

STRATFORD-UPON-AVON TOWN COUNCIL

FINANCE & SCRUTINY COMMITTEE

20 JULY, 2020

TOWN CLERK'S OPEN REPORT

- 1) To Receive the Management Accounts for the period
1 April 2020 – 30 June 2020

- **To note the report**

The Management Accounts for the period 1 April 2020 – 30 June 2020 are attached as **Appendix 'A'**.

The figures reported include final year-end balance adjustments identified by the Town Council's accountants in preparing the Financial Statements (Annual Accounts) for 2019-20.

Members are requested to note the analysis in the Management Accounts Review, attached as **Appendix 'B'**.

- 2) Annual Accounts for the Year 2019-20 ended 31 March 2020

- **Members are requested to consider the report and recommend the 2019-20 Annual Accounts to Council for approval**

The audited Financial Statements (Annual Accounts) for the period 1 April 2019 – 31 March 2020 are attached as **Appendix 'C'**.

- The accounts show a net deficit for the year of £83,269, which is approximately £5,000 higher than the figure of £77,932 reported in the Management Accounts at 31 March 2020. Although there are some differences between figures reported in the Financial Statements compared to the Management Accounts because of different groupings of items and year end adjustments, the difference can primarily be attributed to reporting of Audit fees (£6,500 in the Financial Statements compared with £1,600 in the Management Accounts).

- There is a net transfer of £4,948 from Designated Reserves following a reduction in the Building Maintenance Reserve for work undertaken on the Town Hall and a reduction in the Christmas Festival Reserve to cover a budget deficit. These were offset by increases in the Election Expense Reserve, Shakespeare's Birthday Celebration Reserve, Vehicle Replacement Reserve and the addition of a new Designated Reserve for the Community Infrastructure Levy.

The General Reserve fell by £78,321 to **£442,390**, much of which can be attributed to reduced income and increased expenditure on the Town Hall, including professional fees, and election expenses. It should be noted that this is approximately half the original budgeted deficit for 2019-20 of £148,551.

- As determined during the Budget review process for the last three years, further costs for the maintenance of the Town Hall over the next financial year will be taken from the Designated Reserve for Building Maintenance, which has decreased after initial expenditure for 2018-19 and further expenditure in 2019-20. It must be noted that the remaining balance in the Designated Reserve is insufficient to cover the estimated remaining costs and will need to be replenished or supplemented from the General Reserve at some point.
- Following the dissolution of the Old Stratford & Drayton parish, and the transfer of funds to the Town Council, the remaining funds in the Designated Reserve were spent before October 2019 in Bishopton Hamlet for the sole benefit of the community, in line with the terms and conditions of the settlement.
- Members will also note the Designated Reserve for Shakespeare's Birthday Celebrations shows an increase of £4,979 from the previous year. The Town Council facilitates the organisation of the Celebrations and, as the 'banker', the Council receives various donations and grants from other interested parties. With the cancellation of the event in April 2020, there was little income received but expenditure was not required so the funds will be carried forward to support next year's event. The figure of

£73,047 represents the balance in the accounts as at the 31 March, 2020.

As per the change introduced three years ago, the policy of including accruals, prepayments and deferred income relating to these activities elsewhere in the Town Council's accounts is no longer being used, which has resulted in greater transparency of funds available throughout the financial year. Because of the cancellation of the event in 2020, the budget contributions of the District and Town Councils for 2020-21 have not been taken. With little additional income or expenditure in 2020, the Management Accounts as at the end of June 2020 show a small change to the current "pot" of £73,424.

- As already mentioned above, additional funds have been transferred to other Designated Reserves. These were in line with budget decisions and minutes from Standing Committees.

Therefore, the revised Designated Reserves at 31 March 2020 show a small net increase of £4,157 and Reserves are now reported as:

Building Maintenance	£136,615
Cemetery Land & Building Maintenance	£ 25,400
Allotment	£ 27,162
Christmas Festival	£ 7,154
Vehicle Replacement	£ 15,000
Election Expenses	£ 18,462
Community Infrastructure Levy (CIL)	£ 5,755
Shakespeare Birthday Celebrations (SBC)	£ 73,047
Total Designated Reserves	£308,595
General Reserve	£442,390
Total Reserves	£750,985

Note – the Financial Statements are required to show figures for Fixed Assets, but Members should be aware these only reflect valuations of the Council's assets at a point in time and do not indicate funds available to finance the Council's ongoing activities.

