

2019/20 REVENUE AND CAPITAL BUDGET POSITION TO 30TH SEPTEMBER AND EXPECTED OUTTURN FORECAST

AGENDA ITEM NO. 14

MEETING: POLICY AND RESOURCES

DATE: 23RD OCTOBER 2019

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to present the half-year financial position on the Council's approved 2019/20 Revenue and Capital Budget, along with a projection of the expected year-end outturn position.

2.0 Summary of the Current Financial Position

2.1 The Council has continued to deliver savings on running costs and to exceed income targets in most service areas in the first half of the 2019/20 financial year, and, as a result, is continuing to achieve a level of net spending which is below the level of Precept set.

2.2 **Total savings of £163,000 have been achieved on the Council's 2019/20 Revenue Budget up to the 30th September 2019.**

2.3 There are a number of reasons for these savings and the key explanations are summarised below:-

- The budgeted contribution to capital reserves of £75,000;
- No use of the £12,500 contingency sum;
- Ongoing savings in staffing costs as a result of the flexible retirement of three members of staff in the central establishment and works department, as well as the vacant administration assistant and pre-school cover assistant posts;
- Significant savings from the re-tender of the Council insurance and cash collection contracts;
- A significant increase in sports complex bar sales;
- A significant increase in driving range takings;
- A significant increase in cemeteries income;
- Low spending on maintenance and supplies budgets.

2.4 However, savings have been delivered across nearly all service areas, a situation that has been greatly assisted by the prudent financial management that continues to be exercised by all service managers and overseen by members of this committee.

2.5 A forecast of the expected year-end outturn position on the Revenue Budget has also been undertaken, based on an assessment of likely spending and income in the second half of the year, taking into account previous year's trends and any known outstanding commitments.

- 2.6 **This 'expected outturn' forecast indicates that the Council is on course to achieve a Revenue Budget saving, including the planned £75,000 contribution to capital reserves, in the region of £230,000 by the end of the financial year.**
- 2.7 This would represent a saving in the region of 14% of the approved Council Precept.
- 2.8 This Revenue Budget surplus is very welcome, as it comes at a time when the Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing balances and reserves over the next few years.
- 2.9 The final Revenue Budget saving will be transferred to the Council's balances and reserves at the end of the year, helping to replenish those balances following their use in funding capital investment this year.
- 2.10 **The Council's approved Capital Programme Budget for 2019/20 stands at £276,500**, having been increased from £135,000 to provide for the approved carry forward of on-going commitments of £141,500 from the 2018/19 financial year.
- 2.11 Expenditure against the Capital Programme Budget up to the 30th September 2019 totalled £66,250, with further progress on the delivery of the planned programme of works expected during the second half of the year.
- 2.12 However, some of the projects included in the 2019/20 Capital Programme Budget are 'provisional' sums and it is therefore likely that a number of projects will not go ahead. It is also expected that some projects may be delayed into the next financial year and that the final costs on some projects will be less than budgeted.
- 2.13 **Final spending is therefore expected to be around £131,500 less than budgeted at around £145,000.**
- 2.14 **The Capital Programme outturn will be funded from the Council's Earmarked Reserves which are set aside for this purpose.**
- 2.15 After accounting for the forecast Revenue Budget saving and the lower than expected financing of the Capital Programme as highlighted above, **Council Balances and Reserves would increase over the course of the year to stand at £1.175 million.**
- 2.16 This level of balances is around £200,000 better than forecast in the Council's current Medium-Term Financial Plan and will help the Council to strengthen its financial position at the end of the financial year.
- 2.17 The improved financial situation is an endorsement of the actions taken by the Council to restrict capital expenditure and boost the contribution to capital reserves in the Revenue Budget, via the 5% council tax increase earlier this year, which has now mitigated the risks identified in the last Medium-Term Financial Plan in relation to diminishing balances.

- 2.18 The ongoing surplus on the Revenue Budget will also assist the Council in setting a balanced 2020/21 Revenue Budget that maintains existing levels of services and staffing structures and allow some additional investment to be made in community events next year.
- 2.19 The 2020/21 Revenue and Capital Budget Report, included elsewhere on the agenda for this meeting, provides further information on the outlook for next year.

