

Management Accounts Review – End of Half Year

Introduction

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

Any significant Surplus figures are also worth reviewing, as these may indicate a requirement for review of the Annual Budget in future years.

N.B. the Management Accounts are in the new formats introduced in July 2020.

Additional summary pages have been added to the main document, while the YTD Comparison version enables comparison of more current year values to the previous year.

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

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 before the coronavirus pandemic took effect.

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.

Summary

- 1) Following on from previous months in the current financial year, the coronavirus pandemic and lockdown restrictions continue to have a significant impact on Council's finances;
- 2) **Net Assets (excluding Fixed Asset Reserve)** have fallen by **£115,164** compared to the same period in the last financial year (including last year's Deficit of £83,269) and now stand at **£986,579** (page 1);

- 3) **Year to Date Trial Balance Surplus / (Deficit)** is calculated as **£230,776** (page 1) (N.B. this is before Management Account adjustments e.g. phasing of the Precept income. The significant surplus reported this month is as a result of receipt of the second tranche of the Precept for 2020/21);
- 4) The overview of YTD Actuals for this year and the previous year (page 3) show significant decreases in Income for Market & Christmas Festival and Town Hall Commercial Management which are known to have been caused by the coronavirus pandemic restrictions. Income from Cemetery and Tranquility Garden fees is also substantially decreased compared to last year.

There are also significant decreases in Expenditure on the Market & Christmas Festival (which includes the District Council's share of fees), on Operational & Administrative Expenses and on Civic Expenditure.

- 5) The pie charts (page 4) again highlight the huge proportion of this year's Net Income which the Precept accounts for (**93%**), while the bulk of expenditure to date is accounted for by Operational & Administrative Expenses (**50%**) and Cemetery [Net] (**29%**);
- 6) **NET Surplus / (Deficit) YTD** is reported as a deficit of **£19,276** (page 5), significantly less than the budgeted deficit of £154,352 because falls in income have been offset by substantial underspends;

Page 1 Balance Sheet

As previously reported, 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 **£986,579** (excluding the Fixed Asset Restatement Reserve) compared to £1,101,743 in the same period last year.

Net Current Assets will now fall during the course of the second half of the financial year, as Expenditure will exceed any further Income received.

The 'Financed by' section shows the breakdown including the Year To Date **Surplus / (Deficit)** which is reported as **£230,776**.

The current substantial YTD Surplus is due to the receipt of £257,175 in September as the second tranche of the Precept.

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 **£1,026,053**, an increase on the previous month due to receipt of the Precept. The large balance in the Current Account will reduce in the next few months as funds are transferred to investments and further significant expenditure is incurred, including grant payments to Christmas Lights and Stratford in Bloom.

Reserves shows the balances as determined at the previous Year End (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.

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 Deficit of **£12,108** i.e. there is less income than budgeted for during the first half of the financial year.
2. EXPENDITURE Variance total is showing a Surplus of **£147,184** i.e. significantly less has been spent than budgeted for the first half of the year (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 **£308,705**, which would be financed from Reserves. This relates to the original Budget deficit plus subsequent Budget Virements of £13,000.
4. YTD Actuals 2020-21 (at 30/09/2020) show Expenditure has exceeded Income by **£19,276**, resulting in a Deficit i.e. less money has been received than was budgeted but this has been offset by a substantial underspend. Most 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.

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

5. **Market & Christmas Festival [Net]** shows a deficit of **£10,327**.

This is because quarterly fees have not been charged to the market operator in 2020-21 due to no market trading during the lockdown, and 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.

The Income deficit of £58,912 (page 6) is offset by Market Expenditure YTD Surplus of £48,585 because of lower invoices received from the District Council for their 60% share.

Income will continue to be calculated on a monthly basis based on the number of stalls. Note that the invoices for the last quarter indicate that the Councils have received just over a third

of the income they would otherwise have received under the original contract agreement. The YTD net loss to the Town Council after offsetting the District Council share is **£23,564**.

Also note that the expenditure which was budgeted for the Christmas Festival will not be spent as the event has been cancelled this year.

6. **Interest on Investments** – there is a deficit of **£5,465**. This is primarily a timing issue as the next quarterly dividend income will be received in October and annual income on bond maturity will be received in November/December). However, expectations for the full year need to be revised in light of economic uncertainty caused by the coronavirus pandemic, and an indication has been given that dividends may drop to 70% over the next few quarters.

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

7. **Town Hall Commercial Management [Net]** – there is a deficit of **£12,489**. This is primarily due to a substantial YTD deficit in Lettings Income of **£16,213** (page 6).
8. **Cemetery Expenditure [Net]** – there is a deficit of **£8,207**. Details on page 9 show a YTD Deficit of **£7,593** while expenditure deficits primarily relate 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. There is also an overspend on Salaries, Wages & Related Costs which is partly down to timing / seasonal work.

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

9. **Operational & Administration Expenditure** (page 7) –
 - Combined Insurance Policy is over budget as a result of premium adjustment following fixed asset revaluations;
 - Website Maintenance is over budget for the year due to modifications and enhancements to the website;
 - Lift Maintenance is over budget because of unexpected repair costs.
10. **Allotments** (page 10) –

- Tenancy Rental deficit is due to timing of invoices which will be raised in January.
11. **Hatton Rock** (page 11) –
- Rent deficit when compared to the previous year is 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.
12. **Initiatives, Projects and Grants** (page 11) –
- Town Projects / Partnership Working / CCTV and Stratfordward – BID Levy YTD deficits are due to timing of the annual invoice for the Town Council’s share of costs;
 - COVID-19 Response & Community Support – these were unforeseen costs which were not budgeted for.

N.B. YTD deficits on other items not specifically mentioned above are believed to be due to timing of expenditure during the financial year. These will continue to be reviewed monthly to check progress against the Annual Budget.

Looking at the **summary EXPENDITURE rows** with **significant Variance Surplus** values (page 5):

13. **Operational & Administration Expenditure** has a YTD surplus of **£73,568** (detailed breakdown on page 7), primarily as a result of significant Town Hall maintenance expenditure being delayed due to the lockdown.
14. **Civic Expenditure** has a YTD surplus of **£35,878** (detailed breakdown on page 8), primarily 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 and lower costs for Mayor’s Allowance, Mayor’s Travelling and other civic budget items as a result of the ongoing restrictions on civic events.
15. **Initiatives, Projects and Grants** – there is a significant YTD surplus of **£56,601**, primarily caused by timing because much of this expenditure will be incurred later in the financial year, particularly when grant payments are made.

Page 12 Shakespeare Birthday Celebrations

The balance “in the pot” is currently reported as **£73,341**, with a small net surplus for the financial year due to a cancellation of an invoice for this year’s event.

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 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.

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 situation 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
October 2020