

# STRATFORD-UPON-AVON TOWN COUNCIL

## FINANCE & AUDIT COMMITTEE MEETING

7 JUNE, 2022

### MINUTES

Open Pages 1 - 9

Appendices E - H

Present:  
Councillors:

|                  |        |
|------------------|--------|
| Cleeve (Mayor)   | Fojtik |
| Coles (Chairman) | Lee    |
| Curtis           | Vos    |

Clerk: Responsible Financial Officer

Press: None

Public: None

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1. To Appoint a Chairman and Deputy Chairman of the Finance & Audit Committee

Mayor Cleeve took the Chair for the appointment of Chairman and called for nominations.

Councillor Coles was nominated and it was Proposed, Seconded and unanimously

RECOMMENDED: That Councillor Liz Coles be appointed as Chairman of the Finance & Audit Committee for the ensuing year 2022/23.

Mayor Cleeve left the meeting and Councillor Coles took the Chair.

Councillor Coles then called for nominations for Deputy Chairman.

Councillor Fojtik was nominated and it was Proposed, Seconded and unanimously

RECOMMENDED: That Councillor Jason Fojtik be appointed as Deputy Chairman of the Finance & Audit Committee for the ensuing year 2022/23.

2. To Accept Apologies for Absence

Apologies were received from Cllr Dyer and Cllr Jackson and accepted for the reasons given.

3. Declarations of Interest on items on the Agenda

None.

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

There were no written or verbal requests for dispensations.

5. To Grant Any Requests for Dispensation

There were no requests for dispensation required.

6. Public Participation

No one wished to speak during public participation.

7. To Approve Draft Open Minutes of the Finance & Audit Committee Meeting held on 8 March, 2022

It was Proposed, Seconded and unanimously

RESOLVED: That the Open Minutes of the Finance & Audit Committee Meeting held on 8 March, 2022 be approved as a correct record.

8. Management Accounts for the period 1 April 2021 – 31 March 2022

The Responsible Financial Officer reiterated a couple of points from the report, which helped to explain the difference between the 'NET Surplus / (Deficit)' reported in the Management Accounts and 'Deficit for year' reported in the Financial Statements (Annual Accounts), namely:

- Net income for the Shakespeare's Coming Home Statue Restoration initiative has to date been included in the income and expenditure figures in the Management Accounts. However, this was identified during the year end process as requiring a separate designated reserve and has been removed from the income and expenditure figures in the Financial Statements. Negative expenditure (i.e. net income) of £17,855 means an increase in the net deficit.
- Additional accruals for Town Hall Planned Maintenance and Repairs in 2021-22, identified during the year end process and confirmed by receipt of an invoice on 27 May 2022, mean that the expenditure figure of £214,136 is substantially understated compared to the figure which will be included in the final accounts, which is now expected to be up to £240,000. This additional expenditure means a further increase in the net deficit.

Members noted the report.

9. Management Accounts for the period 1 April 2022 – 31 May, 2022

As explained in the report, the Management Accounts for the period 1 April 2022 – 31 May 2022 are currently a 'work in progress' because the month end process has been delayed due to the extended Platinum Jubilee bank holiday. Based on a draft set of accounts tabled and attached as **Appendix 'G'**, which did not yet include all transactions for May nor any year end adjustments, a verbal update was provided by the Responsible Financial Officer, which included the following:

- The substantial YTD surplus of £23,934 for the Market & Christmas Festival [Net] is due to timing of invoicing. It was explained that the fees for the charter market have returned to the market contract rate (uplifted by an annual inflation increment) following the ending of all coronavirus pandemic restrictions and are now being invoiced monthly in advance. The District Council subsequently invoice the Town Council for their 60% share, which is not reflected in the YTD Actuals figure shown of £30,321. The net YTD Actuals - Income figure is therefore overstated.

- The negative expenditure (i.e. income) figure of £10,019 for Initiatives & Projects is affected by the net income for the Shakespeare Statue Restoration initiative. Once this item is moved to its own designated reserve and the Management Accounts are adjusted, the figure for Council's net YTD Expenditure will increase. The invoice for the bulk of the expenditure on this project (i.e. the conservator's fees) is yet to be received.
- This draft report shows a Year To Date Surplus (after Management Accounts adjustments) but this is overstated for the reasons explained above. It is still early in the financial year and timing of some expenditure over the coming months will change the situation.