3) Internal Audit & Annual Governance and Accountability Return for the year 2019-20

- **Members are requested to consider the report and recommend the Annual Governance and Accountability Return for the year ended 31 March 2020 to Council for approval**
- **Members are further requested to give consideration to the points raised by the Internal Auditor**

The Annual Governance and Accountability Return (AGAR) must be formally approved by Council before being sent for external audit. The next Town Council meeting is scheduled for 28 July 2020.

The AGAR, together with supporting documentation, is required by PKF Littlejohn, the External Auditor, by 1 September 2020.

H.L. Barnes have completed their internal audit and signed the Internal Audit Report which forms part of the AGAR, attached as **Appendix 'D'**. Their work did not identify any matters where systems and/or procedures are not being followed.

Members are requested to note the report.

4) Reserves

- **To note the report**

The level of reserves held by town and parish councils has become the focus of attention in recent months within the district, following discussions about the distribution of central government funding in excess of £3.7bn in response to councils supporting their communities through the coronavirus crisis.

As detailed in the report above, the Town Council's total reserves now stand at £750,985, down from the figure of £825,149 in 2019. However, simply stating the total value of reserves reported in the accounts is not helpful in determining funds available to the Town Council for future spending, including ongoing COVID-19 related activities.

Further relevant information is as follows:

- Management Accounts – Current Liabilities – Restricted Funds of £16,161 are not reported in the accounts as Designated Reserves but include monies where the Town Council acts as “purse keeper” for other organisations and therefore these cannot be relocated;
- SBC Reserve of £73,047 (and current balance of £73,424) is not available for reallocating to any other Town Council activities because the Town Council acts as “purse keeper”;
- CIL Reserve of £5,755 (and current balance of £10,279) is only available for community projects as defined by CIL regulations;
- Building Maintenance Reserve of £136,615 is insufficient to cover the budgeted deficit for Town Hall maintenance and repairs over the next two years (currently estimated to be at least £250,000);
- Cemetery Land & Building Reserve of £25,400 has already been earmarked towards additional cemetery maintenance and equipment costs this year, as well as potential costs for acquiring further cemetery burial space as the current cemetery is nearing capacity;
- Allotment Reserve of £27,162 has similarly already been earmarked towards being reallocated to contribute to the potential costs for acquiring further cemetery land;
- Christmas Festival Reserve will only fund the potential budget deficits for the next two years if event costs continue at the level for the last two years;
- Vehicle Replacement Reserve of £15,000 has been building up over a number of years to cover future replacement of the two ageing cemetery vehicles, which are incurring increasing annual maintenance costs. Alternatively, they could be used to contribute to replacement costs of the civic car;
- Election Expenses Reserve of £18,462 has been established in recent years to help apportion the costs of future elections over a number of years rather than “taking a hit” every four years, and it is inevitable that future election costs will be incurred.

Therefore, there is relatively little scope for reallocating designated reserves to other purposes not already identified.

That leaves the General Reserve of £442,390 (previously £520,711) which is available for any purpose which the Town Council may determine. However, it should be noted that the current year's budget includes a deficit to be funded from reserves of £295,705, plus further virements of £13,000, giving a total forecast deficit for 2020-21 of £308,705. These budget decisions were agreed back in January 2020, before the coronavirus pandemic took over.

Much of this deficit can be attributed to the estimated additional Town Hall maintenance costs (budgeted at £227,000 this year).

In simple terms, if the actuals for 2020-21 follow the budget, even using all the Building Maintenance Reserve of £136,615 to contribute to the previously forecast Town Hall expenditure would leave a fall in the General Reserve to £270,300. This would also mean no reserves specifically designated for further maintenance costs for the Town Hall.

The reality of the situation in light of the coronavirus pandemic is that most of the Town Council's income streams other than the Precept have been severely impacted by the lockdown, while expenditure is also unlikely to follow budget forecasts for the rest of the year as lockdown restrictions and uncertainty continues. For example, external repairs to the Town Hall are currently delayed while the town centre traffic restrictions to aid social distancing are in place, preventing the erection of scaffolding. While the lost income is unlikely to be recovered, the expenditure is merely being delayed.

It is impossible to give a meaningful revised forecast for the year at this stage but it has already been established that reserve levels are expected to continue to fall and need to be given careful consideration during the budget process later this year.

Members are requested to note the report.

Deputy Town Clerk
14 July, 2020