

STRATFORD-UPON-AVON TOWN COUNCIL

FINANCE & AUDIT COMMITTEE

17 NOVEMBER, 2020

TOWN CLERK'S OPEN REPORT

Pages 1 to 6

1) Annual Governance and Accountability Return (AGAR)
External Auditor Report and Certificate

• **To note the report**

As reported at the Finance & Scrutiny Committee Meeting on 8 September 2020, the External Auditor Report and Certificate was expected to be delayed by up to two months as a result of the extended deadlines following the coronavirus lockdown restrictions.

Since submitting the AGAR in July 2020, there has been no further contact from the external auditor until a request for additional information was received week commencing 2 November 2020. Unfortunately this has not been a straightforward matter to resolve and a verbal update will be provided at the meeting.

The External Auditor Report and Certificate for the AGAR for Stratford-upon-Avon Town Council for 2019/20 will be tabled at the meeting if it has been received by then, but Members should note the deadline for completion is the end of November 2020 and the details may not be reported until the next meeting of the Finance & Audit Committee in January 2021. The Town Clerk and Deputy Town Clerk will continue to liaise with the external auditors and keep Council informed.

The Notice of Conclusion of Audit will be made public on noticeboards and the Council's website as soon as the required documents have been received.

Members are requested to note the report.

2) To Receive the Management Accounts for the period
1 April 2020 – 31 October 2020

- **To note the report**

The Management Accounts for the period 1 April 2020 – 31 October 2020 (**Appendix 'A'**), together with an Overview summary (**Appendix 'B'**) and an analysis in the Management Accounts Review (**Appendix 'C'**).

Members are requested to note the report and the review.

3) Draft Budget 2021 - 22

- **To review the financial implications arising from the initial budget reviews by the other Standing Committees**
- **To recommend any amendments that fall within the Finance & Audit remit that can be made to the draft budget to facilitate an acceptable precept level**

At the Finance & Scrutiny Committee meeting on 8 September, 2020, Members agreed that the budget strategy should continue as outlined in the report. The Deputy Town Clerk was asked to approach the District Council for an early indication of the likely change to the Tax Base but this has not been provided to date.

The Community Services (CS) Committee and Civic, Heritage & Events (CHE) Committee discussed their budget requirements at their meetings on 20 October and 3 November, 2020 respectively. Both Committees have deferred decisions on their budget requirements until their next meetings in December 2020 and January 2021, to allow more time for a detailed review following approval by Council of the revised Committee structure and also to consider their requirements for designated reserves.

The initial budget proposals have been updated following officer reviews and the latest Third Draft Budget is attached as **Appendix 'D'** (Summary) and **Appendix 'E'** (Detail) and submitted for consideration by the Finance & Audit Committee.

A draft of the Precept Summary document (**Appendix 'F'**) shows the additional information which is required by the District Council when the Precept request is submitted in January 2021. As per last year, the most notable aspect of this summary is that Council's

expenditure could exceed £1million next year, though the unexpected events of 2020 have meant this is no longer expected to be the case in 2020-21.

A brief overview of the latest budget will be presented at the meeting.

Members are requested to note the following:

1. The Budget will undoubtedly change over the next few months and the Tax Base will not be confirmed by the District Council until December, but Members should note that there is expected to be a significant draw down on Reserves in 2021-22 to fund proposed expenditure (Further Funding from Reserves is currently shown to be just under £260,000).
2. The Tax Base uses the same figure as 2020-21 but is expected to be increased as it has done in previous years.
3. An increase in the Annual Rate Charge per Household has been set at 1.5% as per the increase for 2020-21, but this is not intended to set an expectation and it is obviously a matter for Members to debate and recommend to Council.
4. A significant part of the requirement for funding from reserves will be expenditure on Town Hall Maintenance, much of which will be carried over from 2020-21. Delays caused by the coronavirus pandemic mean that overall the budgeted deficit for 2020-21 is unlikely to be fully realised, meaning the level of funding from reserves will not be as high as expected. However, due to ongoing uncertainty caused by the pandemic and lockdown / tiered restrictions, it is difficult to forecast at this time. Figures will continued to be reviewed over the next two months before the budget has to be approved.
5. Members should also be aware there is currently no specific provision for any projects which may come from other standing committees or the various sub-groups. Please note there is just over £13,000 available from Community Infrastructure Levy (CIL) contributions.
6. The Final Draft Budget will be recommended to Town Council in January, so there is still plenty of time for items to be considered and figures to be adjusted.

The Third Draft Budget shows a potential Further Funding from Reserves of **£258,377**.

Each budget section should be reviewed as soon as possible. The endeavour is to ensure that the budget will be a true and accurate reflection of Council's projected costs for the forthcoming years and will, in turn, form the basis of the precept request from Stratford-on-Avon District Council.