3.0 2019/20 Revenue Budget Position

- 3.1 A detailed breakdown of the financial position on the Council's Revenue Budget, broken down by each Committee, and by individual service areas, is attached in **Appendix 1** to the report.
- 3.2 The attached budgetary control figures set out the following information:-
- The approved budget for each service area;
 - The year to date budget for the first half of 2019/20 which gives an indication of how much of the budget would have expected to have been incurred in the year to date.
 - The actual income and expenditure in the first half of the year as recorded in the Council's Financial Management System.
 - A projection of the 'expected outturn' for 2019/20 based on the actual income and expenditure to date and an estimate of likely spending and income over the remainder of the year;
 - The variance between the approved annual budget and the expected outturn; and
 - An explanation of any significant variances between the annual budgets and the expected outturn on spending and income i.e. savings or overspending.
- 3.3 It should be noted that some of the budget figures set out in the original approved 2019/20 Revenue Budget have been adjusted following the 2018/19 year-end closedown process.
- 3.4 Support service and works section recharges, have all been recalculated based on the actual figures reported in the Council's 2018/19 Revenue Budget outturn figures. These were based on actual hours worked during last year, as recorded on staff timesheets.
- 3.5 Insurance costs have also been adjusted in line with the new long-term agreement and the premium breakdown provided by the Council's insurance company, in order to more accurately reflect the apportionment of these costs.
- 3.6 However it is important to stress that while these adjustments have changed some of the individual service budget totals, there is no impact on the overall Revenue Budget total or the level of Precept.

3.7 The table on the following page provides a summary of the overall position on the revenue budgets for the six months up to 30th September 2019, and the projection of expected outturn for the year:-

Budgets by Committee and Service Area	2019/20 Approved Budget £	Year to Date Budget £	Year to Date Spend £	Expected Outturn £	(Saving) / Overspend £
<u>Policy and Resources</u>					
Members and Civic	71,750	36,150	32,458	64,800	(6,950)
Finance Service	68,250	34,600	32,217	65,050	(3,200)
Administration Service	96,800	56,050	42,394	81,650	(15,150)
Corporate Service	276,250	151,500	138,654	262,450	(13,800)
St Oswald's Pre School	46,200	(2,000)	(13,771)	37,600	(8,600)
Works	175,750	93,850	84,595	160,400	(15,350)
Depot	25,700	14,550	14,041	26,100	400
Capital Financing	26,650	1,050	(195)	24,900	(1,750)
Sub-Total	787,350	385,750	330,393	722,950	(64,400)
<u>Recreation</u>					
Special Events	143,950	102,850	97,715	138,200	(5,750)
Sports Complex	310,500	162,900	135,711	276,000	(34,500)
Sports Pitches	17,550	6,050	4,833	16,650	(900)
Golf Course	58,550	(15,800)	(13,096)	63,500	4,950
Driving Range	35,300	18,600	6,962	20,900	(14,400)
Parks and Play Areas	203,700	108,750	102,980	199,000	(4,700)
Sub-Total	769,550	383,350	335,105	714,250	(55,300)
<u>Environment</u>					
Environment	97,600	47,550	45,215	95,750	(1,850)
Street Equipment	6,550	3,800	2,696	5,350	(1,200)
Allotments	19,450	8,100	8,244	19,300	(150)
Cemeteries	44,400	23,000	12,432	26,550	(17,850)
Church Works	10,500	5,250	4,175	9,500	(1,000)
Sub-Total	178,500	87,700	72,762	156,450	(22,050)
Contingency Sum	12,500	6,250	-	-	(12,500)
Transfer to Reserves	75,000	37,500	-	-	(75,000)
Less LCTSS Grant	(161,850)	(161,850)	(161,874)	(161,850)	-
Precept / Net Spending	1,661,050	738,700	576,386	1,431,800	(229,250)

3.8 Based on the above expected outturn projection, it is estimated that there will be a total saving of £229,250, or nearly 14% against the approved 2019/20 Revenue Budget by the end of the year.

3.9 This Revenue Budget surplus is very welcome, as it comes at a time when the Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing balances and reserves over the next few years, and the projected saving will help to replenish the Council's balances and reserves by more than forecast.

