

Management Accounts Review – Year End

It must be noted that the COVID-19 pandemic restrictions have had a considerable impact on Council's Income and Expenditure in 2020-21 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.

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

Under normal circumstances, any significant Surplus figures are also worth reviewing, as these may indicate a requirement for review of the Annual Budget in future years. Bearing in mind the impact of COVID-19, not all Surpluses are likely to reoccur so careful consideration will be required as part of the Budget process for 2022-23, which will begin in September 2021.

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 2021. Some of the figures reported will be affected by these adjustments.

Summary

- 1) After some preliminary adjustments, the **Net (Deficit)** which will be funded from Reserves is shown in this report as **£127,643** which is considerably less than the original **Budgeted Deficit** of **£295,705 plus £13,000** (Budget Virements).
- 2) **Net Assets** (excluding Fixed Asset Reserve) are reported to have fallen by approximately **£145,000** in the last financial year.
- 3) **Designated Reserves** are expected to increase by over **£60,000** in total, which will be taken by transfer from the General Reserve along with the Net (Deficit) adjustment. This could see the **General Reserve** fall by nearly **£190,000** (figure to be confirmed in May / June 2021).

- 4) There was a substantial Deficit in Net Income from the Market & Christmas Festival of £27,664. Gross Income was over £124,000 less than expected due to cancellation of many of the weekly markets, offset by the District Council's 60% share and by expenditure saved as a result of the cancellation of the Victorian Christmas Market in 2020.
- 5) There was a substantial Deficit in Gross Income from Town Hall Commercial Management of £29,229. However, this was offset by COVID-19 Local Restrictions Support grants of £14,500 and an underspend on Salaries, Wages & Related Costs of over £8,000.
- 6) There was a very substantial overall Surplus in Operational & Administrative Expenses on Salaries, Wages and Related Costs of £115,475, which was mainly caused by delays to Town Hall Planned Maintenance & Repairs.
- 7) There was a very substantial Surplus in Civic Expenditure of over £80,000 (before Budget Virements) because of the cancellation of so many civic events and activities in 2020-21, with some of this Surplus being used to fund other Council expenditure.
- 8) There was a significant Surplus of nearly £11,000 from Hatton Rock due to recharges to the Shakespeare Birthday Celebrations "pot" for storage costs.
- 9) There was a significant Surplus of nearly £26,000 for Initiatives, Projects and Grants, although much of this will be transferred to Designated Reserves to fund expenditure in 2021-22.
- 10) The Shakespeare Birthday Celebrations "pot" decreased by over £10,000 because of ongoing overhead costs, despite the cancellation of the event in 2020 due to lockdown restrictions imposed to combat the coronavirus pandemic.

Page 1 Balance Sheet

Net Assets have fallen to £622,361 (excluding Fixed Assets) which compares to £767,060 in 2020 and is a reduction of approximately £145,000. Long Term Investments have fallen by nearly £50,000 as funds have been required to cover the ongoing deficits.

The 'Financed by' section shows the breakdown of the Year To Date Surplus / (Deficit) which is reported as a deficit of £125,691 (before

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Management Accounts adjustments). Community Infrastructure Levy has a balance of £13,351 with receipts during the year totalling £7,596 with no expenditure to date, although funds have been earmarked to contribute to the Strategic Partnership Town Centre Initiative for Bridge Street / High Street Design.

Other figures show the Reserves determined at the last Year End in March 2020, and the Year To Date balance held for the Shakespeare Birthday Celebrations of £62,518.

The Fixed Assets value of £15,039,541 was increased as part of last year's Year End adjustments as a result of revaluations for insurance purposes, and is not expected to be amended significantly in this year's accounts.

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 £639,019.

Reserves shows the balances as determined at the previous Year End at 31/03/2020 (note these figures will not change during the financial year, only at Year End). Expected figures for Reserves after Year End Adjustments at 31/03/2021 are also shown. The General Reserve will fall by transfers to Designated Reserves and 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" 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) was in Deficit by £142,020 less than budgeted.

Gross Expenditure (including Contingency) was in Surplus by £323,083 i.e. substantially less than budgeted.

Net Deficit was £127,643 (before Year End adjustments) compared to a total Budget Deficit of £308,705.

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

Total Income (including Precept) was £142,041 less than the previous year.

Gross Expenditure (including Contingency) was £92,330 less than the previous year.

Net Deficit was £49,711 more than the year before (before Year End adjustments).

Page 4 Summarised Income & Expenditure Account

The diagrams clearly highlight:

INCOME – the huge proportion accounted for by the Precept, which was 80% of the total in 2020-21 (up from 65% in 2019-20).

