

Management Accounts Review – Year End

For monitoring purposes, any Variance to Annual Budget / YTD Budget which shows a (Deficit) should be reviewed, and the reasons considered.

N.B. Annual Budget and YTD Budget Variances are the same in March, as these accounts relate to the full year.

Any significant Surplus figures are also worth reviewing, as these may indicate a requirement for review of the Annual Budget in future years. These will be considered as part of the Budget process for 2021-22, which will begin in October 2020.

N.B. the Management Accounts contain some preliminary adjustments but do not include final year end adjustments which will be determined by Council's accountants and agreed during the preparation of the draft Financial Statements in May/June 2020. **These adjustments may affect some of the figures reported.**

Summary

- 1) **Net Current Assets** have fallen by approximately **£85,000** in the last financial year;
- 2) Designated Reserves are expected to fall by less than £2,000 in total, with the rest of the Deficit to be taken from the General Reserve;
- 3) **Net (Deficit)** to be funded from Reserves is shown in this report as **£77,932** which is considerably less than the original **Budgeted Deficit** of **£148,551**;
- 4) There was a substantial Deficit in Net Income from Town Hall Commercial Management of £10,152;
- 5) There was a significant Deficit in Operational & Administration Expenditure on Salaries, Wages and Related Costs of £6,064 although this was more than covered by the Contingency for Inflation;
- 6) There was a very substantial Surplus of £19,682 in Cemetery Fees Income which combined with an underspend of £19,215;
- 7) There was a substantial Surplus of £9,740 from Hatton Rock due to recharges to the Shakespeare Birthday Celebrations "pot" for storage costs;
- 8) There was a significant Deficit of £10,153 for Initiatives, Projects and Grants, primarily caused by unforeseen expenditure on the COVID-19 Coronavirus Emergency response;

- 9) The Shakespeare Birthday Celebrations “pot” increased by nearly £5,000 because of very little expenditure following the cancellation of the event in 2020 due to lockdown restrictions imposed to combat the coronavirus pandemic.

Page 1 Balance Sheet

Current Assets have fallen to £777,802 (excluding Fixed Assets) – after deducting Current Liabilities, the Net Current Assets stand at £767,061 (compared to £852,121 in 2019). This is a reduction of approximately £85,000.

The ‘Financed by’ section shows the breakdown of the Year To Date Surplus / (Deficit) which is reported as £ (80,137), offset by Year End preliminary adjustments of £11,311. Community Infrastructure Levy receipts during the year totalled £5,755 with no expenditure to date. Other figures show the Reserves determined at the last Year End in March 2019, and the Year To Date balance held for the Shakespeare Birthday Celebrations of £73,047.

The Fixed Assets value of £11,083,998 will be amended as part of the Year End adjustments.

Page 1 Investments & Bank and Reserves

Investments & Bank shows a summary of balances of all the Investments, Savings, Bank Accounts and Cash at Year End. Total Investments & Bank stood at £758,325.

Reserves shows the balances as determined at the previous Year End at 31/03/2019 (note these figures will not change during the year). Expected figures for Designated Reserves after Year End Adjustments at 31/03/2020 are also shown. The General Reserve will fall by the balance of the year’s deficit once this has been determined and agreed.

Note that the General Reserve is available to be used for any Council expenditure, while the other Designated Reserves are “ring fenced” and held for specific purposes. The Community Infrastructure Levy (CIL) balance is also “ring fenced”, although projects to which this may contribute are still to be recommended and approved by Council.

Page 2 Summarised Income & Expenditure Account

Looking at the first Summary page, **Variance YTD Budget column** (right hand column):

1. INCOME Variance total (excluding Funding from Reserves) is showing a (Deficit) of £13,131 i.e. the Council received less income than budgeted for in the financial year. Note that most of the annual deficit was expected to come from Reserves (a deficit here indicates that fewer Reserves were actually required to cover Expenditure), so the only figures of concern are the deficits on Market & Christmas Festival [Net] of £1,024, Interest on Investments of £2,335 and Town Hall Commercial Management [Net] of £10,152.

