

Management Accounts Review – First Quarter

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

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

Summary

- 1) **Net Assets** (excluding Fixed Asset Reserve) have fallen to **£770,920** compared to £854,918 at this stage in the last financial year. This is to be expected given the Net Deficit at the end of the last financial year.
- 2) **Deferred Income** (deposits received for future Town Hall event bookings) stands at **£9,920**. This has increased since the start of the current financial year at the prospect of the lifting of coronavirus restrictions and has returned to the same level as last year.
- 3) **Trial Balance Surplus** (prior to Management Accounts adjustments) stands at **£119,203**. This is to be expected given the first half-yearly tranche of the Precept has been received but only the one quarter's expenditure has been incurred.
- 4) After adjustments for Management Accounts purposes (which includes apportioning some annual income and expenditure on a monthly basis), the **Net Surplus** is reported as **£35,159**. This compares to a Net Deficit of £11,591 for the same period in the previous financial year.
- 5) **Gross Income** (including Precept) is slightly below budget at **£183,027**.
- 6) **Gross Expenditure** is considerably below budget at **£147,868**. Note that this will change when the substantial additional expenditure on Town Hall external repairs and maintenance begins to be reflected in the accounts.

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- 7) The ongoing loss of Market Income due to COVID-19 restrictions is currently not resulting in a Net Deficit because 60% is subsequently deducted as Expenditure for the District Council's share, and expenditure on the Victorian Christmas Market is not due until later in the year.
- 8) The Deficit in Lettings Income shown under Town Hall Commercial Management is offset by COVID-19 Local Restrictions Support and Restart grants totalling £12,000. Even with the imminent lifting of restrictions, there are health and safety issues relating to the Town Hall external repairs and the scaffolding required around the building, which means there will be very little lettings income for much of the current calendar year until the work is completed.
- 9) There is a very substantial overall Surplus in Operational & Administrative Expenses on Salaries, Wages and Related Costs of £41,236, which is mainly caused by delays to Town Hall Planned Maintenance & Repairs.
- 10) There is a Surplus in Civic Expenditure of £6,423 because of the cancellation of so many civic events and activities to date due to COVID-19 restrictions.
- 11) Cemetery Income from Fees of £14,460 is currently a Surplus over Budget and more than double the amount for the same period in the last financial year.
- 12) There is a substantial Surplus of over £31,000 for Initiatives, Projects and Grants, although much of this is down to timing of Grants payments later in 2021-22.
- 13) The Town Centre Strategic Partnership "pot" shows a Balance of £16,226.
- 14) The Shakespeare Birthday Celebrations "pot" has increased by over £20,000 since the start of the financial year because of the Town Council's contribution of £25,000.

Page 1 Balance Sheet

Net Assets have fallen to £770,920 (excluding Fixed Assets) which compares to £854,918 at this stage in the last financial year. Long Term Investments have fallen by approximately £50,000 as funds have been required to cover the ongoing budget deficits.

The 'Financed by' section shows the breakdown of the Year To Date Surplus / (Deficit) which is reported as a surplus of £119,203 (before Management Accounts adjustments).

The Fixed Assets value of £15,039,541 was unadjusted as part of last year's Year End accounting process.

Page 1 Trial Balance

This is in part a new section, using gross figures before Management Accounts adjustments, showing changes This Month as well as Year To Date, and the overall Trial Balance Surplus of £119,203.

Other figures show the Reserves determined at the last Year End in March 2021, and the Year To Date balances held for a number of "restricted funds". Community Infrastructure Levy has a balance of £8,225 from receipts during the current financial year. The previous balance of CIL funds was used to contribute to the Town Centre Strategic Partnership Initiative for Bridge Street / High Street Design. The Town Centre Strategic Partnership has a current balance of £16,226 and the Shakespeare Birthday Celebrations of £83,630.

Page 1 Investments & Bank and Reserves

Investments & Bank shows a summary of balances of all the Investments, Savings, Bank Accounts and Cash at Quarter End. Total Investments & Bank stood at **£803,536**.

These figures reflect an increase in Short Term Investments following the receipt of the first half year's Precept, but these will fall over the next quarter as they are used to fund expenditure. Note that a number of Long Term Investments are due to mature later this year and some will be required to fund the current year's Budget Deficit.

Reserves shows the balances as determined at the previous Year End at 31/03/2021 (note these figures tend not to change during the financial year, only at Year End). The General Reserve will fall by transfers to

Designated Reserves and by the balance of the year's deficit as determined at Year End.

