

STRATFORD-UPON-AVON TOWN COUNCIL

FINANCE & AUDIT COMMITTEE

5 SEPTEMBER 2023

TOWN CLERK'S OPEN REPORT

1) External Audit and Annual Return 2022-23

- **To note the report**

The Annual Governance and Accountability Return (AGAR) for the financial year 2022-23 and supporting documentation were submitted to the external auditor, Moore UK Global, on 29 June 2023. After an email acknowledgement of receipt, a further email was received on 12 July 2023 with some queries which was replied to on 13 July 2023. No further response has been received. However, the External Auditor Certificate and Report 2022-23 from Moore UK Global are expected before the end of September 2023.

If received in time, the external audit details will be tabled at the meeting or presented at the next meeting following receipt from the external auditor. Members will be requested to note the report and recommend any response, if required, which the Responsible Financial Officer will prepare on behalf of Council.

2) To receive the Management Accounts for the Period 1 April 2023 – 31 July 2023

- **To note the report**

The Management Accounts for the period 1 April 2022 – 31 July 2023 are attached as **Appendix 'A'**, along with a detailed review attached as **Appendix 'B'**.

Members are requested to note the report.

3) To review and approve Financial Policies and Procedures

- **To undertake the annual review**

Members are requested to review and approve the Financial Policies and Procedures under the annual review (now undertaken each September). The latest versions are in the appendices.

- 3.1 Terms of Reference (**Appendix 'C'**)
- 3.2 Financial Regulations (**Appendix 'D'**)
- 3.3 Reserves Policy (**Appendix 'E'**)

4) Budget Strategy for the year 2024-25

- **To consider the Council's budget strategy for the next financial year to give guidance to the other spending Standing Committees**

Members are requested to consider the guidance that should be given to the spending Standing Committees and to Officers when compiling the budget requirement for the forthcoming year.

While the approach for many years has been to compile budgets on a proven need basis, the current challenging economic circumstances and ongoing budget deficits mean that this year's budget process will need to consider expenditure cuts to avoid a further budget deficit. Officers need direction on the budget strategy in order to draw up preliminary budgets to bring proposals to the two spending Standing Committees in the October / November round of meetings, for review as part of the budget process at the next Finance & Audit Committee meeting in November.

Unlike in recent years, there are no large one-off costs for projects and initiatives in the current year which will not be carried forward (and so easily reduce the overall expenditure in 2024-25).

The principles recommended by the Finance & Audit Committee in compiling the draft budget for 2023-24 should then be adhered to in all departments. There are likely to be difficult challenges ahead before the final budget is recommended, which will form the basis of the precept request to Stratford-on-Avon District Council to be submitted by the end of January 2024.

Expenditure

Other than considering general spending efficiencies, Members are reminded of some additional items to be addressed as part of this year's budget process:

- Inflation has increased dramatically over the last year. While rates have begun to drop, the cost of supplies and services have increased across the board. The budget should allow for price increases of at least 10%.
- It is expected that wages, salaries and related costs will increase if an NJC Pay Award is agreed for 2023/24 (ongoing since March). Members should also consider the costs of replacing any staff who leave during the financial year.
- To consider the Mayor's Allowance which was reduced for the Financial Year 2022/23 and hasn't been revisited.
- Energy Costs have begun to fall but are still significantly higher than before the war in Ukraine. The Town Council entered in to a 2-year fixed agreement for the Cemetery Electricity and a 1yr fix for Town Hall Gas both in January 2023. The Town Hall Electricity contract is due to expire in September 2024.
- The budget contributions to the Shakespeare Birthday Celebrations in 2022-23 by both the Town and District Councils were both reduced to £20,000 from the pre-COVID level of £25,000 per organisation. While there are sufficient funds "in the pot" to finance an event in April 2024 of a similar scale to the one in 2023, budget pressures may force the District Council to make further cuts in 2024 and the Town Council should consider its contribution and future financial commitments very carefully.
- The purchase and testing of land to extend the Cemetery – to consider whether the costings and timings still accurate in order to build up the Designated Reserve. Any shortfall for expenditure whether in the current financial year or next would need to be funded from the General Reserve, requiring the General Reserve to be increased in order to adhere to the Reserves Policy.

Income

Charter market fees are determined by contractual arrangements, with an annual inflation rise applied from 1st October each year.

