

### Management Accounts Review – End of First Quarter

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

**N.B.** the Management Accounts include final year end adjustments which were determined by Council's accountants and agreed during the preparation of the draft Financial Statements between May and July 2020. **These adjustments will have affected some of the YTD figures reported in May 2020.**

### Summary

- 1) Unsurprisingly, the coronavirus pandemic lockdown has had a significant impact on Council's finances;
- 2) **Net Assets (excluding Fixed Asset Reserve)** have fallen by **£88,670** since the same period in the last financial year;
- 3) **NET Surplus / (Deficit) YTD** is reported as **£11,591**, significantly less than budgeted because falls in income have been offset by substantial underspends;
- 4) There is a substantial YTD Deficit in Market Income of nearly £14,400 (net) because fees have not been charged to the market operator due to no market trading during the lockdown;
- 5) The YTD Deficit in Investment Income is primarily a timing issue as the first quarterly dividend from Council's major long term investment is due in July. However, expectations for the full year need to be revised in light of economic uncertainty caused by the coronavirus pandemic;
- 6) There is a substantial YTD Deficit in Income from Town Hall Commercial Management of £6,172, with no events having taken place during the lockdown and a number of refunds being issued;
- 7) There is a very substantial YTD Surplus in Operational & Administration Expenditure of £45,582, primarily as a result of significant Town Hall maintenance expenditure being delayed due to the lockdown;

- 8) There is a substantial YTD Surplus in Civic Expenditure of £14,906 as a result of the cancellation of this year's Shakespeare Birthday Celebrations event and no requirement for Council's contribution to the "pot", as well as no expenditure on Event Security costs;
- 9) There is a substantial Deficit of £22,442 in Cemetery Expenditure [Net] but this relates to timing of delayed works to the Cemetery driveway and expenditure on new equipment. These have now been completed in the current financial year and have previously been agreed to be funded from Reserves;
- 10) There is a significant YTD Surplus of £37,180 for Initiatives, Projects and Grants, primarily caused by timing as much of this expenditure will be incurred later in the financial year.

### **Page 1 Balance Sheet**

Asset values have been amended in line with revised reporting of Council's Long Term and Short Term Investments in the Financial Statements and the Annual Governance and Accountability Return (AGAR).

**Net Assets** have fallen to **£854,918** (excluding the Fixed Asset Restatement Reserve) compared to £943,588 in the same period last year. This reflects the deficit of £83,269 reported to 31 March 2020 in the last financial year.

The 'Financed by' section shows the breakdown including the Year To Date **Surplus** / (Deficit) which is reported as **£99,032**. Other figures show the Reserves determined at the last Year End in March 2020. **Community Infrastructure Levy** receipts during the year have increased the balance from £5,755 to **£10,279** with no expenditure to date, and the Year To Date balance held for the **Shakespeare Birthday Celebrations** is **£73,424**.

The Fixed Asset Restatement Reserve value of £15,039,541 has been increased following insurance reinstatement revaluations of Council's building assets undertaken in 2019-20 and revaluation of a number of community assets, all of which have been included 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. Total Investments & Bank stand at £886,509.

**Reserves** shows the balances as determined at the previous Year End at 31/03/2020 (note these figures will not change during the year). The General Reserve has fallen in line with last year's deficit, although there was a small increase in total Designated Reserves.

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.

The Shakespeare Birthday Celebrations Reserve is 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.

## 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 £12,989 i.e. the Council received less income than budgeted for in the financial year to date.

The Market & Christmas Festival [Net] deficit of £8,853 is due loss of fee income because of the lockdown and consequent lack of market trading.

The Interest on Investments deficit of £3,858 is primarily down to timing, as the first quarterly dividend from long term investments will be received in July 2020.

Town Hall Commercial Management [Net] shows a deficit of £6,172 because no Income has been received while the Town Hall has been closed during the lockdown and no events have taken place.

2. EXPENDITURE Variance total is showing a Surplus of £74,309 i.e. the Council has spent significantly less than budgeted for the year to date (including additional virements). However, note that additional virements of £13,000 have been added to the original budget.

