

Management Accounts Review – End of Year

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

(N.B. Annual Budget and YTD Budget Variances are the same in March, as these accounts relate to the full year.)

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

**Summarised Income & Expenditure Account**

Page 1

Looking at the first Summary page, **Variance YTD Budget column** (right hand column):

1. INCOME Variance total is showing a (Deficit) of £9,512 i.e. we have received less income than budgeted for the financial year. Note that some of the income was going to come from Reserves (a deficit here indicates that fewer Reserves were actually required to cover Expenditure), so the only figure of concern is the deficit on Town Hall Commercial Management [Net] of £7,352 (see items 5 v. and 10 below).
2. EXPENDITURE Variance total is showing a Surplus of £73,258 i.e. we have spent significantly less than budgeted for the year (and allowing for additional virements).

**N.B. year end adjustments will be confirmed by the Council's accountants in preparing the accounts for 2017-18, which may affect some of the figures reported.**

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

3. The Annual Budget shows that Expenditure was expected to exceed Income by £31,220, which will need to be financed from Reserves, as recommended and approved at F&S and TC meetings in June 2017 and January 2018 (as per the **notes in red**). This relates to additional Expenditure on the Tranquility

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Garden / Cemetery car park & driveways, and on replacing kitchen equipment in the Town Hall.

4. YTD Actuals 2017-18 (at 31/03/2018) show Income has exceeded Expenditure by £32,526, resulting in a Surplus i.e. less money has been spent than was budgeted (when also allowing for funding from Reserves). Some of this is down to delays to Expenditure (e.g. Localism / NDP Project so fewer Reserves required) and unspent contingency, though there is also a very positive Surplus Variance (see Cemetery section below).
5. YTD Previous 2016-17 shows Income exceeded Expenditure by £72,052, more than double the figure for 2017-18, but it is important to note that this was not a real Surplus as Reserves of £146,505 were required to fund the Tranquility Garden and Localism / NDP Projects, significantly more than the £67,086 required from Reserves for this year 2017-18.

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 (over £15,000 higher as a result of the increase in the Tax Base rather than an increase in Precept per Band D property, partly offset by a lowering of the Council Tax Reduction Grant by £5,300);
- ii. Rents (nearly £13,000 higher, but this was backdated to cover the last 2 years during which the new contract for the Cemetery telecommunications mast was completed);
- iii. Interest on Investments (over £13,000 increase due to investment strategy review);
- iv. Grant – Neighbourhood Plan (an additional grant of £7,350 was received last year);
- v. Town Hall Net Income (a significant deficit compared to the previous year's surplus, partly explained by the requirement to replace the dumb waiter and kitchen equipment);
- vi. Reserves for Tranquility Garden & NDP (a significant drop in the required use of Reserves as these projects were completed / delayed);
- vii. Operational & Administrative Expenses (the most significant of which are increases in Salaries, Wages and Related Costs, Rates, General Repairs and Management

- Fees, although they are significantly below the overall budget for the year);
- viii. Civic Expenditure (£8,517 higher, predominantly down to an increase in the contribution to the Shakespeare Birthday Celebrations and additional Event Security costs);
  - ix. Cemetery Net Expenditure (nearly £26,000 higher than last year, mainly due to significant expenditure on the car park and driveways);
  - x. Tranquility Garden Net Expenditure (over £92,000 lower, as the main project was undertaken last year).
6. Overall, the **NET Surplus (Deficit) Variance for the year is a £63,746 Surplus**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure of £73,258, which will offset the need to draw on Reserves to cover the £31,220 additional Expenditure on the Cemetery & Tranquility Garden and Town Hall kitchen equipment .

As stated earlier, these figures may be subject to further Year End adjustments as determined by the Council's accountants while preparing the Annual Accounts.

The work on the Tranquility Garden has now been completed and fully invoiced (including the resurfacing of the driveways and the creation of the new car park, shared costs with the Cemetery). It is anticipated that this facility may now start to generate a Net Income in future years.

