

**2010/11 REVENUE AND CAPITAL BUDGET
YEAR END OUTTURN POSITION**

AGENDA ITEM NO.

MEETING: POLICY AND RESOURCES

DATE: 1ST JUNE 2011

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to provide Member's with details of the final year end position on the Council's approved Revenue Budgets and Capital Programme for the 2010/11 financial year.
- 1.2 The report also outlines the impact of the year end financial position on the Council's Balances and Reserves and sets out the key year end financial issues relating the Council's Balance Sheet.
- 1.3 The Council's statutory Statement of Accounts will be presented to a Special Meeting of the Policy and Resources Committee on 29th June.

2.0 Summary of the Year End Financial Position

- 2.1 There was an **overall year end saving on the Council's approved 2010/11 Revenue Budget of £213,036 or 13%**, which was a higher saving than originally anticipated in the expected outturn projections.
- 2.2 Taken alongside the planned £50,000 contribution to Capital Reserves in the Revenue Budget, this resulted in a **total contribution to Council Balances and Reserves for the year of £263,036**.
- 2.3 There were a number of reasons for the savings on the Revenue Budget including the following:-
 - the contingency sum was not required to be used;
 - officer pay was frozen in 2010/11;
 - further savings in staff costs as a result of staff turnover, reduced overtime and cover, staff leaving the pension scheme and a restructure of bar and catering hours;
 - higher than expected pre-school funding as a result of both centres running at capacity numbers throughout the year;
 - the non implementation of environmental waste disposal charges by Durham County Council;
 - savings on the running costs of the Sports Complex;
 - reduced spending on civic costs;
 - lower than expected special events costs;
 - additional newsletters not produced;
 - limited use of consultancy;
 - general efficiency savings across all budget areas

- 2.4 A total of **£26,946** from the overall **Revenue Budget** saving has been identified in respect of **on-going commitments** that is required to be transferred to the Revenue Budget Support Reserve and used to support the 2011/12 Revenue Budgets. The remaining £186,090 will be transferred to the Council's Earmarked Reserves to support future capital investment by the Council.
- 2.5 More detail on the overall Revenue Budget position as well as commentary on the savings achieved in each Committee area is included in Sections 3 and 4 of the Report.
- 2.6 **Final spending on the Council's approved 2010/11 Capital Programme Budget totalled £289,500**, of which £36,905 was funded from external capital contributions, and the remaining £252,595 from the Council's Earmarked Capital Reserves.
- 2.7 The Council had a number of **on-going Capital Programme requirements at the end of the year to the value of £143,500**. These relate to a number of projects either in progress or due to commence early in the new financial year and the unspent 2010/11 Capital Programme Budget in respect of these projects will need to be carried forward to 2011/12. More detail on the Capital Programme is provided in Section 5 of the Report.
- 2.8 After accounting for the Revenue Budget savings and the financing of the Capital Programme set out above, **the Council was able to carry forward Balances and Earmarked Reserves of £810,000** at the end of the year.
- 2.9 The funding on the on-going Revenue Budget and Capital Programme requirements referred to in paragraphs 2.4 and 2.7 that are requested to be carried forward to 2011/12 would then reduce Balances and Reserves to around £640,000.
- 2.10 This is a much better position than originally estimated in the Council's last Medium Term Financial Plan and puts the Council in a relatively healthy financial position going forward.
- 2.11 The update of the Council's Medium Term Financial Plan is due to be reported to a Special Meeting of the Policy and Resources Committee on 29th June and provides further details of the Council's financial position, setting out the Council's financial strategy for the five year period 2011 to 2015.

3.0 2010/11 Year End Revenue Budget Position

- 3.1 A detailed breakdown of the year end financial position on the Council's Revenue Budgets, broken down by each Committee and also by individual service areas is attached in **Appendix 1**.
- 3.2 The financial position shows the following information:-
- The approved annual Budget for each service area;
 - The actual income and expenditure for the year as recorded in the Council's Accounts;
 - The variance between the approved annual Budget and the actual outturn for the year;
 - An explanation of any significant variances between approved budgets and actual outturn i.e. savings or overspends.
- 3.3 It should be noted that the year end outturn figures take account of some of the year end accounting entries required in order to comply with 'proper accounting practices'.
- 3.4 This requires the Council to show the full cost of each service that the Council provides within its end of year Accounts.
- 3.5 As a result the year end figures therefore reflect the full reallocation of the costs of the Works Section and support services such as Administration and Finance, to front line service areas, based on actual time worked as recorded on weekly timesheets.
- 3.6 The figures also reflect the inclusion of a depreciation charge in respect of the fixed assets used in each service area. The depreciation charge is a notional accounting entry, designed to measure the economic benefits of the fixed assets utilised in each service area e.g. buildings, plant, vehicles, machinery etc.
- 3.7 The depreciation charge reflects the fact that fixed assets have a limited useful life, will depreciate in value over that life, and will ultimately need to be replaced. Depreciation must therefore be charged to the appropriate revenue budget.
- 3.8 While depreciation must be shown in revenue accounts in order to properly reflect the total cost of services, it is important to note that it is a notional cost rather than an actual expense. Depreciation is not intended to impact on the calculation of the Precept and setting of the council tax and is therefore reversed out of the Council's Budgets before calculating the Precept and year end outturn figures.