Other income sources include Town Hall hire tariffs, plus Cemetery and Tranquility Garden fees. These are at the discretion of the Town Council and costs were revised in April 2023. An analysis of Town Hall bookings is required to determine the success of the new rates. It is recommended that these fees are reviewed annually to include an annual inflationary increase as a minimum in order to cover the Town Council's increasing costs of operating these services

The Precept is the Council's only 'guaranteed' source of income and should fund the bulk of expenditure. The Council continues to receive an annual rise in the overall precept amount due to housing development in Stratford-upon-Avon and the resulting increase in the Tax Base. While the Council is fortunate to have a significant level of reserves, these should not continue to be relied upon to fund budget deficits and have depleted to below the recommended level (see the General Reserves section below). Members should be mindful of the potential increase in the precept request which will be required to replenish these reserves as well as satisfy the expenditure requirements of the agreed budget. Attached as **Appendix 'F'** is a summary of the Precept since 2016-17 as well as the General Reserve carried forward each year and precept scenarios to consider.

When deliberating the precept requirement, Members should also be aware that any new projects or spending which may occur in the next few years will need to be carefully costed and appropriate funding sources identified, as **reliance on the General Reserve cannot continue be assumed as the default option. If a consensus is reached that any precept increase should be capped, it would be beneficial to agree this early in the budget process so that other budget adjustments can be made accordingly.**

General Reserve

Following finalisation of the year end accounts for 2022-23, the General Reserve has fallen below the level required by the Reserves Policy, namely 25% of annual Budgeted Expenditure.

Using the 2022/23 year end figures, **the General Reserve is now £140,074** against an annual budgeted expenditure of £722,847 for 2023/24, giving a figure of **19.38% which is £40,637 below what is required**. This amount should be included in the budget for 2024-25, **in addition to any further deficit for 2023-24, which was originally budgeted at £76,945**. If there is a budget surplus rather than a deficit at the end of the financial year 2023-24 this will offset some of this, but it is still too early in the financial year to be confident of the final results which will not be confirmed until May / June 2024.

As the general reserve has fallen below the minimum level recommended as 'best practice' for a council with an expenditure budget the size of Stratford-upon-Avon Town Council, the focus of the 2023-25 budget should be on addressing the need to ensure reserve levels are maintained sufficiently to service the needs of the Council going forward. It is appreciated that this will be a very difficult challenge given the economic uncertainty which the country is currently facing.

Members should continue to be mindful of the implications for the Reserves Policy if the level of budgeted expenditure for 2023-24 is reflected in the Actuals at year end. Deficits have grown and Reserves have fallen dramatically over recent years. **This level of expenditure is not sustainable into 2024-25 and beyond**. The general reserve is an important fall-back for unexpected costs such as the Cemetery Chapel repair works seen this year.

A more accurate forecast of the total deficit for 2023-24 should be available by January 2024, before the budget for 2024-25 has to be finalised, as by then only one quarter's expenditure will be outstanding. While it is possible that the overall deficit will not be as high as budgeted, Members should continue on the basis that there will still be a substantial reduction in total reserves by the time the current financial year's accounts are finalised.

Designated Reserves

Members are also asked to give consideration to the levels of Designated Reserves which will be required at year end. The levels of Designated Reserves which were requested following the introduction of the new committee structure in September 2020 are for those committees to review and confirm and are not for the Finance & Audit Committee to determine. However, guidance on

this can be expected as part of the overall budget requirements of the Council.

The current Designated Reserves and balances are also listed on page 3 of the monthly Management Accounts – see Appendix ‘A’.

The review of the Designated Reserves should also consider any adjustments which may be required, for example to replenish any reserves that are depleted. They will subsequently be confirmed as part of the year end process in preparing the annual accounts for 2023-24 and therefore can be reviewed again in March 2024.

Members are asked to review and consider any other potential changes to the Designated Reserves.

5) Civic, Heritage and Events Committee virement request

- **To consider the request**

At the Civic, Heritage and Events Committee meeting on 18 July 2023, under minute reference 10.7 it was discussed that the £2,000 budget for the Christmas Lights Switch On was no longer adequate due to rising costs and comparative contributions to the event. The Civic, Heritage and Events Committee has requested that the Finance and Audit Committee approve a virement of £3,000 in order to increase the Christmas Activities budget to £5,000.

Members are asked to consider the request

Responsible Financial Officer
August 2023