

MINUTES of the Finance Committee of Melksham Without Parish Council held on Monday 17th June 2019 at 1 Swift Way, Bowerhill, Melksham at 7.00p.m.

Present: Cllrs. Richard Wood (Council Chair), John Glover (Council Vice-Chair & Committee Chair), Alan Baines (Committee Vice Chair), Nick Holder & Stuart Wood.

Officers: Teresa Strange (Clerk) & Marianne Rossi (Assistant Parish Officer)

Apologies: Cllr. Paul Carter who was on holiday and Cllr Paul Taylor was working. These apologies were accepted.

Housekeeping: The Committee chairman Cllr Glover welcomed all to the meeting.

081/19 **Declarations of Interest:** None.

082/19 **Dispensation Requests:** None.

083/19 **Public Participation:** There were no members of the public present.

084/19 **Governance & Accountability for Smaller Authorities in England (March 2019):** The members noted the Governance & Accountability for Smaller Authorities in England for March 2019. This guidance was in respect of financial years commencing on or after 1st April 2019 but as there were no changes to the guidance, simply clarification of proper practices, it can be applied to Annual Governance and Accountability Returns (AGAR) covering the period 1st April 2018 to 31st March 2019; and therefore useful to review at this stage in preparation for the current financial year too. This document advises on the Proper Practices to be applied in reporting of the statutory annual accounts and governance statements, and the Clerk had annotated this document to highlight how the parish council met the legal requirements. Cllr Glover reported that he had visited the Parish Council offices on 10th June and had a look at the Council's internal controls. The Clerk explained that the Officers had shown Cllr Glover how much the Council should have received and had actually received for the Allotments and Sports Field income. The Clerk had sought advice from the Internal Auditor on the guidance on page 63 of the document as it stated that joint committees should make sure that appropriate shares of income, assets and liabilities are included in its own accounts. The Clerk had requested some guidance on this as in the financial year 2018/19 the Parish Council had received a sum of money for the Shurnhold Fields open space as a maintenance contribution from Persimmon homes. The Shurnhold Fields public open space is managed jointly with Melksham Town Council with the Parish Council taking the lead on the project, and therefore had received all the joint funds for this. In addition, the joint grant funding from Locality for the joint Neighbourhood Plan were held in the Melksham Town Council account. The guidance received was that the statement relates to Joint Bodies, the most common of which are Joint Burial committees and from what the Clerk had described, although there may be a joint agreement, there is no joint "body" as such.

The Clerk explained that a statement and details on the amounts of such joint funds had been included in the supporting statement for the Statement of Accounts under the Financial Partnership section and she had also informed the Town Clerk on the advice received as it applied to joint funds.

Members of the committee thanked the Clerk for all the hard work undertaken in piecing all this work together and its presentation.

085/19

Statement of Accounts & Accompanying Report 2018/19:

- a) Statement of Accounts & Annual Report for Year Ending 31st March, 2019:** The committee reviewed the statement of accounts and annual report which will be published on the Parish Council website. The Clerk reported that in the previous financial year ending 31st March 2018 the cost codes were broken down into each play area and allotment, this was because when the Parish Council took over play areas from Wiltshire Council the Council wanted to establish how much was spent on each play area. In the financial year ending 31st March 2019, this was now not done as there was now not a need and, therefore all play areas are now put under Parish Amenities and both allotment sites are put under Allotment expenditure. It was also explained that the headings are now on the report to match with what parishioners will see on their council tax bill. The Committee reviewed the supporting statement that was included in the statement of accounts. It was queried by the Clerk whether the committee felt that the full asset register should be published on the Parish Council website. It was felt by the committee that as the asset register was a large document a break down summary of items such as street furniture and office equipment should be published on the website and if there were any queries a full asset register was available in the Parish Council Office. The asset value for the year ending 31st March 2019 was £278,134. **Recommended:** *The Parish Council to publish a break down summary of the asset register on the Council website.*
- b) Bank Reconciliation at 31st March 2019:** The Clerk explained that it was a stipulation of the Governance (*See Min 084/19*) that the Council review the bank reconciliations on a regular basis and this had been picked up by the first Internal Audit visit that although councillors did this (both Finance and non Finance Councillors), that this needed to be minuted, on a quarterly basis would be sufficient. The committee reviewed the bank reconciliations for each account as of 31st March 2019 and agreed that the bank reconciliation agrees with the bank statements. **Recommend:** *The Parish Council accept the bank reconciliation at 31st March 2019 as a true record, with the closing bank balances at £338,333.34.*
- c) Reserves Breakdown as at 31st March 2019:** The Committee reviewed the reserve breakdown spreadsheet in conjunction with the Rialtas breakdown and noted the documents. The Clerk explained that some of the reserves were different from when the Council had reviewed this document in January and anticipated for year end, one of the examples was because at the time there was a chance that an election could be called for the Berryfield Ward vacancy, however this did not happen and therefore the reserve was not

