

STRATFORD-UPON-AVON TOWN COUNCIL

FINANCE & SCRUTINY COMMITTEE

12 JUNE, 2018

TOWN CLERK'S OPEN REPORT

- 1) To Receive the Management Accounts for the period
1 April 2017 – 31 March 2018

- **To note the report**

The Management Accounts for the period 1 April 2017 – 31 March 2018 are attached as **Appendix 'A'**.

As these are the figures for the full year, Members will note the Annual and YTD Budget and Variances are identical.

The figures reported do not include any year-end balance adjustments subsequently identified by the Town Council's accountants in preparing the Annual Accounts for 2017-18.

Members are requested to note the analysis in the Management Accounts Review, attached as **Appendix 'B'**.

- 2) To Receive the Management Accounts for the Period 1 April 2018
– 31 May 2018

- **Members are requested to note the report**

The Management Accounts for the period 1 April 2018 – 31 May 2018 are attached as **Appendix 'C'**.

Note that the summary of Reserves on the first page of the Management Accounts has been updated with the details from the Annual Accounts, and other year-end balance adjustments are also reflected. A verbal update will be given at the meeting.

The Shakespeare Birthday Celebrations summary reflects the Designated Reserve for SBC at 31 March 2018, as shown in the Annual Accounts. The income does not yet include the contribution from the District Council of £25,000 and the Town Council's budget provision of £25,000 for 2018-19. A recharge for a share of the insurance and storage costs incurred by the Town

Council will be reflected in the Management Accounts for June 2018. There is some outstanding expenditure relating to the event in April 2018.

As the intention behind previous budget increases is to make the Birthday Celebrations more sustainable by undertaking a significant event every 2 years, there is likely to be a greater variance in the Designated Reserve and the overall 'pot' depending on where we are in the cycle of events. The increased event security costs seen during the last financial year will continue going forward and impact on the overall budget for the activities which can be undertaken.

3) To approve a change to the reporting of Town Hall Income in the Management Accounts

- **Members are requested to approve a reporting change**

Members will be aware that a below budget performance in Town Hall Lettings Income was widely reported throughout much of 2017-18 which resulted in a deficit of £9,908 (actuals of £37,332 compared to Budget of £47,240) and the expected budget surplus for Town Hall Commercial Management [Net] was not generated.

However, the Annual Accounts for 2017-18 show a considerable increase in Town Hall Lettings Income when compared to the previous year. In analysing the cause of this apparent discrepancy, it can be attributed to the different basis on how income is being reported. The increase reflects income for events which actually took place in 2017-18 but were invoiced in previous years and therefore deferred for statutory reporting purposes.

It should be noted that income is included in the Management Accounts when it is invoiced, so some of this will be deferred in the Annual Accounts to future years. A review of figures for the last 5 years (shown below) indicates that variances caused by the different ways of reporting the figures has not always been so significant until the last 12 months.

	<u>Management Accounts</u>	<u>Annual Accounts</u>
2017-18	£37,332	£51,718
2016-17	£43,038	£43,731
2015-16	£49,569	£46,249
2014-15	£33,246	£38,313
2013-14	£42,967	£45,937

To assist the accountants with the preparation of the Annual Accounts, detailed analysis of Town Hall Income has been done on a monthly basis for the last 2 years, which means that the amount of deferred income can be determined throughout the year, not just at year end. It would therefore be possible to amend the Management Accounts to report the actual income each month and exclude deferred income, which should make the reporting of these details more consistent. However, any changes to the reporting will impact on comparisons to previous years, as the information was prepared on a different basis.

It is therefore suggested that the figure reported in the Management Accounts is adjusted to only include income for events booked to take place within the current financial year, and to exclude deferred income for future years.

Members are asked to consider and recommend this change.

4) Annual Accounts for the Year 2017-18 ended 31 March 2018

- **Members are requested to consider the report and recommend the 2017-18 Annual Accounts to Council for approval**

The audited Annual Accounts (Financial Statements) for the period 1 April 2017 – 31 March 2018 are attached as **Appendix 'D'**.

The accounts show a net deficit for the year of £3,061, with a net transfer of £59,976 from Designated Reserves following work undertaken on the Town Hall, the completion of the Tranquility Garden project and a reduction of the Allotment Reserve, and including the setting up a new Christmas Festival Reserve. General Reserves rose by £56,915 to £505,841.

The Town Council's underwriting of £20,000 for the Ken Kennett Centre refurbishment should see this sum returned to General Reserves at some point over the next financial year.

As determined during the Budget review process for 2017-18, further costs of the Localism Project (Neighbourhood Development Plan) will be taken from the Designated Reserve, which has increased slightly after most of the expenditure for 2017-18 was covered by a transfer from the Allotment Reserve.

With the Referendum Campaign expected to be completed later this year, any balance from the Localism Project Reserve can then be transferred back to General Reserves.

Following the dissolution of the Old Stratford & Drayton Parish, and the transfer of funds to the Town Council, the Designated Reserve for Bishopton Hamlet now stands at £3,684 and has been earmarked for the sole benefit of the community in line with the terms and conditions of the settlement.