The Special Projects and Grants figures for this year are affected by the delay in the Localism / NDP Project and the underwriting of the Ken Kennett Centre refurbishment, for which £20,000 should be returned to the Council at some point during 2018-19.

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

- 7. Market & Christmas Festival [Net] – note the Budget was set before the award of the new Market Contract, and Council agreed that the increased income would be used to fund additional expenditure required for the Christmas Festival, with any 'surplus' ring-fenced at year end for future Christmas Festivals (see Minute 61 from the meeting on 03/10/2017). There is a small deficit on Net Income but, as this was the inaugural event, it has given good experience of likely expenditure on future events;

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8. Interest on Bank Accounts – this very small deficit is as a result of a decrease in the loyalty reward percentage (which is based on the total value of deposits during the year), as the Town Council has moved the bulk of its funds to other organisations. This deficit is more than offset by the significant increase in Interest on Investments;
9. River Mooring – this small deficit is as a result of the previous lease agreement ending and a delay in finding a new tenant;
10. Town Hall Commercial Management [Net] – **N.B. this deficit has been reported regularly throughout the year.** As previously mentioned, Income is down compared to last year, and Expenditure is up. In part, this can be explained by the way Income is reported at the time of invoicing (usually many months ahead of the actual event) while Expenditure is reported around the time it is incurred. There has been substantial additional expenditure on replacing the dumb waiter and kitchen equipment during 2017-18, with work still to be completed though this is expected to be done within the next month;

(The Town Hall Income, Facilities and Wellbeing Panel are aware of the ongoing need to review this at future meetings.)

11. Reserves – these ‘deficits’ indicate that fewer Reserves will be required to cover expenditure in 2017-18, which will be reflected in the adjustments to the Designated and General Reserves as part of the Annual Accounts year end process.

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

12. Tranquility Garden [Net] – there is a small deficit which relates to a shortfall in budgeted fees;
13. Holy Trinity Churchyard – there is a small deficit which relates to the purchase of a new bin (to try to address a litter problem at weekends);
14. Allotment [Net] – the small deficit is due to not all allotments being rented from the start of the financial year, and expenditure incurred in adding an additional plot.

Looking at the **summary INCOME rows** with **significant Variance Surplus** values:

15. Rents – this budget is for the income from the telecommunications mast on the Cemetery chapel (the proposed contractual rate was eventually agreed at £9,750, which was backdated with effect from the agreement of the Heads of Terms on 9 April 2016). The YTD variance reflects the fact that the increase from the previous rate was backdated when the new contract was signed.

Looking at the **summary EXPENDITURE rows** with **significant Variance Surplus** values:

16. Operational & Administrative Expenses – an element of contingency and variations caused by staffing changes and restructuring;
17. Civic Expenditure – unspent contingency primarily explains this variance, although the additional Event Security costs were not budgeted for and, without these, a significant surplus would have occurred;
18. Cemetery [Net] – reviewing the details on page 5, the significant Income Surplus in Fees accounts for the bulk of this surplus;
19. Hatton Rock – the surplus is mainly as a result of a recharge of storage costs to the Shakespeare Birthday Celebrations.
20. Special Projects and Grants – timing is a significant factor, as:
  - a. Localism Project is ongoing – the Referendum Campaign has been delayed while waiting for the Inspector to report;
  - b. Ken Kennett Centre refurbishment was partly underwritten by the Town Council pending receipt of Section 106 funds by the District Council, so this expenditure should be refunded in 2018-19;
  - c. Newsletters (Bridging the Gap) are released throughout the year.