The Market & Christmas Festival [Net] deficit is primarily due to additional expenditure on the Christmas Festival, which will be funded from the Designated Reserve.

The Interest on Investments deficit is partly down to timing, as a quarterly dividend from long term investments is received in April 2020. However, the use of Reserves to fund expenditure over the year has also meant less funds remained invested to earn interest and dividends.

Town Hall Commercial Management [Net] shows a deficit of £10,152. Review of the detailed analysis (page 3 of the Management Accounts) shows Lettings Income was again substantially under budget in 2019-20 and was also nearly £6,000 lower than in the previous year. This was partly offset by a reduction in expenditure for the year.

2. EXPENDITURE Variance total is showing a Surplus of £175,150 i.e. the Council spent significantly less than budgeted for the year (including additional virements). However, note that additional virements of £91,4000 were added to the original budget.

There are significant surpluses for each of the main Budget Heads of Operational & Administrative Expenses, Civic Expenditure and Cemetery [Net]. The surplus showing for Hatton Rock is caused by recharging a proportion of costs to the Shakespeare Birthday Celebrations.

Looking at the **NET Surplus / (Deficit)** row:

3. The Annual Budget shows that Expenditure was expected to exceed Income by £91,400 (after inclusion of virements), which will need to be financed from Reserves, as recommended and approved at F&S and TC meetings in June 2019 and March 2020 (as per the smaller font footnotes). Note that this is in addition to the £148,551 budgeted for Funding from Reserves to cover the original budget deficit.
4. YTD Actuals 2019-20 (at 31/03/2020) show Expenditure exceeded Income by £77,932 resulting in a Deficit i.e. more money has been spent than was budgeted (excluding Further Funding from Reserves). The deficit is actually significantly less than expected if all budgeted Expenditure had occurred, but is more than the deficit reported for the previous year 2018-19.

A quick review of the YTD Actuals for the various Budget Heads shows **the most significant differences between last year and this year** relate to:

- i. Precept (nearly £9,000 higher than the previous year as a result of the increase in the Tax Base rather than an increase in Precept per Band D property, mainly offset by a lowering of the Council Tax Reduction Grant by nearly £6,000);
- ii. Market & Christmas Festival [Net] (nearly £4,000 higher, as additional costs for the Victorian Christmas Festival were offset by low spending on Tripartite Expenses and by the annual increase in the Charter Market income);
- iii. Town Hall Net Income (the trend of falling lettings income continued, as reported throughout the year, and resulted in a net deficit for the first time i.e. associated expenditure exceeded income);
- iv. Funding from Reserves is expected to have risen considerably on the previous year, though not to the level originally budgeted;
- v. Operational & Administrative Expenses (just over £41,000 higher, the most significant of which are increases in Payroll Services, General Repairs, and Election Expenditure although the total is significantly below the overall budget for the year);
- vi. Hatton Rock (just over £2,500 higher, due to fewer recharges to the Shakespeare Birthday Celebrations as a result of the cancellation of the event in 2020);

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- vii. Special Projects and Grants (expenditure was nearly £7,000 lower, despite the COVID-19 emergency response, primarily because of reduced project expenditure following the completion of the Neighbourhood Development Plan in November 2018).
5. Overall, the **NET Surplus / (Deficit) Variance for the year is a £77,932 Deficit**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure of £175,150 (or £83,750 if you exclude additional virements of £91,400), which will offset the draw on Designated Reserves to cover the additional Expenditure which was primarily on Town Hall Maintenance.

As stated earlier, these figures may be subject to further Year End adjustments as determined by the Council's accountant while preparing the annual Financial Statements.