Members will also note the Designated Reserve for Shakespeare's Birthday Celebrations shows an increase of £9,534 from the previous year. The Town Council facilitates the organisation of the Celebrations and, as the 'banker', the Council receives various donations and grants from other interested parties. The figure of £71,153 represents the balance in our accounts as at the 31 March, 2018. Our accountant calculates that it should be ring fenced for use against the cost of any outstanding payments for the 2018 parade and contribute towards the future cost of the Shakespeare Birthday Celebrations. As per the change introduced a year ago, the policy of including accruals, prepayments and deferred income relating to these activities elsewhere in the Town Council's accounts is no longer being used, which should result in greater transparency of funds available throughout the financial year. The Management Accounts as at the end of June 2018 should give a clearer view of the balance available, as this will reflect the income from the budget contributions of the District and Town Councils for 2018-19 as well as accounting for all expenditure and charges relating to this year's event in April 2018.

Additional funds have been transferred to other Designated Reserves, in line with budget decisions and minutes from other Standing Committees.

Therefore, the revised designated reserves at 31 March 2018 show a net decrease of £50,442 and are now reported as:

Building Maintenance	£168,718
Cemetery Land & Building Maintenance	£30,000
Allotment	£27,463
Old Stratford & Drayton	£3,684
Shakespeare Birthday Celebrations	£71,153

Vehicle Replacement	£10,000
Localism Project	£35,205
Christmas Festival	£13,086
Total Designated Reserves	£359,309

5) Internal Audit & Annual Governance and Accountability Return for the year 2017-18

- **Members are requested to consider the report and recommend the Annual Governance and Accountability Return for the year ended 31 March 2018 to Council for approval**
- **Members are further requested to give consideration to the points raised by the Internal Auditor**

H.L.Barnes has completed its internal audit and attached as **Appendix 'E'** is the Annual Governance and Accountability Return (AGAR), together with supporting documentation, which is required by PKF Littlejohn, the External Auditor, by 25 June 2018.

As shown in their covering letter dated 24 May 2018, attached as **Appendix 'F'**, the Internal Auditor has advised that their work did not identify any matters where systems and/or procedures are not being followed.

The Internal Auditor also draws Council's attention to a number of areas where they feel improvements could be made or there were minor errors, though none of these impact on their Internal Audit Report and are documented for Council's consideration.

The Deputy Town Clerk and the Town Clerk have reviewed these points and a written response is being prepared for approval by the Finance and Scrutiny Committee, to be tabled at the meeting on 12 June 2018.

Members are requested to note the report.

6) Budget virements to address budget deficits for 2018-19

Members are aware that the budget process for the next financial year is completed in January each year in order for the Precept request to be submitted to the District Council. This means that estimates and forecasts of future income and expenditure are based on the previous year's budget and

actuals, as well as YTD actuals for the current year, several months before the full year's income and expenditure are finalised.

A further review of the year end accounts variances for 2017-18 following completion of the Annual Accounts has identified a number of significant expenditure deficits which indicate there will be issues again with the current year's budget:

	<u>2018-19 Budget</u>	<u>2017-18 Actuals</u>	<u>Potential Deficit</u>
Town Hall Heating/Lighting	£4,000	£7,525	> £3,525
Cemetery Heating/Lighting	£ 0*	£ 543	> £ 543

* N.B. the setting of a 0 (zero) budget was due to an administrative error (Excel formula error) during the budget process and was not spotted until recently.

A review of energy costs undertaken over 2 years ago resulted in suppliers being chosen for electricity and gas based on estimated costs using previous usage figures. In each case, 3 quotations were sought and compared. Energy costs have increased over a number of years and annual usage will vary, particularly with heating obviously dependant on weather conditions.

The Town Hall's electricity is currently covered by a 4 year agreement arranged through ESPO, an organisation specialising in group contracts agreed through a competitive tendering process. This contract is not due for renewal until 1 October 2020.

The Town Hall's gas is currently covered by a 2 year contract with SSE, due for renewal on 1 January 2019, while the Cemetery's electricity is also supplied by SSE on a 3 year contract due for renewal on 17 December 2018. Therefore, both these contracts will be reviewed and a further detailed analysis of usage over the last 3 years will be undertaken as part of the process for determining new contracts within the current financial year. However, unless we have an extremely mild winter in 2018-19, it is not foreseen that expenditure on heating will fall significantly, so another budget deficit is likely.

Notifications of annual costs for non-domestic rates and water rates for 2018-19, received since approval of the 2018-19 Budget in January 2018, have also highlighted further budget deficits:

	<u>2018-19 Budget</u>	<u>2018-19 Actuals</u>	<u>Known Deficit</u>
Town Hall Rates	£23,609	£26,675	£3,066
Cemetery Rates	£ 3,446	£ 3,791	£ 345
Hatton Rock Rates	£ 4,147	£ 4,368	£ 221

Members are requested to recommend budget virements from General Reserves to address these deficits shown above.

7) Budget virement for additional Cemetery expenditure

Members may be aware that there have been previous occasions where grave stones located near to the driveways in the Cemetery have been hit and damaged by vehicles.

The Open Spaces Foreman has now identified a potential health and safety issue at the Cemetery where some drivers have a tendency to stray from the driveways when negotiating some of the bends, resulting in an increasing number of near misses with grave stones. It has been suggested that putting kerb stones into the driveways at these points would help prevent this problem.

An estimate of £4,000 - £5,000 has been received from the supplier undertaking the new carpark and driveway resurfacing work last year. As this expenditure was not included in the budget, Members are requested to recommend a budget virement from General Reserves to enable this work to proceed.

Deputy Town Clerk
6 June, 2018