3.10 Detailed commentary on the 2019/20 Revenue Budget position is provided in the following section of the Report.

4.0 Commentary on Revenue Budget Position by Committee

4.1 Policy and Resources Committee

The Policy and Resources Committee Budgets are projecting an expected saving for the year of £64,400 or 8.2%.

There are a number of reasons for this saving are these are explained in detail below:-

- A forecast saving on members and civic costs of £4,000;
- A projected saving on the donations budget of £3,000;
- Savings of £15,500 on central establishment staffing costs from two flexible retirements and the vacant administrative assistant post;
- A forecast saving of £6,750 on unused pre-school staff cover;
- An expected saving of £9,250 in works staffing costs as a result of the flexible retirement of the tractor driver and reduced overtime;
- A £2,750 increase in investment income due to better than expected levels of balances and reserves;
- A £6,000 saving on the use of external consultants;
- Various savings on running costs totalling £17,250 including on staff training, office running costs, information technology, youth council costs, pre-school supplies, works tools and equipment, equipment maintenance and bedding plants.

Please note that the expected outturn projections for staffing costs include the forecast cost in the remainder of the year of the recently agreed staffing changes; namely to appoint an Events Officer and full-time Administration Assistant.

4.2 Recreation Committee

The Recreation Committee Budgets are projecting an expected saving for the year of £55,300 or 7.2%.

The main factors contributing towards the achievement of this saving are as follows:-

- A forecast saving of £5,750 on the events budget from non-attendees on the senior citizens' trips and lower than expected costs for the fun in the parks and fireworks display events;
- Savings on £9,000 across all of the recreation budgets from the re-tender of the insurance and cash collection contracts;
- A saving of £9,250 on sports complex staff cover due to reduced levels of absence;
- A forecast saving of £6,000 on sports complex running costs including staff training, building maintenance, equipment and marketing;
- Increased sports complex bar and catering income resulting in overall income forecast to be £16,500 up on budget;
- A forecast £8,500 increase in driving range takings as a result of the fifty pence increase in fees and increased usage;
- A forecast £2,000 increase in net golf shop sales income;
- A £750 increase in football pitch income from an additional team;
- A forecast saving of £2,500 on parks and play area maintenance.

However, it should be noted that these savings have been partly offset by a forecast overspend on the golf course budget of £5,000 largely as a result of a fall in green fee income due to the very wet weather.

It is also worth noting that a number of areas of sports complex income are down on budget, although this has been masked by the significant increase in bar income. The most significant falls have been in five a side and gaming machine income.

4.3 Environment Committee

The Environment Committee Budgets are projecting an expected saving for the year of £22,050 or 12.4%.

The main factors contributing towards the above position are as follows:-

- A projected saving of £2,000 on environment running costs including events, equipment and wildflower meadow maintenance;
- A forecast saving of £1,250 on street equipment maintenance costs;
- A significant increase of £18,000 in cemeteries income as a result of vastly increased numbers of interments and purchases, and a £750 saving on cemeteries running costs.

4.4 Revenue Budget Contingency Sum

There has been no use of the **£12,500** Revenue Budget Contingency Sum so far this year.

4.5 Contribution to Capital Reserves

The budgeted contribution to capital reserves will result in a **£75,000** contribution to the Council's balances this year.

4.6 Use of the Revenue Budget Support Reserve

Members may recall that as part of the approval of the 2018/19 year-end position, a total of **£30,582** was transferred from the 2018/19 Revenue Budget saving to the Revenue Budget Support Reserve, in order to provide resources to support the 2019/20 Revenue Budget.

These resources were required to fund a number of issues that were ongoing at the end of year, and for which additional budget was expected to be required, and also included £20,000 to double the Large Community Events Budget this year.

Resources will be transferred from the Revenue Budget Support Reserve to the service revenue budgets during the year to meet expenditure relating to these issues.

An analysis of the resources set aside within the Revenue Budget Support Reserve and the expected use of these resources is attached at **Appendix 2** for Members' information.

This shows that a total of **£26,082** is expected to be transferred to service revenue budgets this year.