EXPENDITURE – the most significant proportions of which were:

- i) Operational and Administrative Expenses (including Town Hall Repairs & Maintenance) at 44% of the total in 2020-21 (up slightly from 42% in 2019-20).
- ii) Cemetery at 27% of the total (up from 20%).
- iii) Initiatives, Projects and Grants at 22% of the total (up from 13%).

Page 5 Summarised Income & Expenditure Account

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

1. INCOME Variance total is showing a (Deficit) of £29,288 i.e. the Council received less income than budgeted for in the financial year. The major income deficit was Market & Christmas Festival [Net] of £27,664, with further deficits on all Income Budget Heads as all income sources were adversely affected by coronavirus pandemic restrictions.

The Market & Christmas Festival [Net] deficit is caused by the cancellation of markets due to pandemic restrictions.

Town Hall Commercial Management [Net] shows an Income deficit of £15,043 (page 6) which was offset by a significant reduction in expenditure of £14,045 as the Town Hall remained closed for events for the majority of the financial year.

2. EXPENDITURE Variance total is showing a Surplus of £210,351 i.e. the Council spent significantly less than budgeted for the year (including additional virements of £13,000).

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

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

3. The Annual Budget shows that Expenditure was expected to exceed Income by £308,705 (after inclusion of virements), which will need to be financed from Reserves. Note that there was an addition of £13,000 to the £295,705 budgeted for Funding from Reserves to cover the original budget deficit.
4. YTD Actuals 2020-21 (at 31/03/2021) show Expenditure exceeded Income by £127,643 resulting in a Deficit. The deficit is actually significantly less than expected if all budgeted Expenditure had occurred, but is considerably more than the deficit reported for the previous year 2019-20 of £77,932.

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 and a small increase in Precept per Band D property).
- ii. Market & Christmas Festival [Net] (over £30,000 lower due to the pandemic).
- iii. Town Hall Income (over £24,000 lower than the previous year). The previous trend of falling lettings income was compounded by lockdown restrictions which resulted in very few events taking place and a number of refunds being issued. It should also be noted that Deferred Income for future events (not reported in the Management Accounts) has also fallen from £10,476 at 31 March 2020 to £5,710 in 2021.
- iv. Operational & Administrative Expenses (£27,615 lower).
- v. Civic Expenditure (over £50,000 lower).
- vi. Cemetery Expenditure [Net] (nearly £49,000 higher, split between additional Salaries, Wages & Related Costs,

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- General Ground Maintenance, Driveway Kerbing, and Equipment).
- vii. Special Projects and Grants (expenditure was £60,000 higher as a result of Council support for the Fred Winter Centre).
5. Overall, the **NET Surplus / (Deficit) Variance for the year is a £127,643 Deficit**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure of £210,351, which will offset the draw on the General Reserve to cover the overall deficit and the increase in Designated Reserves.

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] – a deficit of £27,664 as markets were cancelled because of lockdown restrictions, partly offset by lack of expenditure on the cancelled Christmas Festival.
7. Interest on Investments – a deficit of £877 has occurred because of lower interest rates and the use of Reserves to fund expenditure over the year, which has meant less funds remained invested to earn interest and dividends.

Although the pandemic was expected to affect dividend income from the Local Authorities' Property Fund, the share price and dividend yields have stood up well over the past 12 months.

8. Interest on Bank Accounts – a small deficit of £225 has resulted from the reduction in the overall funds invested by the Council and a fall in interest rates in the last year.
9. River Mooring [Net] – a small deficit of £523 due to lockdown restrictions.

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

10. Town Hall Commercial Management [Net] – this Expenditure deficit actually indicates income exceeded expenditure for this item.

N.B. the deficit in Town Hall Income has been reported regularly throughout the last two years.

As previously mentioned, Income continues to decline compared to previous years, not surprisingly this year as a result of lockdown restrictions and very few events being able to take place.

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.

On the plus side, the income deficit was offset by COVID-19 Local Restrictions Support grants, and also by a large underspend on Salaries, Wages & Related Costs as these are directly affected by the number of events which take place.

Looking at the **detailed BUDGET HEAD rows with Variance (Deficit)** values (and not previously mentioned above):

Page 7 Operational & Administrative Expenses

11. Rother Street Clock Tower – a small deficit of £85 is as a result of additional repair costs.
12. Salaries, Wages and Related Costs – the deficit of £4,169 results from a number of factors, but it is worth noting that costs decreased by over £5,000 on the previous year.

Employment contract changes over the last two years relating to part time staff have affected total costs. Additional hours were also worked during the transition from staff being office-based to working from home when the first lockdown restrictions were imposed a year ago. There have also been more remote meetings by subgroups.