Looking at the **summary INCOME rows with Variance YTD Budget (Deficit)** values:

6. Market & Christmas Festival [Net] – additional expenditure was required for the Christmas Festival, to be covered by the Designated Reserve;
7. Rents [Net] – there is a small deficit which relates to timing of accounting adjustments;
8. Interest on Investments – a deficit of £2,335 is in part due to timing of accounting adjustments for a final quarterly dividend payment for January to March 2020 paid in April. However, as seen from the reduction in Net Current Assets mentioned above, this deficit has also resulted from the reduction in the overall funds invested by the Council, as Reserves have been used to pay for additional Expenditure. Although there has been a significant fall in the share prices of Council's major long term investment due to the economic impact of the coronavirus pandemic, the bid price remained higher than at the time of the original investment in 2016 and the dividend yield on this investment has only fallen slightly in the last year;
9. Interest on Bank Accounts – a very small deficit of £10 has resulted from the reduction in the overall funds invested by the Council and a fall in interest rates in the last year;

10. Town Hall Commercial Management [Net] – **N.B. this deficit has been reported regularly throughout the year.** As previously mentioned, Income continues to decline compared to previous years. In part, as reported last year, this can be explained by the change in the way Income is now reported, with Deferred Income from future events no longer included at the time of invoicing (usually many months ahead of the actual event). However, the closing of the Town Hall due to the lockdown restrictions resulting from the coronavirus pandemic also caused some cancellations.

The Town Hall Income, Facilities and Wellbeing Panel are aware of the ongoing need to review the fall in income at future meetings. Given the current situation regarding social distancing requirements and ongoing economic uncertainty, it is highly likely that future income from Town Hall lettings is significantly curtailed going forward.

11. Reserves – the format of the Management Accounts has been amended to exclude reporting of the Reserves as a Variance, as the actual figure is only determined at Year End. That said, the reported NET Variance YTD Surplus of £162,019 indicates that fewer Reserves will be required to cover expenditure in 2019-20 than expected, with an original Budget Deficit of £148,551 plus further Budget Virements of £91,400 during the year. These changes will be reflected in the adjustments to the Designated and General Reserves as part of the annual accounts year end process.

Looking at the **summary EXPENDITURE rows with Variance (Deficit)** values:

12. Holy Trinity Churchyard – the deficit of £2,326 relates to repairs delayed from a previous year, covered by Reserves;
13. Initiatives, Projects and Grants – the deficit of £10,153 is primarily due to unexpected expenditure in response to the COVID-19 coronavirus emergency, plus additional expenditure on a new bus shelter in Bridgetown Ward which was not included in the original budget but was more than covered by a budget surplus for Amenities from previous years.

Looking at the **detailed BUDGET HEAD rows with Variance (Deficit)** values:

Page 3 Market & Christmas Festival

14. Market – District Council Share – this deficit is due to accounting adjustments for the annual increment in the Charter Market fees;
15. Christmas Festival – the deficit of £4,260 is due to additional expenditure on the event, though this was partially offset by the surplus on Market – Tripartite Expenses of £2,506.

Page 3 Town Hall Commercial Management

16. Income – Lettings – this significant deficit of £15,502 has already been explained and reported throughout the year;
17. Cleaning & Laundry – a small deficit covered by Contingency for Inflation;
18. PRS and Licences – a deficit due to the payment of a 3 year licence in a previous year and covered by accounting adjustments.

Page 4 Operational & Administration

19. Travel and Subsistence – a small deficit covered by Contingency for Inflation;
20. Salaries, Wages and Related Costs – the deficit of £6,064 results from a number of factors. Costs increased by nearly £2,800 on the previous year. The original budget figure was £195,976 and reduced by virement due to additional Payroll Services costs. Note that the budget figure for 2018-19 was £221,546 but was reduced as part of the budget process following a significant surplus that year, which included contingency. A number of staff changes, long term absence and employment contract changes occurred for which there was insufficient contingency left in the revised budget. However, overall the deficit was covered by the Contingency for Inflation for the Budget Head;
21. Telephones – the deficit was in part caused by additional mobile phone costs but covered by the Contingency for Inflation;
22. Subscriptions – a small deficit covered by the Contingency for Inflation (note expenditure was actually lower than the previous year);

23. IT – the deficit of £586 was in part caused by additional email accounts charges and software licence fee changes but covered by the Contingency for Inflation;
24. Lift Maintenance Contract – a small deficit covered by the Contingency for Inflation (note expenditure was actually lower than the previous year).

