

Management Accounts Review – End of Half Year

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 started and this will increase Expenditure, while also reducing Income as new bookings for events during this period are not being taken.

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 adjustments to the Draft Budget in the next financial year as part of the budget review process.

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.

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.

Summary

- 1) As reported in previous months, the impact of the coronavirus pandemic and the external maintenance and repairs to the Town Hall continue to have a significant impact on Council's finances.
- 2) **Net Assets (excluding Fixed Asset Reserve)** now stand at **£856,124** (page 1), having fallen by **£130,455** compared to the same period in the last financial year.
- 3) **Year to Date Trial Balance Surplus / (Deficit)** is calculated as **£207,085** (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 2021/22).
- 4) The overview of YTD Budget compared to Actuals for this year (page 2) shows an adjusted Actuals **NET Deficit** of **£10,930** which is substantially less than the YTD Budget Deficit of £179,418. However, significant expenditure is timed to occur in the second half of the year, particularly Grants payments, while the bulk of the Town Hall maintenance and repairs expenditure is still to be invoiced.
- 5) The overview of YTD Actuals for this year and the previous year (page 3) show significant increases in Income for Market & Christmas Festival and Town Hall Commercial Management which are gradually increasing following 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 will be picking 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.

There is also a significant increase in Expenditure on Operational & Administrative Expenses of over £58,000 (primarily due to Town Hall maintenance) and a decrease in Cemetery Expenditure of over £21,000 (primarily because of no further spending on driveway kerbing so far this year).

- 6) The pie charts (page 4) again highlight the huge proportion of this year's Net Income which the Precept accounts for (**73%** compared to 84% last year), while the bulk of expenditure to date is

accounted for by Operational & Administrative Expenses (**55%**) and Cemetery [Net] (**22%**);

- 7) **NET Surplus / (Deficit)** (page 5) is budgeted for the year at **£363,332** (including Budget Virements) and pro rata for the year as YTD **£179,417** so the reported deficit of **£10,930** at the half year mark in the financial year is considerably better than expected. As mentioned above, this is mainly due to timing and further substantial expenditure is expected in the second half of the year. However, the latest budget forecast suggests the Net Deficit could be closer to £300,000.

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.

Page 1 Balance Sheet

Net Assets have fallen to **£856,124** (excluding the Fixed Asset Restatement Reserve) compared to £986,579 in the same period last year.

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

The 'Financed by' section shows the breakdown including the Year To Date **Surplus / (Deficit)** which is reported as **£207,085**. The current substantial YTD Surplus is due to the receipt of £263,788 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 **£868,630** (compared to £1,026,053 in the same period last year). As already mentioned above, this is 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 on the Town Hall maintenance, and grant payments are made to the Fred Winter Centre, Christmas Lights and Stratford in Bloom.

Reserves shows the balances as determined at the previous Year End (note these figures are not expected to change during the year). The

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General Reserve has fallen in line with last year's deficit, although there was an 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) and Town Centre Strategic Partnership (TCSP) balances are also "ring fenced", although further projects to which these 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 Surplus of **£4,570** i.e. there is more income than budgeted for during the first half of the financial year.
2. EXPENDITURE Variance total is showing a Surplus of **£163,917** 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 **£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 30/09/2021) show Expenditure has exceeded Income by **£10,930**, 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. **Interest on Investments** – there is a deficit of **£3,287**. 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, funding of budget deficits using reserves will continue to reduce the funds available to be invested, which will decrease the interest and dividend income generated going forward.

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

6. **Hatton Rock** – there is a deficit of **£2,015**. 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.

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

7. **Market & Christmas Festival - Income** (page 6) –
 - 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 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 will be covered by the market contractor this year.
8. **Town Hall Commercial Management - Income** (page 6) –
 - The deficit in hire fees is currently offset by a COVID-19 Local Restrictions Support Grant.
9. **Operational & Administration Expenditure** (page 7) –
 - Rother Street Clock is over budget because of unexpected repairs, and this is covered by a budget virement;
 - 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 all budget lines are still within the Annual Budget.
10. **Cemetery Expenditure** (page 9) –
 - N.B. there are a number of small YTD Budget deficits in this section but all budget lines are still within the Annual Budget.
11. **Allotments** (page 10) –
 - Tenancy Rental deficit is due to timing of invoices which will be raised in January.
12. **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.

13. **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 – these were outstanding debts carried over from the last financial year which were not budgeted for;
 - 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.

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

14. **Operational & Administration Expenditure** has a YTD surplus of **£64,509** (detailed breakdown on page 7), primarily as a result of significant Town Hall maintenance expenditure still to be invoiced as the works continue to progress over the rest of this year.
15. **Civic Expenditure** has a YTD surplus of **£13,721** (detailed breakdown on page 8), primarily as a result of no expenditure on Event Security and lower costs for Mayor’s Allowance, Mayor’s Travelling and other civic budget items as a result of cancellations and the ongoing restrictions on civic events.
16. **Cemetery [Net]** has a YTD surplus of **£21,960** (detailed breakdown on page 9), primarily as a result of increased income from Cemetery fees and the delayed expenditure on driveway kerbing.
17. **Holy Trinity Churchyard** has a YTD surplus of **£8,562** (detailed breakdown on page 9) because of delays to the boundary wall repairs.
18. **Initiatives, Projects and Grants** – there is a significant YTD surplus of **£50,463**, primarily caused by timing because much of this expenditure will be incurred later in the financial year, particularly when grant payments are made.

Page 11 Town Centre Strategic Partnership

The balance “in the pot” is currently reported as **£13,548**, with a small net surplus for the financial year.

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.

N.B. due to the substantial budget deficit forecast for 2021-22, the Town Council may wish to consider taking back some of their £25,000 contribution and “match fund” the District Council’s reduced contribution.

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 in order to reduce costs.

Please ask for more information if you have any queries.

Responsible Financial Officer
October 2021