It should also be remembered that the original budget figure in 2019-20 was reduced by virement due to additional Payroll Services costs. As a consequence of the pandemic restrictions, a number of these outsourced activities were brought back in-

house to be more efficient and cost effective. To offset this deficit, there is a surplus of £3,800 showing for Payroll Services. Any remaining deficit will be covered by other surpluses and by the Contingency for Inflation for the Budget Head overall.

13. Combined Insurance Policy – a deficit of £711 as a result of additional premium costs for additions to insurance cover.
14. Telephones – the small deficit of £150 was in part caused by additional mobile phone costs but covered by the Contingency for Inflation.
15. Audit Fees – the deficit of £604 was caused by previous year end adjustments but can be covered by the Contingency for Inflation.
16. Website Maintenance – the deficit of £873 resulted from some one-off modification costs and is covered by other surpluses.
17. Lift Maintenance Contract – the deficit of £1,512 resulted from unexpected repair costs and is covered by other surpluses.

N.B. overall there was a substantial Surplus for this Budget Head of £115,475, primarily because of delayed expenditure to Town Hall Planned Maintenance & Repairs for external works, offset to some extent by bringing forward internal redecoration to take advantage of the closure of the Town Hall for events. This resulted in a surplus of nearly £68,000.

A budget virement of £10,000 for Equipment for Live Streaming of Meetings was not used and expenditure will be carried forward to 2021-22, while the surplus on Election Expenditure of £5,000 will be transferred into the Designated Reserve.

Page 8 Civic Expenditure

N.B. overall there was a large Surplus for this Budget Head of £53,528 after Budget Virements of £27,000, primarily because of the cancellation of many events as a result of the coronavirus pandemic lockdown restrictions.

Page 9 Cemetery Income

18. Memorial Fees – the deficit of £3,090 is possibly as a result of lockdown restrictions but is more than offset by the surplus in Purchase & Interment Fees of £5,334.

Page 9 Cemetery Expenditure

19. Salaries, Wages & Related Costs – the deficit of £4,282 is primarily as a result of staff changes and additional employer pension contributions.
20. Rates & Water Rates – a small deficit of £255 which is covered by Contingency for Inflation.
21. General Ground Maintenance – the deficit of £5,250 relates to some unforeseen expenditure, including security fencing and repairs to the shed roof and ladies toilet.
22. Heating & Lighting – the deficit of £1,148 is due to timing of recharge of electricity costs for the telecoms mast, which is expected to be included in the year end adjustments.
23. Vehicle Expenses – the deficit of £559 reflects the necessity to maintain ageing vehicles, although these generally continue to meet requirements. The Vehicle Replacement Contingency will be increased again this year by £2,500 and is available until such time as replacements are needed.
24. Equipment – the deficit of £511 is due to additional repair costs and is covered other surpluses.

Note that the Cemetery Expenditure total deficit of £1,131 is covered by a surplus of Cemetery Income of £2,354, giving a small net surplus of £1,223.

Page 10 Tranquility Garden

25. Income – Purchase & Interment Fees and Memorial Fees – there was a deficit of £1,744 and £1,761 respectively as a result of a further fall in income when compared to the previous year. However, this was more than offset by a surplus of £4,865 from lower than budgeted maintenance expenditure.

Page 11 Initiatives, Projects and Grants

26. CIL – Bridge Street / High Street Design – this deficit of £5,508 relates to the first instalment of professional fees relating to a recent project initiative which was not included in the original budget. It will be funded by CIL monies received via the District Council, by a further contribution from the County Council and from a new Designated Reserve for Town Centre Strategic Partnership Initiatives.
27. COVID-19 Coronavirus Emergency – the substantial deficit of £9,298 is similar to the previous year due to the ongoing worldwide pandemic, an unexpected event which was not budgeted for. Unknown costs will continue into 2021-22, again with no budget set.
28. Other Debtors – Stratford Support cash only clients – this small deficit of £168 relates to food purchases on behalf of people who only have access to cash, and is expected to be recovered at some point when pandemic restrictions ease.

Page 12 Shakespeare Birthday Celebrations

29. The balance “in the pot” is currently reported as £62,518, with a deficit for the financial year to be taken from the Designated Reserve as no income was received due to the cancellation of the event in 2020 but overhead costs were still incurred.

The Town Council and District Council have previously had an ongoing commitment to contribute £25,000 each towards future costs, but there is obviously uncertainty over future budget costs as a result of the impact of the coronavirus pandemic.

30. Based on the budget for the last 3 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. The event in 2021 will be “virtual” and streamed online, so costs will be considerably lower than for previous years.

Please ask for more information if you have any queries.

Responsible Financial Officer
April 2021