used. The Clerk explained that the previous External Auditor had wanted to see the different Earmarked Reserves broken down into short and medium projects. The current appointed External Auditor did not require the Reserves to be shown in this way, however, the Clerk suggested that the Council still reported this breakdown as it clearly explained what reserves were available and what for, with an indication of when they would be called on to inform future investment. The Clerk explained that there was a new test in the External Auditor's form (AGAR) Annual Governance and Accountability Return that if reserves were double the precept the council would have to write an explanation to the auditors explaining why the council are holding that amount of money. It was reported that for the year ending 31st March 2019 the Parish Council was near to this, however this was because they had received a large sum of money from Persimmon homes for the Shurnhold Fields Open Space maintenance grant which was held in a Reserve as "ringfenced" funding. The Clerk explained that in the Governance and Accountability document it states that council's general reserves should be maintained at a minimum of between 3 to 12 months of net revenue expenditure. The Parish Council have previously resolved in their reserve policy that general reserves should lie at 1 month's gross expenditure as the council have sufficient earmarked reserves should an emergency occur. The Clerk had estimated 1 months running costs for 2018/19 by dividing the total running cost figure by 12 so that she could get an indication of what 1 months' worth of running costs would look like for 2018/19, the estimated figure was £13,696 per month. It was noted that the closing general reserve figure at 31st March 2019 was £8,128, and therefore did not lie within 1 month's gross expenditure. It was noted however that the Council had £45,000 in their contingency reserve. Cllr Holder expressed a concern that as the closing figure for 2018/19 did not lie within 1 month's gross expenditure this was not in accordance with the Council's reserve policy. It was queried whether the council could vire money across from the general contingency into the general reserves account, the Clerk explained that the figures that are being reviewed are for the financial year 2018/19, therefore this action could not be done as the year had already been closed down.

As the Council were holding substantial Reserves, the Clerk asked if a brief statement and more details of the Reserves would be useful in the Statement of Accounts, and it was agreed that this would be good to show.

Recommended 1: The Reserves Breakdown is approved.

Recommended 2: The committee note that the Council would vire as necessary from the general contingency reserve for 2019/20 and will review this as part of the budget review and setting in January 2020.

d) Receipts and spend of CIL (Community Infrastructure Levy) 2018/19:

The Clerk explained that the anticipated expenditure from CIL for 2018/19 was £37,857 when last reviewed in January however this differs from the actual spend in the 2018/19 statement of accounts, which was £33,223. The members reviewed this and were happy with the figures as detailed in the Statement of Accounts.

e) Spend from Sandridge Solar Farm funding for 2018/19: The Clerk explained that within the Solar Farm agreement there is a requirement that

the Council report back to the Sandridge Solar Farm owners what had the funding been spent on. The members reviewed the amount received from Sandridge Solar Farm which was £5,703.00, the total expenditure was £5,703.00 as was detailed in the Statement of Accounts.

