

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. These will be considered as part of the Budget process for 2020-21, which will begin in October 2019.**

### **Summarised Income & Expenditure Account**

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

1. INCOME Variance total is showing a (Deficit) of £51,454 i.e. the Council received less income than budgeted for in the financial year. Note that most of this income deficit was expected to come from Reserves (a deficit here indicates that fewer Reserves were actually required to cover Expenditure), so the only figures of concern are the deficit on Interest on Investments of £1,725 and Town Hall Commercial Management of £1,581).

The Interest on Investments deficit is partly down to timing, as a quarterly dividend from long term investments is due in April 2019, but the use of Reserves to fund expenditure over the year also meant less funds remained invested to earn interest and dividends.

Town Hall Commercial Management [Net] shows a deficit of £1,581. Review of the detailed analysis (page 2) shows Lettings Income was again substantially under budget in 2018-19, though this was mainly offset by a corresponding reduction in expenditure for the year.

2. EXPENDITURE Variance total is showing a Surplus of £86,811 i.e. the Council spent significantly less than budgeted for the year (even allowing for additional virements).

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The most significant surpluses are in Operational & Administrative Expenses (the budget for 2019-20 has already been amended to remove some contingency) and in Civic Expenditure (Mayor's Allowance, Event Security and Contingency). The surplus showing for Hatton Rock is caused by recharging a proportion of costs to the Shakespeare Birthday Celebrations.

**N.B. year end adjustments will be confirmed by the Council's accountant in preparing the accounts for 2018-19, 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 £52,309 (after inclusion of virements), which will need to be financed from Reserves, as recommended and approved at F&S and TC meetings in June 2018 and March 2019 (as per the smaller font footnotes).
4. YTD Actuals 2018-19 (at 31/03/2019) show Expenditure exceeded Income by £16,952, resulting in a Deficit i.e. more money has been spent than was budgeted (excluding Further Funding from Reserves). The deficit is actually significantly less than expected if all budgeted Expenditure had occurred and is also less than the deficit for the previous 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 £5,850);
- ii. Market & Christmas Festival [Net] (£6,506 lower, as additional costs for the Victorian Christmas Festival were not offset by the annual increase in the Charter Market income);
- iii. Town Hall Net Income (the previous significant deficit compared to this year's small surplus is down to a change in the reporting to exclude Deferred Income, as agreed at the Finance & Scrutiny Committee meeting on 12 June 2018 Minute 10);

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- iv. Reserves for the Localism Project NDP (a significant increase in the required use of Reserves as this project was completed);
  - v. Operational & Administrative Expenses (the most significant of which are increases in Salaries, Wages and Related Costs, Office Equipment, Training, General Repairs, Professional Fees and Lift Maintenance, although the total is significantly below the overall budget for the year);
  - vi. Civic Expenditure (£3,235 higher, predominantly down to an increase in Event Security costs);
  - vii. Cemetery Net Expenditure (£25,000 higher than last year, mainly due to additional staff costs and further expenditure on the cemetery driveways);
  - viii. Tranquility Garden Net Expenditure (nearly £35,000 lower, as the main project was completed last year);
  - ix. Hatton Rock (over £4,000 lower, due to timing of expenditure and recharges to the Shakespeare Birthday Celebrations);
  - x. Holy Trinity Churchyard (£2,615 higher, due to emergency repairs);
  - xi. Special Projects and Grants (£6,765 higher).
5. Overall, the **NET Surplus (Deficit) Variance for the year is a £35,357 Surplus**. Looking at the total Income and Expenditure Variances, there is a significant underspend of Expenditure of £86,811, which will offset the draw on Designated Reserves to cover the additional Expenditure on Town Hall Maintenance, Cemetery and the Localism Project (NDP).

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

The work on the Localism Project (NDP) has now been completed and the unspent balance in the Designated Reserve will be transferred back to General Reserves.

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

- 6. Market & Christmas Festival [Net] – additional expenditure was required for the Christmas Festival, to be covered by the Designated Reserve;

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7. Rents [Net] – there is a small deficit which relates to timing of accounting adjustments;
8. Interest on Bank Accounts – a deficit of £1,725 is believed to have resulted from the reduction in the overall funds invested by the Council, as Reserves have been used to pay for additional Expenditure while the actual interest rates and dividend yields have not fallen in the last year;
9. Town Hall Commercial Management [Net] – **N.B. this deficit has been reported regularly throughout the year.** As previously mentioned, Income is down compared to previous years. In part, this can be explained by the change in the way Income is now reported, with Deferred Income from future events no longer included at the time of invoicing (usually many months ahead of the actual event).

The Town Hall Income, Facilities and Wellbeing Panel are aware of the ongoing need to review the fall in income at future meetings.

10. Reserves – this reported ‘deficit’ actually indicates that fewer Reserves will be required to cover expenditure in 2018-19, 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:

11. Holy Trinity Churchyard – there is a small deficit which relates to emergency repairs;
12. Allotment [Net] – the small deficit is due to expenditure exceeding the “peppercorn” rent charged for allotments and will be covered by the Designated Reserve.

**Shakespeare Birthday Celebrations (page 8)**

13. The balance “in the pot” is currently reported as £68,068, although much of expenditure on the event in 2019 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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The Town Council and District Council have both committed to contribute £25,000 each for 2019-20, giving additional income of £50,000 towards the event in 2020. Funds of nearly £7,700 have been raised from the sale of flag positions for the event in 2019, but this level of income cannot be guaranteed going forward. Based on the budget for the last 3 events, this would currently leave a significant shortfall in funding for the event in 2020.

Please ask for more information if you have any queries.

Deputy Town Clerk  
June 2019