Members noted the report.

#### 10. Adjustments to Reserves

Having noted the report, it was Proposed, Seconded and unanimously

RESOLVED: That adjustments to Reserves should be made, as determined during the process of finalising the Financial Statements (Annual Accounts) for the year 2021/22.

A debate subsequently took place on the information included in the Management Accounts and the importance of ensuring all the spending Standing Committees are aware of any designated reserves which are available to them, as well as their committee-specific budgets. Committee-specific versions of the Management Accounts have previously been provided in 2021/22 following adoption of the new committee structure, but no feedback has been received on whether these were useful. A suggestion was made that each committee could appoint a "budget champion" to help ensure that the required information relating to budgets and reserves was communicated.

Committees also need to be aware of the total level of Community Infrastructure Levy (CIL) funds held, although members were reminded that rules apply on how these funds

can be spent and that any decisions on their allocation to future projects and initiatives need to be agreed by Council.

Members were also reminded that there is an existing list of projects and initiatives which has previously been reviewed by Council. Having agreed to contribute CIL funds to the Bridge Street / High Street design initiative in 2020/21 and 2021/22, which was overseen by the Town Centre Strategic Partnership, Council had also previously agreed to build up the CIL designated reserve until another substantial project or initiative had been identified.

It was AGREED that the rules on CIL spending should be circulated to all councillors, who can then consider making a proposal, either individually, as a group, or as a committee, to present to Council for allocation of funds.

11. Financial Statements (Annual Accounts) for the year 2021/22 ended 31 March 2022

A revised version of the year end accounts, attached as **Appendix 'E'**, was tabled at the meeting.

Members were advised that there was an outstanding query raised by the internal auditor relating to the value of accruals for Town Hall restoration and maintenance. This follows receipt of the final valuation invoice from the contractors on 27 May 2022, several weeks after the original draft accounts had been reviewed and initial adjustments had been made. The invoice includes costs which were incurred in the financial year 2021/22 and which therefore need to be accrued.

Additional accrual adjustments were made by Council's accountants, in consultation with the Responsible Financial Officer, to address some points raised by the internal auditor on 27 May 2022 before going away on annual leave. The version tabled as Appendix 'E' includes those adjustments. However, on returning from leave and reviewing the updated accounts on 6 June 2022, the internal auditor has raised a further query on how much of the late invoice from the contractors relates to works undertaken before 31 March 2022. It is their opinion that the figure in the revised accounts for Town Hall restoration and maintenance is still understated by at least £6,681, possibly more depending on

the timings of the works on the Town Hall, some of which continued into April 2022.

The Responsible Financial Officer has been unable to get a detailed breakdown of the dates of the work from either the contractor or Council's building surveyor in time for a further accrual figure to be agreed with the internal auditor and reported to the accountants for them to adjust the financial statements again prior to the Finance & Audit Committee meeting.

The final contract value and retention value shown on the latest invoice has changed from the figures used in the draft accounts, and there are further fees to be paid to Council's architect which are based on a percentage of the final contract value. A further request has been made to the contractors to provide an estimate of the split of costs before 31 March 2022. The accrual adjustment will be between **£6,681 and £13,390**.

The final changes for the additional accrual will increase the **Gross Expenditure for the Town Hall**, shown on page 1, and the figure for **Town Hall restoration and maintenance**, shown in Note 14 on page 9. This will then increase the **Net cost of services** and the **Net operating expenditure** shown on page 1. This will also increase the total **Deficit for year** and reduce the **General Reserve carried forward** shown on page 1.

Unfortunately, this final accrual adjustment will mean the General Reserve falls below 25% of net budgeted expenditure as specified by the Reserves Policy. On the basis that the revised figure will be between 23% and 24%, and that the requirement could be met by further transfers from Designated Reserves if necessary, it was AGREED that this matter should be reviewed at a future meeting of the Finance & Audit Committee and should not prevent approval of the accounts.

Having noted the report, it was Proposed, Seconded and unanimously

RECOMMENDED: That, subject to a further accrual adjustment for Town Hall expenditure, the Financial Statements

(Annual Accounts) for the year  
2021/22 be approved by Council.