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) and Town Centre Strategic Partnership (TCSP) balances are also "ring fenced" for projects and initiatives for the benefit of the local community, to be agreed by Council.

Page 2 Income & Expenditure Year To Date – Budget & Actuals

Gross Income (not including Precept) is in Deficit by £2,536 less than budgeted.

Gross Expenditure (including Contingency) was in Surplus by £108,977 i.e. substantially less than budgeted.

There is currently a YTD Net Surplus of £35,159 compared to a total Budget Net Deficit of £11,591.

Page 3 Income & Expenditure Year To Date – Actuals & Previous

Total Income (including Precept) is £183,027 which is over £36,000 more than the previous year.

Gross Expenditure (including Contingency) is £147,868 which is over £10,000 less than the previous year.

Net Surplus is £46,751 more than the year before.

Page 4 Summarised Income & Expenditure Account

The diagrams clearly highlight:

INCOME – the huge proportion accounted for by the Precept, which is 72% of the total in 2021-22 (down from 88% in 2020-21).

EXPENDITURE – the most significant proportions of which are:

- i) Operational and Administrative Expenses (including Town Hall Repairs & Maintenance) at 51% of the total in 2021-22 (up from 43% in 2020-21).
- ii) Cemetery at 27% of the total (down from 40%).

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 £3,802 i.e. the Council has received more income than budgeted for in the financial year.
2. EXPENDITURE Variance total is showing a Surplus of £102,639 i.e. the Council has spent considerably less than budgeted for so far this year.

There are significant surpluses for each of the main Budget Heads of Operational & Administrative Expenses, Civic Expenditure, Cemetery, and Initiatives, Projects and Grants (see Summary section above).

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

3. The Annual Budget shows that Expenditure is expected to exceed Income by £289,625 (after inclusion of virements), which will need to be financed from Reserves at Year End.
4. YTD Actuals 2021-22 (at 30/06/2021) show Income has exceeded Expenditure by **£35,159** resulting in a Surplus. This compares to a YTD Budget Deficit of £71,281 and is considerably better than the deficit reported for the previous year 2020-21 of £11,591.
5. Overall, the **NET Surplus / (Deficit) Variance for the year is currently a £106,440 Surplus**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure so far this year. This trend is not expected to continue after COVID-19 restrictions are lifted and Town Hall repairs and maintenance expenditure gets underway.

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

6. Interest on Investments – a deficit of £2,810 has been reported but this is a timing issue relating to the receipt of quarterly dividends.

7. Interest on Bank Accounts – a small deficit of £36 has resulted from the reduction in the overall funds invested by the Council and a fall in interest rates on savings.

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

8. Allotments [Net] – this Expenditure deficit actually indicates income is expected to exceed expenditure for this item. The peppercorn rents for allotments has a minor impact on Council's finances, providing no significant expenditure is required on the allotments.
9. Hatton Rock – there is a small deficit which will be offset when a recharge is posted later in the year to the Shakespeare Birthday Celebrations for equipment storage costs.

Looking at the **detailed BUDGET HEAD rows** with **Variance (Deficit)** values over £1,000 (not already mentioned above):

Page 6 Market & Christmas Festival

10. INCOME – Market – a substantial deficit of £18,251 due to ongoing COVID-19 restrictions, as reported above.

Page 7 Operational & Administrative Expenses

11. Audit Fees – the deficit of £2,863 is down to timing as the Invoices for the annual expenditure have already been received.
12. IT – the deficit of £1,118 is down to timing, as replacement of computer equipment has already occurred which is included in the budget for annual expenditure.

“Restricted Funds”

Page 11 Town Centre Strategic Partnership

13. The balance “in the pot” is currently reported as £16,226, which includes contributions of £600 from numerous strategic partners (including the Town Council) and an additional £5,000 from Warwickshire County Council which

matched a contribution from the Town Council on top of the allocation of CIL funding.

Page 12 Shakespeare Birthday Celebrations

14. The balance “in the pot” is currently reported as £83,630, with a surplus for the financial year of £21,112 following transfer of the Town Council’s £25,000 budget contribution for 2021-22, despite the cancellation of an actual “physical” event in the town in April 2021 due to the coronavirus pandemic.

The Town Council and District Council have previously had an ongoing commitment to contribute £25,000 each towards future costs, but this year the District Council only contributed a share of the costs of the “virtual” event.

Based on the budget for the last three physical events, further income sources will be required in addition to the 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, although it is hoped that a “significant” event can be planned for 2022.

Please ask for more information if you have any queries.

Responsible Financial Officer
July 2021