- f) **Asset Value for Financial Year Ending 31st March, 2019:** The committee members reviewed the asset value as of 31st March 2019 which was £278,134 **Recommended:** *The Parish Council approve the Asset Value for the financial year ending 31st March, 2019 at £278,134.*
- g) **Statement of Accounts & Annual Report for Financial Year Ending 31st March, 2019:** **Recommended:** *The council approve this document.*
- h) **Local Government Transparency Code Compliance Report for 2018/19:** The Clerk explained that the council have to report on its compliance to the Transparency Code because its annual turnover is over £200,000. One of the compliance tasks is to publish any expenditure that had been made over £500 on the council website. The Clerk reported that every payment that has been made is published on the council website (www.melkshamwithout.co.uk), with the Full Council minutes, therefore wanted to seek guidance on whether this also needed to be published elsewhere. The Clerk received guidance from the Internal Auditor which stated that as long as this information is 'open and available' and it clearly states on the website where members of the public can access the information on the website then it does not have to be published again elsewhere on the website. Cllr Baines had a query on the unique property reference number, where Hornchurch road play area was on the document as he could only see the MUGA (Multi Use Games Area), the Clerk explained that the play area was included with the MUGA. The committee agreed that this should be split out on the document. The Clerk explained that the transparency code compliance requires councils to provide information on grant funding for 2018/19, however grants that relate to the year 2018/19 appeared in the 2017/18 accounts as they were written in that financial year, the same applies for grants that relate to 2019/20 as they were written in the financial year 2018/19 but were handed out on the 1st April 2019; for the most transparency, grants for both years had been included in this report **Recommended:** *The Parish Council approve the Local Transparency Code Compliance report.*

086/19

Audit:

- a) **Review of action taken against internal audit report 2017/18:** The committee noted the internal audit report for 2017/18. The Clerk explained that in the Governance and Accountability guidance it states that the Council have a responsibility to look back at the internal and external auditor's observations from the previous year and make sure that all observations have been implemented for the next financial year. In 2017/18 the internal auditors' observations highlighted that there was an unreconciled payment that had not been queried, the council's debit card statement was not being viewed by the Full Council and the opening balance did not agree with the annual return. The Finance Committee had reviewed these observations in June 2018, the Clerk explained that the unreconciled payment was a transfer between bank

accounts, the Full Council was now getting a debit card statement each month indicating what items had been brought. The Clerk advised that officers are now chasing people up if they have not cashed their cheques and attach an explanation to the bank reconciliations. It was noted that there were no areas of concern or observations raised by the External Auditors for 2017/18.

- b) Internal Audit reports for 2018/19 (visits 12th March & 5th June):** The Committee reviewed the internal audit report on the 12th March which had one observation, bank reconciliations were not subjected to independent review. The Clerk explained that she had asked the internal auditors what evidence they wanted to see, and it was explained that it should be reported in the minutes that members have reviewed the bank reconciliations and signed them off as an accurate record on a regular basis. The Clerk reported that two non Finance Committee councillors come in every quarter to review the bank reconciliations and each month when two members of the Finance Committee come in to sign off payments, they review and sign off the bank reconciliations. The members noted the second auditor's report on the 5th June 2019 which had no observations and noted that the observation regarding bank reconciliations was now being undertaken.
- c) Effectiveness of internal controls:** Cllr Glover reported that he had visited the Parish Council office on the 10th June and reviewed the council's internal control measures. He explained that he had asked both the Parish Officer and Assistant Parish Officer some questions on the internal controls and asked them to show a clear audit trail. He explained that he conducted a random spot check with the Officers by choosing a random cash book receipt and asked to see the transaction trail. The officers were able to show evidence of each stage of the transaction.
- d) Appointment of Internal Auditor for 2019/20:** The members considered the appointment of an Internal Auditor for 2019/20. The Clerk advised that an internal auditor had to be independent, have experience with parish council governance and be competent. It was noted that IAC were an independent and competent audit company and additionally they challenged the Parish Council's policies and procedures to ensure that it worked responsibly and within the law which was considered to be a positive attribute.
Recommended: *The Council appoint IAC Ltd as the Parish Council's Internal Auditor for the year 2019/20.*
- e) Guidance from External Auditors:** Members noted the guidance.
- f) Answers to Section 1 of the Annual Governance Statement for External Audit:** The members reviewed the questions asked under Section 1 of the Annual Governance Statement. It was noted that as a corporate body the Council had to understand and acknowledge this statement and be able to answer yes to all the questions. **Recommended:** *The questions in Section 1 of the Annual Governance Statement 2018/19 to be answered "yes" by the Full Council on 24th June, 2019.*