**Detailed Analysis – significant Variances:**

21. Page 2 – Town Hall Commercial Management – already explained (see item 10 above).
22. Page 3 – Civic Expenditure
  - a. Mayors Allowance – the underspend relates primarily to the return of the unused balance from 2016-17, and a small adjustment for Mayors Travel;
  - b. HODS – the budget was set based on the previous year's expenditure, but actual expenditure in 2017 was less;
  - c. Event Security and Contingency – already explained (see item 17 above).
23. Page 4 – Hatton Rock – already explained (see item 19 above).
24. Page 5 – Cemetery – Income surplus already explained (see item 18 above); Expenditure – Management Charge surplus is as a result of a recharge to the Shakespeare Birthday Celebrations; Expenditure – General Ground Maintenance deficit relates to additional costs to re-turf the hearse turning point (no longer needed with the addition of the new car park by the Tranquility Garden) – N.B. re-turfing this area has created additional burial plots, the fees for which will more than offset these costs in future years.
25. Page 6 – Market & Christmas Festival – already explained (see item 7 above).
26. Page 6 – Special Projects and Grants – already explained (see item 20 above).
27. Page 7 – Operational & Administration
  - a. Salaries Wages and Related Costs – significant surplus caused by contingency and below budgeted staffing levels during the year until staff restructuring;
  - b. Neighbourhood Development Plan Monitoring – underspend due to delay in completing the Localism / NDP Project;
  - c. Alarm Call Out – underspend due to reduction in call outs (though it should be noted that expenditure on maintenance & repairs to the Town Hall alarm system remains high);
  - d. Payroll Services – underspend due to timing of quarterly invoices (year end adjustment expected);
  - e. Councillor & Staff Training – underspend in part due to contingency;

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- f. IT – significant deficit should partly be reduced by year end adjustment for annual cost of software support, though expenditure going forward needs to be reviewed when setting the budget for 2019-20 (N.B. Microsoft licence changes will require moving to become subscription based);
- g. Rates – significant deficit (£2,067) – the budget has not reflected rising costs above the rate of inflation. N.B. the bills for 2018-19 have now been received and there will be a **deficit of £3,000 for 2018-19**; the budget will therefore need significant adjustment for 2019-20.
- h. Heating & Lighting – significant deficit (£3,175) – the budget has not reflected rising energy costs well above the rate of inflation, though a long, cold winter in 2017-18 has also increased heating costs of the Town Hall. Another significant deficit is possible for 2018-19 and the budget will therefore need careful review for 2019-20;
- i. Health & Safety – surplus (underspend) due to coding of invoices to Professional Fees (which is also in surplus);
- j. Management Fees – this “deficit” relates to fees charged for managing negotiations for the new contract for the Cemetery telecommunications mast (backdated for 2 years). This was not specifically included in the budget, but effectively is deducted from the increased fee income, and is reported here for transparency. N.B. the Council is still receiving more net income from the new contract than under the old one (before the appointment of the telecommunications management specialists, who have invested a considerable amount of time and effort on behalf of the Council to complete the negotiations successfully);
- k. Stationery – the surplus is in part due to a significant saving as a result of a new photocopier contract, and partly offsets a slight overspending on Office Equipment & Furniture and Equipment Rental;
- l. Election Expenses – surplus is effectively contingency for future expenditure, as no unexpected elections were necessary during 2017-18.

28. Page 8 – Shakespeare Birthday Celebrations

The balance “in the pot” is currently reported as £71,153, although the bulk of expenditure on the event in 2018 is still to be paid for, and the budget for this year’s event indicates that most of the funds will be spent.

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There was no further grant funding received from the Town Trust for this year's event. However, the Town Council and District Council have both committed to contribute £25,000 each for 2018-19, giving additional income of £50,000 towards the event in 2019. Funds of nearly £6,000 per year have been raised from the sale of flag positions for the events in 2017 and 2018, but this level of income cannot be guaranteed going forward. Based on the budget for the last 2 events, this would currently leave a significant shortfall in funding for the event in 2019.

Please ask for more information if you have any queries.

Deputy Town Clerk  
30 April, 2018