5.0 2019/20 Capital Programme Budget

- 5.1 The Council approved an original Capital Programme Budget for 2019/20 totalling £160,000.
- 5.2 However, this was subsequently reduced to £135,000 after it was agreed to bring forward the £25,000 budget for the replacement of the golf greens mower to the 2018/19 financial year.
- 5.3 The 2019/20 Capital Programme Budget has subsequently been increased to provide for the carry forward of a large number of capital commitments and on-going projects outstanding at the end of the 2018/19 financial year totalling £141,500.
- 5.4 These ongoing projects included a replacement works vehicle, roofing works, replacement of the bowls hall carpet and bar furniture and various other small projects at the sports complex, and hedge replanting at Stephenson Way Cemetery.
- 5.5 This carry forward was approved by the Policy and Resources Committee on 5th June 2019.
- 5.6 **The revised 2019/20 Capital Programme Budget therefore currently totals £276,500. Appendix 3** includes more detail on the adjustments made to the budget since it was originally approved.
- 5.7 **Expenditure against the Capital Programme Budget up to the 30th September 2019 totalled £66,250.** This included the replacement of the pre-school flooring, repairs to the depot automatic gate, a replacement works tipper vehicle, website accessibility improvements, purchase of driving range targets and tee mats, bar service lift repairs, tree stump grinding at Stephenson Way Cemetery, replacement bins and public seating, and footpath works in the Woodham Burn area.
- 5.8 Further progress on the delivery of the 2019/20 Capital Programme Budget is expected during the second half of the year, with planned projects including electrical testing and remedial works, installation of LED lighting at the council offices, computer hardware purchases and infrastructure improvements, replacement festive lighting, play area surfacing replacement, various works at the sports complex including installation of shutters, bowls green maintenance and bar furniture replacement, replacement golf buggy containers, remembrance seating, footpath repairs, and hedge planting at Stephenson Way Cemetery.
- 5.9 **Final spending is expected to be around £131,500 less than budgeted at around £145,000.**
- 5.10 This projected saving is because some of the projects included in the 2019/20 Capital Programme Budget were 'provisional sums' and it is therefore likely that a number of these projects will not go ahead. It is also expected that some projects may be delayed into the next financial year and that the final costs on some projects will be less than budgeted.

- 5.11 Projects totalling £91,750 have currently been identified as needing to be carried forward to the 2020/21 financial year and these include the elements of the information technology budget relating to the implementation of paperless office and governance, replacement of the driving range ball washer machine, golf irrigation system repairs, improvement works at Agnew 5, and various works at the sports complex including roofing repairs, bar furniture replacements, sports hall flooring maintenance and kitchen equipment.
- 5.12 The Capital Programme Budget outturn will be funded from the Council's Earmarked Reserves which are set aside for this purpose.
- 5.13 **A detailed breakdown of the actual spending position on the Council's 2019/20 Capital Programme** up to the 30th September 2019, the projection of year-end expected outturn, and the likely carry forward to the 2020/21 financial year **is attached at Appendix 4.**

6.0 Council Balances and Reserves

- 6.1 After accounting for the estimated Revenue Budget saving highlighted earlier of £229,250 , and the financing of the Capital Programme from the Council's earmarked reserves totalling £145,000 as highlighted above, **Council Balances and Reserves would increase over the course of the year to stand at £1.175 million.**
- 6.2 The expected movement on the Council's Balances and Earmarked Reserves during the year is summarised below:-

Council Balances and Reserves		£
General Fund Balance		100,435
Budget Support Fund		30,582
Community Benefit Fund		3,318
Allotments Bonds Holding Account		200
Earmarked Revenue Reserves		25,000
Earmarked Capital Reserves		950,000
Actual Balances Held as at 1st April 2019		1,109,535
Estimated Contribution to Balances in 2019/20:		
Estimated 2019/20 Revenue Budget Saving		154,250
2019/20 Contribution to Earmarked Reserves		75,000
Proceeds from Sale of Works Machinery		8,618
Estimated Use of Balances in 2019/20:		
Estimated Funding of 2019/20 Capital Budget		(145,000)
Estimated Use of 2019/20 Budget Support Fund		(26,082)
Estimated Balances Held as at 31st March 2020		1,176,321

- 6.3 This level of balances is around £200,000 better than forecast in the Council's current Medium-Term Financial Plan and will help the Council to strengthen its financial position at the end of the financial year.