There are significant surpluses for each of the main Budget Heads of Operational & Administrative Expenses, Civic Expenditure and Initiatives, Projects and Grants. However, there is a substantial Deficit for Cemetery [Net] because of the timing of significant expenditure in the first quarter, delayed from the last financial year.

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

3. The Annual Budget shows that Expenditure is expected to exceed Income by **£13,000** (after inclusion of virements), which will need to be financed from Reserves, as recommended and approved at F&S and TC meetings in September 2019 and March 2020 (as per the smaller font footnotes). Note that this is in addition to the **£295,705** budgeted for Funding from Reserves to cover the original budget deficit.

Given the unforeseen impact of the coronavirus pandemic, the original Annual Budget for 2020-21 is highly unlikely to be reflected in the Actuals as the year progresses, and careful monitoring will be needed as circumstances change.

4. YTD Actuals 2020-21 (at 30/06/2020) show Expenditure exceeded Income by **£11,591** resulting in a Deficit. The Deficit is actually significantly less than the expected YTD Deficit of £72,911 if all budgeted Income had been received and all budgeted Expenditure had occurred.
5. Overall, the **NET Surplus / (Deficit) Variance YTD is a £61,320 Surplus**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure of £74,309 which offsets the Income deficit of £12,999.

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

### **Page 3 Market & Christmas Festival**

6. Income – Market – this substantial deficit is due to no invoicing of Charter Market fees due to the lockdown and lack of market trading. The loss to the Town Council is offset by the Expenditure – Market – District Council share, although this still leaves a net loss of nearly £14,400. Measures to accommodate social distancing mean that fees will be reduced going forward because of fewer stall holders, even though the markets have started trading again since June.

### **Page 3 Town Hall Commercial Management**

7. Income – Lettings – this significant deficit of £7,533 has already been explained;
8. PRS and Licences – a deficit due to the payment of a 3 year licence in a previous year and timing of the accounting adjustments.

### **Page 4 Operational & Administration**

9. Combined Insurance Policy – the deficit is in part as a result of a premium adjustment following fixed asset revaluations;

10. IT – the deficit is in part caused by additional costs relating to arrangements for responding to the coronavirus pandemic and working from home;
11. Website Maintenance – a small YTD deficit as a result of timing of the commissioning of some improvements to the Council's website.

**Page 5 Civic Expenditure**

12. Mayor's Allowance – a small YTD deficit caused by timing. In fact, due to the lockdown and lack of civic events, the Mayor is yet to receive the first tranche of his allowance for the year;
13. Civic Insignia – a YTD deficit of £2,148 is caused by timing of expenditure on a supply of past mayors' badges, which is within the annual budget.

**Page 6 Cemetery**

14. Income – Fees – a deficit of £6,562 across all fees. Burials to date have not risen compared to previous years despite the coronavirus pandemic;
15. Expenditure – General Ground Maintenance – the deficit of £14,518 is down to timing of significant expenditure on the cemetery driveways;
16. Expenditure – Equipment – the purchase of a new power barrow has resulted in a YTD deficit of £2,966 but is within the overall Annual Budget.

**Page 7 Tranquility Garden**

17. Income – Purchase & Interment Fess – there is a deficit of £2,277 as a result of very few ash burials being undertaken during the lockdown.

**Page 8 Hatton Rock**

18. Expenditure – Rent – there is a deficit due to the cancellation of the Shakespeare Birthday Celebrations event in 2020 and no recharges being raised.

**Page 8 Initiatives, Projects and Grants**

19. COVID-19 Response & Community Support – the significant deficit of £3,239 reflects ongoing costs to support this unexpected event which could not have been budgeted for. Costs will continue during 2020-21, with no budget set.

**Page 9 Shakespeare Birthday Celebrations**

20. The balance “in the pot” is currently reported as £73,424, with a small net surplus for the financial year due to a cancellation of an invoice for this year’s event. 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 last 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  
July 2020