g) External Audit Annual Return and Additional Information Requested:
The Clerk explained that anything that is a variation of 15% more or less than last year's figures needed an explanation. In the financial year 2017/18 the council's receipts were £59,000 and in 2018/19 they were £154,924 both excluding the precept, this was a variance of £95,267. A full breakdown of the variances were explained in an additional document. The Clerk explained that the Parish Council had spent £64,505 more than 2017/18, and she had to write an explanation as to why there was an increase of spend from the last financial year. This was partly due to the office relocation costs, tree inspection works and improving play areas and public open space. The Clerk explained that as the Council was over £200,000, there was an extra test that the council was subjected to which was the annual review of risk management for the year. The Clerk explained that she had to provide a copy of the agenda where this was reviewed and supporting papers and minutes.
Recommended: *The figures in Section 2 of the Annual Governance & Accountability Statement and accompanying documents be approved by the Full Council on 24th June 2019.*

h) Key dates for Exercise of Public Rights: It was noted that the public had a right to view the published accounts and there was a legal requirement to display the dates when this was possible. The dates set for the period for the exercise of public rights commenced on Monday 1st July 2019 and ended on Friday 9th August 2019. It was noted that members of the public only had the right to question what money had been spent on, but could not challenge why.

087/19 **Fixed Term Deposits:** It was explained that the Parish Council currently move their reserves and surplus funds each month from their current account into a fixed term deposit making sure that there is a £5,000 buffer left. The Clerk explained that last month she had moved £394,000 into a fixed term deposit account for 3 weeks and the council had received over £200 in interest. The Clerk queried whether the council could put a smaller amount of money into a fixed term deposit account but for a longer period of time. The Clerk explained however that once the money had been put into the fixed term deposit the Council would be unable to get access to it until the maturity date. It was noted that £85,000 in each institution was covered under the FSCS (Financial Services Compensation Scheme). Members reviewed their contingency, short term and mid-term reserve figures, it was noted that there was £76,000 available in short term reserves and £121,764 in mid term reserves which could be put away for a longer period of time as this money would not be needed immediately. Members felt that the mid-term reserve could be put away for at least 12 months and the £76,000 available in the short-term reserve could be put away for 6 months. The Council could still do monthly fixed term deposits with the remaining funds available each month. A member queried if the Council had to inform Persimmon Homes that the £97,000 that was received as part of the Shurnhold Fields maintenance would now be earning interest, the Clerk explained that there was no requirement to inform them. The Clerk highlighted that the £97,000 was part of a joint project with Melksham Town Council and she had broken down the £97,000 into contingency, short term and mid term reserves. She explained that she had shown £15,000 in contingency, £15,000 in short term and £66,000 in mid term

reserves and queried how/if the Council would determine how much interest part of the maintenance contribution would make. The members acknowledged that around half of the £121,000 in the mid term reserve formed part of the Shurnhold Field's maintenance contribution and queried whether they should leave the £66,000 as part of the monthly fixed term deposit or put it away for 12 months and do an estimated calculation on the interest that has been acquired, and put the interest back into the maintenance contribution pot of money. The Clerk queried whether the interest that would be received on the maintenance contribution could be used to pay for capital items as the council cannot use the maintenance contribution on capital items such as a footpath or new picnic tables.

Recommended 1: *The Clerk to investigate interest rate options from Natwest, HSBC and Barclays banks for different fixed term options with the view to put £121,000 in a fixed term deposit for at least 12 months and £76,000 for 6 months. Recommended 2:* *Clerk to seek financial advice on interest accumulated from the Shurnhold Fields maintenance contribution to see if it can be used on capital projects.*

Meeting closed at 8.40pm

Chairman, 24th June, 2019