- 6.4 The positive financial situation is partly due to the ongoing savings on the Council Revenue Budget and partly as a result of the actions taken by the Council to restrict capital expenditure.
- 6.5 It is also a positive endorsement of the Council's decision to boost the contribution to capital reserves in the Revenue Budget via the 5% council tax increase this year, which has mitigated the risks identified in the last Medium-Term Financial Plan in relation to deteriorating balances.

7.0 Balance Sheet Issues

- 7.1 In line with best practice guidance on balance sheet management, it is also considered prudent to report on and consider the following key areas from the Council's Balance Sheet, that may have a material impact on the Council's finances if not reviewed on a regular basis:-
- External loan debt i.e. monies borrowed by the Council.
 - Short term investments i.e. surplus cash invested by the Council.
 - Debtors i.e. sums owed to the Council by its customers.

7.2 External Loan Debt

The Council currently has two annuity loans outstanding with the Public Sector Loans Board. The total amount of the loans outstanding at the beginning of the financial year was £131,600.

Interest payable on the existing loans will total £7,000 in the current financial year, while principal repayments will total £19,150.

The total balance of loans outstanding at the 31st March 2020 will therefore be £112,450.

Options for the possible refinancing or early repayment of the Council's outstanding loans are kept under regular review by the Finance Manager and proposals would be brought forward for consideration by Members if it was considered financially advantageous to do so.

There are currently no plans to repay early or undertake any additional borrowing over the five-year period of the Medium-Term Financial Plan.

7.3 Short Term Investments

The Council's short-term investments are made up of the Council's surplus cash flow resources and its earmarked balances and reserves.

At 30th September 2019, the Council had £1,082,351 invested in a 100-day notice account with the Council's bank, and a further £100,000 invested in the Public Sector Deposit Fund.

Investment income in respect of interest on balances is currently low, with interest rates on both the 100 Day Notice Account and Public Sector Deposit Fund running at around 0.75% in line with the Bank of England Base Rate.

Total investment income for the year is likely to be up on budget at £10,000 as a result of the higher than expected level of balances held.

The Council's Treasury Management Code of Practice includes the Council's borrowing and investment strategy and sets out the arrangements for managing the Council's loans and investments.

7.4 Debtors

Debtors are any outstanding income that is due to the Council and relate mainly to fees and charges for services the Council provides that have not yet been paid for by the customer.

Prompt recovery of debt has a positive effect on the Council's cash-flow and outstanding debt should therefore be actively managed so as to minimise payment times and debts written off as uncollectable.

Debt recovery action is the responsibility of the Finance Section and the Council's Income Collection and Debt Recovery Policy sets out the procedures to be followed by the Finance Section and all staff with responsibility for raising debtor's invoices.

The level of outstanding debt at 30th September 2019 was low with no debtors currently outside of their approved payment terms.

The Council's outstanding debt position will continue to be closely monitored and reported to Committee every quarter.

8.0 Policy Implications

- 8.1 The undertaking of regular budget monitoring and control and reporting of the Council's financial position to the Policy and Resources Committee assists the Council in delivering Aim 2 of the Council's Aims and Targets –

"To manage the Council's finances and assets in a responsible manner".

9.0 Staffing Implications

- 9.1 The expected outturn projections and explanations of variances have been included following consultation and agreement with the responsible budget managers controlling the income and expenditure on the budgets.

10.0 Financial Implications

- 10.1 The financial implications for the Council are fully set out in the report.

11.0. Crime and Disorder Implications

- 11.1 None.

12.0 Equal Opportunities Implications

- 12.1 None.

13.0 Environmental Implications

13.1 None.

14.0 Risk Assessment

14.1 Budgetary control is a key factor in effective risk management as it contributes towards the prudent management of the Council's finances by ensuring Members are informed of any potential budget problems at an early stage, thereby allowing remedial action to be taken.

14.2 Formal risk assessments are also undertaken at the time the Council sets its annual Revenue and Capital Budget and also when it approves its Annual Return and Medium-Term Financial Plan.

15.0 General Data Protection Regulations (GDPR)

15.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

16.0 Recommendations

16.1 It is recommended that Members:-

- receive the half-year financial position on the Council's 2019/20 Revenue and Capital Budgets and the projection of year-end expected outturn;
- receive a further Revenue and Capital Budget Position Report at the January Policy and Resources Committee, detailing the financial position as at 31st December 2019 and an updated projection of expected outturn.