

Management Accounts Review

It must be noted that the COVID-19 pandemic continues to have a considerable impact on Council's Income and Expenditure in 2021-22 and many unexpected Variances have occurred.

External maintenance work on the Town Hall has been completed and this has substantially increased Expenditure, while also reducing Income as new bookings for events during this period were not being taken. There are significant maintenance payments due in January, which will reduce Total Investments & Bank balances.

There are grant award payments due in January which will also significantly increase the budget deficit.

Summary version

As reported last month, there is now a six page **Management Accounts Summary** version. This **more concise format** has been created to give a four page high level summary of the Town Council's current financial position, including the latest Balance Sheet and Trial Balance, a summary of Investments and Reserves, as well as Budget and Actuals Year To Date (YTD) and a comparison of Current YTD for 2021-22 with the Previous YTD for 2020-21. It also includes single page summaries showing the current balance for the Town Centre Strategic Partnership (TCSP) and the Shakespeare Birthday Celebrations (SBC) for which the Town Council acts as "purse keeper".

All this information is also available in the detailed versions of the Management Accounts but it is hoped that **this version should provide sufficient information for most enquiries.**

Detailed versions

Summary information can be found on **pages 1 to 5**, while **Detailed** breakdowns can be found on **pages 6 to 12.**

The **YTD Comparison** version enables comparison of more current year values to the previous year, including Investments & Bank balances and Reserves.

Note the Income and Expenditure values should be the same in both versions. The reason for the separate YTD Comparison version is to focus on Variance Increases or Decreases between this year and the previous year, which in the present circumstances may be more helpful than comparing Budget Surpluses and Deficits because the Budget values were approved while the coronavirus pandemic was ongoing and its impact on the previous year's Actuals was still to be finalised.

There is also an **Overview** version showing summarised Income and Expenditure on a single page – Annual Budget, YTD Budget and YTD Actuals for the current year, as well as YTD Actuals for the previous year, for comparison purposes.

Key Points

- **Year to Date Trial Balance Surplus / (Deficit)** is calculated as a **deficit of £(69,200)**
- Adjusted **NET Surplus / (Deficit)** is reported as a **deficit of £(151,521)**
- **Long Term Investments** have **fallen** to **£300,577** because funds have been withdrawn to finance the current year's budget deficit
- **Community Infrastructure Levy** receipts of **£29,545** will be carried forward towards future projects
- **Operational & Administrative Expenses** are now over **£436,000** (of which over **£215,000** is Town Hall Planned Maintenance & Repairs)
- **Cemetery and Tranquility Garden Fee Income** is already in **surplus** by over **£10,000** over the Annual Budget and nearly **£23,000** in **surplus** compared to YTD Budget

Review of Variances

- 1) **Year to Date Trial Balance Surplus / (Deficit)** is calculated as a deficit of **£(69,200)** (page 1)
(N.B. this is before Management Account adjustments e.g. phasing of the Precept income, which has now been received in full for the whole of 2021-22 but which needs to contribute to expenditure over the rest of the financial year to 31 March 2022.)

- 2) The overview of YTD Budget compared to Actuals for this year (page 2) shows an adjusted Actuals **NET Deficit** of **£(151,521)** which is substantially less than the YTD Budget Deficit of £(272,498). However, further **significant expenditure is timed to occur in the next few months**, particularly Grants payments, but most of the Town Hall maintenance and repairs expenditure and associated fees has now been invoiced and the latest **forecast** suggests the final year's deficit will be much less than budgeted. Much of this will be due to underspends because of the ongoing impact of the coronavirus pandemic.
- 3) The overview of YTD Actuals for this year and the previous year (page 3) shows significant increases in Income for a number of items. There has been a substantial increase in Community Infrastructure Levy (CIL) Receipts but it should be noted that these are only available to fund specific types of projects and initiatives so cannot be used to cover other Town Council expenditure. Income for Market & Christmas Festival and Town Hall Commercial Management is continuing to increase following easing of the coronavirus pandemic lockdown restrictions. Fees from the Charter Market are not expected to return to contracted values until 1 April 2022, but the market contractor has picked up the bulk of the expenditure in relation to the Victorian Christmas Market in December 2021. Income from Cemetery and Tranquility Garden fees is also substantially increased compared to last year (over £23,000).

There is also a significant increase in Expenditure on Operational & Administrative Expenses of £210,261 (primarily due to Town Hall maintenance). The increase of £29,681 in Civic Expenditure is mainly due to the Town Council's contribution of £25,000 towards the Shakespeare Birthday Celebrations, which was not needed in 2020-21 because of the cancellation of the event in April 2020. There is also a decrease in Cemetery Expenditure of £26,242, primarily because of no further spending on driveway kerbing so far this year. Please also note that there has been a recharge of some of the Management Charge costs for the Cemetery / Open Spaces team in connection with work undertaken on Climate Change Initiatives.

