version of the draft budget for 2021-22, and a note to add funds for the Youth Council has been made. Any further requests for budget changes need to be forwarded by email to the Deputy Town Clerk before the end of the current calendar year to enable the final draft budget to be reviewed and agreed in January 2021. If this leads to concerns with the overall budgeted expenditure, an additional meeting of the Finance & Audit Committee could be called in December.

The requirement for committees to request funding levels for their designated reserves was outstanding and Members were advised to be mindful of the potential impact on the General Reserve. It had also been suggested that, in the absence of potential funding requirements being identified, a 'default' designated reserve could be created from some of the budget underspends for 2020-21 where it was identified that expenditure had been delayed in the current financial year and that there were ongoing spending requirements.

There was some concern on the approach to take with budgeting for events which may or may not happen in 2021 depending on what is happening with the coronavirus pandemic. There was general agreement that the budget should be done on an optimistic basis and still include these items as it was better to have made provision than to try to find funds at a later date. This was on the understanding that these items are likely to be funded from reserves for 2021-22 rather than by submitting an inflated precept request to cover 'what if' expenditure which is not ultimately required.

It was confirmed that the introduction of new designated reserves to reassign the funds currently held within the General Reserve was considered a reasonable approach and should meet with approval from the internal and external auditors, providing these earmarked funds were held for genuine reasons and were in line with the Reserves Policy.

It was AGREED that Members would await further requests from the other committees and sub-groups, in addition to confirmation of the tax base in December by the District

Council, before reviewing and finalising the budget and precept recommendation in the next meeting in January.

53. To review Council's investment strategy

It was confirmed that the loss of income from Town Hall hire fees, Charter Market licence fees and a drop in Cemetery and Tranquility Garden fees in 2020-21 means that the recommendation is not to reinvest the full amount of the maturing fixed interest bond, to ensure sufficient funds are available in short term investments and savings to cover cash flow requirements between receipt of the half yearly precept amounts in 2021.

The relationship between investments and reserves was explained. Investments (and cash at bank) reflect the total funds held by the Council throughout the financial year and fluctuate as precept amounts and income is received and expenditure occurs. Reserves represent the amounts determined at a fixed point in time, namely the year end at 31 March, and remain static throughout the year.

Audit restrictions apply to the type of reserves held and the level of funds held as general reserves, rather than how these funds are invested, although there is 'Guidance on local government investments' issued by the Ministry of Housing, Communities and Local Government (MHCLG) with effect from 1 April 2018.

Council's current investments have all been recommended by other local authorities, and the Council has a good working relationship with the investment companies, with subscription and redemption transactions progressing smoothly as and when required.

It was confirmed that the essential difference between the long term investments held as fixed rate bonds compared to short term investments means that funds invested are unavailable until maturity.

It was also confirmed that, although the bulk of Council's long term investments are in the CCLA Local Authorities' Property Fund which was undertaken with a 5 to 7 year outlook, in normal circumstances it would be possible for Council to sell some or all of its shares within 30 days,

although this was not advised as there was an expectation that funds needed to remain invested for as long as possible to offset initial set up charges and management fees. However, the higher dividend return from this investment has been proven over the last few years and has significantly increased the total dividend and interest income which the Council has received each year.

It was further confirmed that the recommendation for re-investment this year was considered as a low risk option, which was believed to be the most prudent course of action at this time of high economic uncertainty.

It was finally noted that there was a significant sum of funds of over £200,000 becoming available in a year's time as part of the rolling return of fixed rate bonds which would require further detailed debate and review of the Investment Strategy next year.

Consequently, it was Proposed, Seconded and unanimously

RESOLVED:

To re-invest £50,000 in a new Cambridge & Counties Bank 2 Year Fixed Rate Bond;

To transfer the balance of £50,000 plus interest into the existing Cambridge & Counties Bank 31 Day Notice Savings Account.

54. Deputy Town Clerk's Verbal Report – for information only

Members were advised that an update on the item relating to an application to the District Council for CIL funding, which had been RECOMMENDED at the last Finance & Scrutiny Committee meeting in September, is included in the Town Clerk's Open Report for the Town Council meeting on 24 November, 2020.

An update on Council's long term investment in the CCLA Local Authorities' Property Fund was also given.

55. Date of Next Meeting

The next meeting is 12 January, 2021 at 6:30pm at the Town Hall or 6:00pm using Zoom software if virtual meetings are still in place.

The Chairman declared the meeting closed at 7.08pm