A query was raised on whether work to the entrance porch of the Town Hall was included in the contract, as this part of the building appears to have been omitted from the maintenance works. It was AGREED that this should be referred to the relevant Standing Committee responsible for overseeing Town Hall maintenance.

12. Internal Audit & Annual Governance and Accountability Return (AGAR) for the year 2021/22

Members were advised that the Internal Audit Report, which forms part of the AGAR, could not be tabled at the meeting. This was due to an ongoing internal audit query over the figure for Town Hall restoration and maintenance, reported in Note 14 on Page 9 of the Financial Statements. This has already been minuted in 11. above.

Based on the accrual adjustments made after 27 May 2022, a revised AGAR – Accounting Statements for 2021/22 document was tabled at the meeting, attached as **Appendix 'F'**. The amended figures were highlighted and discussed.

Members were advised to note that figures in Appendix 'F' would be affected by the further accrual changes to be made to the figures in Appendix 'E', as already explained above. In simple terms, this is expected to result in an increase in the figure for 'All other payments' between £6,681 and £13,390 which will reduce the 'Balances carried forward' by the same amount.

Members were also reminded that the large increase in the 'Total other receipts' figure between 31 March 2021 and 31 March 2022 included the maturing of long term investments which were used to fund the exceptional Town Hall maintenance expenditure. This expenditure is also reflected in the substantial increase in the 'All other payments' figure.

It was Proposed, Seconded and unanimously

RECOMMENDED: That, subject to a further accrual adjustment for Town Hall expenditure, the Annual Governance

and Accountability Return for the year 2021/22 be approved by Council.

13. Responsible Financial Officer's Verbal Report – for information only

13.1) The internal auditor's report, which is now expected to be received later in June, will include a note about ongoing matters carried forward, namely the Asset Register Review and Risk Register Log updates, as well as a comment about updating the Risk Register Policy which is subject to annual review. This policy document has subsequently been updated and is attached as **Appendix 'H'**.

13.2) The year end process undertaken by Council's accountants had included a review of the partial exemption VAT status of the Council, particularly in light of the exceptional costs and additional VAT payments for Town Hall maintenance in 2021/22. It has subsequently been confirmed that the relevant criteria for keeping this status has been met.

13.3) Another tranche of Community Infrastructure Levy (CIL) receipts has just been confirmed by the District Council, amounting to £10,732.68. This will bring the total balance available for spending on community projects and initiatives to £40,278.

13.4) The format of the Management Accounts requires changing to accommodate the reporting of the new Shakespeare Statue Restoration Reserve, so members were offered the opportunity to propose any further changes in format or content to assist with understanding and budget decision making.

13.5) Members were advised that the salary and pension costs for 2022-23 could be more than budgeted, depending on the outcome of pay award negotiations which affect the pay rates adopted by Council. With inflation currently heading towards 10% and possibly higher, the Town Clerk has been advised that public sector unions are seeking a pay award for substantially more than the 3% used for budgeting purposes. Members were reminded that the pay award for 2021-22 was not confirmed until February 2022 i.e. towards the end of the financial year, so any adverse effect on the

budget deficit for 2022-23 will not be determined for some time.

13.6) On a similar note, and as advised at the previous meeting, energy prices for the Town Hall and the Cemetery Chapel are currently expected to be far higher than budgeted, given the volatility of the world energy prices as a result of Russia's ongoing war in Ukraine. Figures showing an increase of 70% for electricity and 30% for gas were quoted by way of example, based on a public sector framework agreement used by a local school.

13.7) A query was raised on whether financial markets volatility had adversely affected Council's long term investment with CCLA's Local Authorities Property Fund but to date it has continued to perform well. Members will be sent the latest monthly figures for review.

13.8) Members were reminded that the balance in the Cemetery Land & Maintenance Reserve is not sufficient to cover all the costs which will be incurred in buying and converting land to extend the cemetery. It is important that this is considered as part of the budget process for 2023-24, especially as any additional expenditure in the current financial year has not been budgeted for and will have to be taken from the General Reserve.

#### 14. Date of Next Meeting

The next meeting is 13 September, 2022 at 6:30pm at the Town Hall.

*The Chairman declared the meeting closed at 7.55pm*