The apparent significant reduction in Initiatives, Projects and Grants is down to a timing issue, because payments for 2021-22 are still to be made in the next few months.

- 4) The pie charts (page 4) again highlight the huge proportion of this year's Net Income which the Precept accounts for (**70%** compared to 81% last year), while the bulk of expenditure to date is accounted for by Operational & Administrative Expenses (**61%** compared to 42% last year) and Cemetery [Net] (**17%** compared to 28% last year).
- 5) **NET Surplus / (Deficit)** (page 5) is budgeted for the year at **£(363,332)** (including Budget Virements) and pro rata for the year as YTD **£(272,498)** so the reported deficit of **£(151,521)** at this point in the financial year is considerably better than expected. As mentioned above, some of this is due to timing and there is further substantial expenditure expected in the next few months. However, **the latest budget forecast now suggests the Net Deficit could be under £(250,000)**, which includes the effect of CIL receipts of £29,545 which were not included in the Budget.

Please note that the annual CCTV contribution of £27,788 has been apportioned on a monthly basis in this year's Management Accounts, and last year's figures have been revised accordingly. Also note that CIL receipts are now being reported as part of Council's total income for the year, and not just as a designated reserve.

Page 1 Balance Sheet

Net Assets have fallen to **£601,160** (excluding the Fixed Asset Restatement Reserve) compared to £804,816 in the same period last year i.e. **over £200,000 lower** than a year ago. This reflects the considerable budget deficit in 2021-22.

Net Current Assets will continue to fall during the rest of the financial year because Expenditure will be much greater than any further Income received.

The 'Financed by' section shows the breakdown including the Year To Date **Surplus / (Deficit)** which is reported as **£(69,200)**. This is before Management Accounts adjustments (e.g. phasing of Precept Income and miscellaneous Expenditure).

Page 1 Investments & Bank and Reserves

Investments & Bank shows a summary of balances of all the Investments, Savings, Bank Accounts and Cash at Month End. Total Investments & Bank stand at **£652,133** (compared to £816,673 in the

same period last year). The Long Term Investments have fallen to around £300,577 and the large balance in Short Term Investments will reduce in the rest of the financial year including payment of Town Hall external maintenance invoices and associated professional fees, as well as grants payments made to Stratford in Bloom, Christmas Lights and the Fred Winter Centre.

Reserves shows the balances as determined at the previous Year End and adjusted for a few changes during the year, including an increase in the Community Infrastructure Levy (CIL). The General Reserve has fallen compared to last year because of last year's deficit but has increased during the current financial year to reflect the return of a contingency which had been included in the Town Centre Strategic Partnership balance, subsequently covered by CIL funds. There was an increase in total Designated Reserves last year as some of the standing committees introduced new reserves to cover some of their delegated budget responsibilities, but Designated Reserves will fall at the end of the current financial year, particularly the Building Maintenance Reserve which is needed to contribute to the overall expenditure on the Town Hall external maintenance.

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) Reserve is also "ring fenced", although further projects to which these may contribute are still to be recommended and approved by Council.

The Town Centre Strategic Partnership (TCSP) and Shakespeare Birthday Celebrations (SBC) Reserves and balances are included in the accounts because the Town Council acts as "purse keeper" but it should be noted that these funds are not available to be reallocated for any other purpose.

Management Accounts YTD Comparison

This version of the Management Accounts is provided with a focus on comparison between the current financial year's YTD Actuals and those up to the same period in the Previous year.

Much of this information is included in the main version, but the revised format specifically allows reporting of Variance Increases and (Decreases) between this year's and last year's figures.

Page 5 Summarised Income & Expenditure Account

Looking at the **Variance YTD Budget column** (right hand column):

1. INCOME Variance total is showing a Surplus of **£30,314** i.e. there is more income than budgeted for. Note this is almost entirely due to the inclusion of CIL receipts in total income, which were not budgeted for.
2. EXPENDITURE Variance total is showing a Surplus of **£90,664** i.e. significantly less has been spent than budgeted for (and allowing for additional virements).

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

3. The Annual Budget shows that Expenditure was forecast to exceed Income by **£(363,332)**, which would be financed from Reserves. This relates to the original Budget deficit of £274,625 plus subsequent Budget Virements of £88,707.
4. YTD Actuals 2021-22 (at 31/12/2021) show Expenditure has exceeded Income by **£(151,521)**, resulting in a Deficit, despite a substantial underspend so far this year. Some of this is down to the impact of the coronavirus pandemic but there is also an element of timing of expenditure during the course of the financial year, as mentioned above.

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

5. **Market & Christmas Festival [Net]** – there is a deficit of **£(3,178)**. This deficit reflects the reduced income received as coronavirus restrictions have affected the number of stalls in operation, with income currently calculated on a fee per stall basis rather than the original charter market contract values. N.B. this is currently more than offset by the reduced expenditure figure for the District Council's share, and most of the budgeted expenditure for the Christmas Festival has been covered by the market contractor this year, although shared costs between the District Council and Town Council are still to be confirmed and are expected to be reflected in next month's Management Accounts.