It should be noted that there will be further adjustments required once the Tax Base is confirmed by the District Council, which is expected before the next Finance & Audit Committee meeting on 12 January 2021.

In addition, as determined by the current Reserves Policy, Members should bear in mind the need to maintain General Reserves at a level equivalent to at least 50% of one year's Precept, or to amend the Reserves Policy if this is not going to be possible. It is also expected there will be a draw on General Reserves and the Building Maintenance Reserve at the current year end in order to finance the approved overspend of this year's budget and expected ongoing maintenance costs as part of the new quinquennial Town Hall Maintenance Plan.

The Reserves Policy may need to be reviewed again when the Final Draft Budget is recommended to Council in January 2021.

4) Investment Strategy

- **To determine re-investment of funds**

A long term investment of £102,005 in a 2 Year Fixed Rate Business Bond with Cambridge & Counties Bank is maturing on 4 December 2020. Members are therefore asked to consider re-investing the funds. This particular investment will have generated expected interest of over £4,000 over 2 years.

The current rate for a new 2 Year Fixed Rate Business, Trust and Charity Bond is 1.2%, which is lower than the rate of 2.0% received over the last 2 years. For each £25,000 invested (the minimum investment), expected interest after 2 years would be £603.60.

Cambridge & Counties Bank also currently offer a 5 Year Fixed Rate Business, Trust & Charity Bond with an interest rate of 1.4%,

which would provide an expected return of £719.88 per £10,000 after 5 years.

Re-investing in either of these Bonds can be viewed as a low risk option, though the funds cannot be accessed for the duration of the investment period. The Council's other existing Fixed Rate Bonds of £102,200 and £130,000 mature in November and December 2021, continuing the "rolling cycle" of investments which enable Council to review their investments and consider options annually which is important for allowing funding of future expenditure from Reserves while ensuring higher returns may be gained from long term investments.

Alternatively, funds could be transferred to Council's existing 31 Day Notice Business Savings Account with Cambridge & Counties which currently offers an interest rate of 0.9% with access to funds within 31 days. Note this is a variable rate account so the interest rate may well be lowered if challenging economic conditions continue.

Members are asked to note that, if no action is taken to re-invest the Bond at the end of the term, the total funds can be transferred back to the Town Council's bank account and then transferred to another short term investment option which is the CCLA Public Sector Deposit Fund. As at 7 October 2020, this is currently reporting a yield of 0.1012% and allows access to funds within 24 hours. While this is the lowest rate of interest identified of the options outlined above, it would be better than leaving the funds in the bank account.

The CCLA Investment Manager has previously advised that further sums of £10,000 or more can be invested in the Local Authorities' Property Fund (LAPF), which has most recently provided a dividend yield of 4.26%. While this fund has proved to continue to give a considerable boost to the Council's investment income over the last 4 years and has grown to over £1bn since Council's original investment, it is very much a long term option. Fund prices and dividends have been adversely impacted by the coronavirus pandemic this year, with further challenges expected in the months ahead because of economic uncertainty.

Given the continued uncertainty over COVID-19, Brexit negotiations and interest rates, re-investing in a 2 Year Bond will be beneficial in terms of increasing the total interest from investments, with little additional risk, and allow further review in a

year's time. The 5 Year Bond will provide a higher return but obviously tie up funds for longer. Alternatively, adding some of the funds to the existing LAPF investment would potentially more than double the returns, though obviously with increased risk and for potentially a much longer term.

While no withdrawals are allowed during the term of the Fixed Rate Bonds, the bulk of Council's income is "guaranteed" by receipt of the Precept every 6 months. The current level of Reserves and short term investments should ensure there is no adverse impact on the Council's ability to fund its commitments over the next 12 months if some of the funds from the maturing bond are re-invested.

However, Members should be aware that there is likely to be a requirement for greater liquidity in the next 12 months, particularly if income from Charter Market fees and Town Hall lettings continues at current reduced levels. A recent forecast for the remainder of 2020-21 suggests a deficit of at least £150,000 while the proposed Draft Budget for 2021-22 shows a forecast requirement of Further Funding from Reserves of just under £260,000 next year, including ongoing maintenance work on the Town Hall and associated costs and fees which will need to be paid in the next 12 months.

Based on the proposed Draft Budget and expectations of cash flow to cover "normal" expenditure over the course of the rest of the financial year, it is recommended that no more than £50,000 is invested in long term options at this stage, to ensure sufficient funds are available to cover all expected expenditure in the first half of the financial year for 2021/22. The rest of the funds from the maturing bond can then be transferred to short term investments and savings to improve liquidity and cash flow during 2021, prior to review of the investment strategy again in November 2021.

Members are asked to consider and resolve which option(s) to take.

Deputy Town Clerk
November, 2020