

**SHREWSBURY TOWN COUNCIL  
FINANCE & GENERAL PURPOSES COMMITTEE  
Monday 7<sup>th</sup> February 2022**

**Officer:** Andy Watkin – Head of Resources (RFO)

**Q3 Management Account 2021/22**

***Purpose of Report***

- To appraise members of the financial position of the Council for the third quarter of the 2021/22 financial year, and the year to date position.

***Account's preparation***

- The accounts have been prepared using the same procedures and techniques as previous years, with the addition of the 2019 year to date position which was the most recent year not affected by Coronavirus to act as a comparator.
- No provision is made for depreciation and earmarked reserves which are included in the final published accounts, which are non-cash items.

***Income and Expenditure account for the 3<sup>rd</sup> quarter ended 31<sup>st</sup> December 2021 compared to budget (column A)***

- Per the attached detailed and consolidated Income & Expenditure account report, there is an overall positive variance of £13,639 compared to the budget, which is due to unbudgeted income received.
- Expenditure is a negative variance of (£17,250) due to resolution of longstanding issues that have affected salaries, car allowance and professional fees otherwise the quarter would have been a small surplus as the JNC pay award has yet to be agreed. Other variances are as follows:

£7,914 – Play equipment - timing of expenditure

£4,874 – Play surfacing – timing of expenditure, none in quarter

(£5,483) – Fuel & oil – increase in price of commodity

- There is a positive variance on the income received of £30,889. This is mainly due to unbudgeted income of £25,215 in respect of grants and sale of assets.

Covid has not directly impacted income streams this quarter but continued low interest rates to assist the economy have led to negative variance of interest received.

### **Income and Expenditure account for the 3<sup>rd</sup> Quarter ended 31<sup>st</sup> December 2021 compared to prior year (Column B)**

- When comparing the second quarter to the same period in the prior year there is an overall positive variance of £78,697.
- Please note due to seasonal, operational, and unforeseen circumstances one year is never the same as the next. These things tend to unwind and balance out over the course of the year, but it is useful to compare to the prior year as guide on the income and performance.
- Whilst Q1 last year was impacted by coronavirus and reduced operational activity, in the third quarter it returned to more normal levels although there were lockdowns but these were less disruptive. The positive expenditure variance of £23,766 is misleading and is due a positive capital variance of £72,130 which if discounted would lead to an adverse variance of (£48,364) and more in line with expectations due to increase in costs from year to the next. Adverse variance against budget's also applies against prior year, the other notable variances are:

(£5,187) – Seeds – Timing of expenditure and increase in prices

- There is a positive variance on income compared to previous year of £54,931, this is due to positive variances as reported for the quarter and commercial income increase as it was impacted prior year due to covid.

### **Year to Date (YTD) variances for income and expenditure compared to budget (Column C)**

- Overall, there is a positive variance of £684,580 but the vast majority of this is brought forward from the 1st quarter, the increase in the YTD position is £13,639 for the quarter.
- The expenditure variance is negative due to adverse variance reported in the quarter. Small negative variances are counterbalanced by positive variances and release of reserves to cover repair expenditure will bring the position back to small surplus
- The income variance increases by £30,889 to £703,716 as per the quarter explanation. It should be noted that the majority of this increase is not revenue for covering overspends it is for future projects or match expenditure commitments in the form of neighbourhood fund, S106 or grants.

### **Year to Date (YTD) variances for income and expenditure compared to prior year (Column D)**

- Overall, there is a positive variance of £523,345 a jump of £78,697 from last quarter per explanations for the quarter movement.
- Expenditure is a negative (£53,133) but excluding capital the figure is (£263,645). This is due to factors in the quarter, inflation but also compounded due to lower activity last year such as fuel and oil showing a (£16,861) overspend but looking at the 2019 figures the current year is back on trend with only a (£5,073) adverse variance.

- Due to unbudgeted income received and Coronavirus last year the income has increased as expected leading to £576,478 positive variance.

### **Year to Date (YTD) variances for income and expenditure compared to 2019 (Column E)**

- Due to the prior year being impacted by coronavirus the 2019 figures have been included as the most recent set of figures not affected by the pandemic to help explain the variances.
- Unfortunately, expenditure increases with inflation and market forces hence many adverse variances comparing costs over the 2 year time gap, but return to normal levels which eg electricity costs.
- On the income however when comparing the 2021 with 2020 and 2019 you can see that some income streams are back at pre pandemic levels such as commercial income ie markets or nearly back ie events/fairs. However, this is not the case for all such as hanging baskets and other works but is hoped for improvements throughout the financial year and into 2022/23.

### **Recommendations**

- 1 Report be noted, income and expenditure returning to normal levels
- 2 The current volatility in energy markets will not immediately impact the council due to the forward pricing model of futures contracts which smooths the peaks and troughs instead of huge highs and lows, but it will feed into and need to be factored into future budgets.
- 3 Any underspends investigated and budget utilised.