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

6. **Operational & Administrative Expenses** – there is a YTD Budget deficit of **£(31,792)**. However, details on page 7 show a large Annual Budget Surplus for the section as a whole, which more than offsets the current Annual Deficit of £(4,895) on Town Hall Planned Maintenance & Repairs and this is not expected to require a further budget virement from the General Reserve.
7. **Hatton Rock** – there is a deficit of **£1,625**. However, details on page 10 show an Annual Budget Surplus and there will be a recharge of a proportion of the expenditure later in the year to the Shakespeare Birthday Celebrations for equipment storage costs. For further information, see also item 13 below.

Looking at some of the **detailed BUDGET HEAD rows** with **Variance (Deficit)** values which have not been mentioned above:

8. **Town Hall Commercial Management - Income** (page 6) –
 - The deficit in hire fees is offset by a COVID-19 Local Restrictions Support Grant.
9. **Operational & Administration Expenditure** (page 7) –
 - As reported in previous months, the Rother Street Clock is over budget because of unexpected repairs, and this is covered by a budget virement;
 - Salaries, Wages & Related Costs is now showing a small YTD deficit, as a result of additional part time staff hours not included in the original budget;
 - Combined Insurance Policy is due to a timing issue (payment of the annual premium earlier in the year);
 - Audit Fees is due to a timing issue (the annual fees have already been invoiced and paid);
 - N.B. there are a number of other small YTD Budget deficits in this section but the total of all budget lines is still within the Annual Budget.
10. **Civic Expenditure** (page 8) –
 - N.B. there are a couple of small YTD Budget deficits in this section but the total for all budget lines is still well within the Annual Budget due to the cancellation / restriction of civic events due to the pandemic.
11. **Cemetery Expenditure** (page 9) –
 - N.B. there are a few small YTD Budget deficits in this section but the total of all budget lines is still within the Annual

Budget. Vehicle Expenses now exceed the Annual Budget, which reflects additional maintenance costs for ageing vehicles. The small Annual Budget deficit for Sundry Seating & Trees is offset by additional Cemetery Fees income for memorials.

12. **Allotments** (page 10) –

- Tenancy Rental deficit is due to timing of invoices which will be raised in January.

13. **Hatton Rock** (page 10) –

- Rent, Insurance and Service Costs deficits are due to no recharge of storage costs to the Shakespeare Birthday Celebrations following the cancellation of this year's event. This should be adjusted before year end. Also note that the Service Costs include last year's costs, which were not invoiced during the previous financial year.

14. **Initiatives, Projects and Grants** (page 11) –

- TCSP – this deficit was caused by a contribution to partnership funds which was not budgeted for;
- Stratfordward – BID Levy YTD deficit is due to timing of the annual invoice for the Town Council's share of costs;
- COVID-19 Response & Community Support – this deficit is caused by ongoing software subscription fees which were not budgeted for. The subscription has now been cancelled;
- Bus Shelters/Dog Hygiene/Litter/Cycle Racks – this deficit was caused by the installation of a new bin which was not included in the current year's budget but is covered by surpluses for this budget item in previous years.

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Page 11 Town Centre Strategic Partnership

The balance “in the pot” is currently reported as **£6,548**, with a net deficit for the financial year. Note that the Town Council used some CIL funds to contribute to the costs of the Bridge Street / High Street Design Initiative earlier this year, which has meant that a contingency of £7,000 carried over from last year has now been returned to Council's General Reserve, as already mentioned above.

Page 12 Shakespeare Birthday Celebrations

The balance “in the pot” is currently reported as **£83,630**, with a large net surplus for the financial year due to the Town Council’s full budgeted contribution of £25,000 despite this year’s event being “virtual”.

As mentioned above (see Hatton Rock), this does not reflect a recharge to cover storage costs of equipment used for the annual Birthday Celebrations event, which should be charged each year.

The Town Council and District Council have previously had an ongoing commitment to contribute £25,000 each towards future costs, but this was not required in 2020-21 following the cancellation of the event due to have taken place in April 2020, and there was also reduced expenditure in 2021 for the virtual event. The District Council consequently reduced its contribution in 2021 to a share of the actual costs of the virtual event.

Based on the budget for the last 3 ‘physical’ 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. This situation was previously noted and a “back to basics” approach had been accepted in the planning of the event for 2020 in order to reduce costs. COVID-19 subsequently caused the cancellation of the event in 2020 and the introduction of a virtual event in 2021. However, a large scale “Welcome Back” event is being planned for 2022 and the budget is potentially likely to require a substantial part of the “pot” to be spent over the next six months.

Please ask for more information if you have any queries.

Responsible Financial Officer
January 2022