N.B. overall there was a substantial Surplus for this Budget Head of £106,892, primarily because of a significant saving of £6,252 on the Combined Insurance Policy negotiated at renewal, additional virements for General Repairs & Maintenance which were not subsequently needed and resulted in a surplus of £60,755, and a surplus on Election Expenditure of £8,962 which will be transferred into the Designated Reserve.

Page 5 Civic Expenditure

25. Mayor's Traveling – a deficit of £622 was caused by additional employer on-costs for Pension and National Insurance Contributions following the change of civic chauffeur;
26. Printing & Stationery – a deficit of £458 was caused by ordering of councillor name badges and lanyards not previously budgeted, as well as a substantial supply of Town Hall napkins for civic events which will last for more than one year.

N.B. overall there was a large Surplus for this Budget Head of £29,272, primarily because of contingencies for Events and Security, as well as a saving on the Mayor's Allowance following the cancellation of many events as a result of the coronavirus pandemic lockdown restrictions.

Page 6 Cemetery

27. Repairs & Maintenance – a small deficit covered by the Contingency for Inflation;
28. Vehicle Expenses – the deficit of £1,208 reflects the necessity to maintain ageing vehicles, though these generally continue to meet requirements while the Vehicle Replacement Contingency is increased year on year until such time as replacements are needed;

29. Grave Excavation – a small deficit covered by the Contingency for Inflation;
30. Sundry Seating & Trees – the deficit of £483 was offset by an increase in Memorial Fees.

N.B. overall there was a substantial Surplus for this Budget Head of £38,897, primarily because of a significant Surplus of £19,682 in Cemetery Fees Income. A budget virement of £10,000 for further cemetery driveway improvements has contributed to the overall surplus because the work was delayed following the coronavirus lockdown restrictions, and this virement will be carried forward to 2020-21.

Page 7 Tranquility Garden

31. Income – Purchase & Interment Fess – there was a deficit of £470 as a result of the fall in income of nearly £1,000 from Purchase & Interment fees when compared to the previous year. However, this was more than offset by a surplus from lower than budgeted maintenance expenditure.

Page 8 Initiatives, Projects and Grants

32. COVID-19 Coronavirus Emergency – the substantial deficit of £9,000 at year end was due to this worldwide pandemic, an unexpected event which could not have been budgeted for. Costs will continue into 2020-21, again with no budget set;
33. Special Projects & Events – the deficit of £631 relates to expenditure on Dementia Awareness and VE Day 75 initiatives and events, covered by the Event Contingency under the Civic Expenditure budget;
34. Bus Shelters/Dog Hygiene/Litter/Cycle Racks – the deficit of £2,418 was due to the purchase and installation costs of a new bus shelter in Bridgetown Ward, which will be covered by General Reserves which include a surplus for Amenities built up over previous years.

Page 9 Shakespeare Birthday Celebrations

1. The balance “in the pot” is currently reported as £73,047, with a small net surplus for the financial year to be added to the Designated Reserve as very little expenditure was incurred due

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to the cancellation of the event in 2020. This will be carried forward and should be enough to fund next year's event if the budget is set at a similar level to this year.

The Town Council and District Council have an ongoing commitment to contribute £25,000 each towards future costs, but this will not be required in 2020-21 following the cancellation of the event due to have taken place in April 2020.

Based on the budget for the last 3 events, further income sources will be required in addition to the £50,000 contribution from the Councils to continue to fund the event in future years on a "like for like" basis. However, this has already been noted and a "back to basics" approach had been accepted in the planning of the event for 2020.

Please ask for more information if you have any queries.

Deputy Town Clerk
May 2020