3.9 The table below provides a summary of the final position on the Council's Revenue Budget for 2010/11:-

Cost Centres by Committee	Budget 2010/11 £	Actual Outturn £	Overspend / (Saving) £
<u>Policy and Resources</u>			
Members and Civic	78,300	66,208	(12,092)
Finance	67,650	65,760	(1,890)
Administration	121,800	120,010	(1,790)
Corporate	275,200	254,112	(21,088)
Pre School Learning Centres	43,650	15,213	(28,437)
Works	125,000	99,962	(25,038)
Depot	28,650	38,944	10,294
Capital Financing	41,000	42,021	1,021
Total	781,250	702,230	(79,020)
<u>Recreation</u>			
Special Events	148,450	130,914	(17,536)
Sports Complex	326,000	279,334	(46,666)
Sports Pitches	22,600	20,682	(1,918)
Golf Course	63,750	65,026	1,276
Driving Range	20,350	23,181	2,831
Parks	250,950	242,915	(8,035)
Play Areas	86,350	79,885	(6,465)
Total	918,450	841,937	(76,513)
<u>Environment</u>			
Environment	127,250	109,173	(18,077)
Public Conveniences	1,450	1,440	(10)
Street Equipment	27,250	24,459	(2,791)
Allotments	3,600	4,612	1,012
Cemeteries	16,750	9,134	(7,616)
Section 137	6,500	7,681	1,181
Total	182,800	156,499	(26,301)
Contingency Sum	15,000	-	(15,000)
Contribution to Reserves	50,000	50,000	-
Grand Total	1,947,500	1,750,666	(196,834)
Removal of Depreciation	(324,500)	(340,702)	(16,202)
Precept / Net Expenditure	1,623,000	1,409,964	(213,036)

3.10 As can be seen in the above Revenue Budget summary and in more detail in Appendix 1, there was an **overall year end saving on the Council's Revenue Budgets of £213,036 or 13%**.

4.0. Commentary on 2010/11 Revenue Budget Outturn by Committee

Policy and Resources Committee

4.1 The Policy and Resources Committee Budgets **achieved a total saving of £79,020 or 10%** during 2010/11.

4.2 The main factors contributing to this saving are as follows:-

- The officer pay freeze which resulted in a saving of £25,000 as a 2.5% pay award had been assumed in the Revenue Budget;
- Further savings on staffing costs as a result of the staff leaving the pension scheme, reduced overtime costs and staff turnover;
- Higher than budgeted funding for the Pre Schools due to numbers of funded children at both centres being at capacity levels all year;
- Savings on the Members and Civic Budget on conferences, training, civic functions and hospitality and officer support;
- Savings on the Corporate Budget on IT costs, best value initiatives, the additional four newsletters not being produced, Youth Council grants and limited use of consultancy;
- Savings on training costs across all service areas;
- Savings on supplies and services budgets across all service areas;

4.3 Members will note that the Depot and Capital Financing Charges Budgets were overspent. In the case of the Depot Budget this was a result of the reassessment of the depot rates valuation which resulted in a significantly increased rates bill. In the case of the Capital Financing Charges Budget this was as a result of continued low interest rates meaning that investment income was minimal.

Recreation Committee

4.4 The Recreation Committee Budgets **achieved a total saving of £76,513 or 8.3%** during 2010/11.

4.5 The main factors contributing to this saving are as follows:-

- Significant staffing cost savings in respect of the Sports Complex Budget as a result of the officer pay freeze, reduced bar and catering hours and staff turnover;
- Savings achieved on the 2010/11 programme of special events, mainly on the senior citizens trips which were under subscribed, Aycliffe Show, the Christmas lights display due to the lamp posts not needing to be tested this year and the fireworks display which was unfortunately cancelled last year;
- Savings on the running costs of the Sports Complex particularly on building maintenance costs, gas and electricity contracts, equipment, vending machine stocks and bar and catering supplies in line with the lower usage and savings on supplies and services;
- Savings on the Parks and Play Area Budgets from reduced Works Section recharges as a result of the savings in Works staffing costs referred to in paragraph 4.2 as well as lower than expected Park Patrol Service time being spent at play areas.

- 4.6 However, it should be noted that while there as an overall saving on the Recreation Budget, there were shortfalls in income in the following service areas, which will need to be monitored closely during 2011/12:-
- A continued shortfall in golf green fee income which may be attributable to the adverse summer and winter weather last year and the on-going economic difficulties;
 - However season ticket income was up by nearly £5,000 which meant that in overall terms golf income was up on 2009/10;
 - A continued shortfall in Driving Range income against budget, although income was up slightly on 2009/10 levels;
 - Shortfalls in Sports Complex bar and vending machine income, as well as falling income from five as side and squash, although overall Sports Complex income was slightly up on 2009/10.

Environment

4.7 The Environment Committee Budgets **achieved a total saving of £26,301 or 14.4%** during 2010/11.

4.8 The main factors contributing to this saving are as follows:-

- The non implementation of environmental waste disposal charges by Durham County Council;
- Lower than expected running costs of the Environment Centre;
- Savings on the Street Equipment Budget from the adoption of parish lighting by Durham County Council and lower than expected maintenance costs;
- Savings on Works Section staffing recharges in respect of Stephenson Way Cemetery Budget as a result of a lower number of interments last year.

Revenue Budget Contingency Sum

4.9 In addition, the £15,000 Revenue Budget Contingency Sum was not required to be used during the year.

Proposed Revenue Budget Carry Forward

4.10 A total of **£26,946** has been identified in respect of on-going Revenue Budget requirements that are requested to be taken from the Revenue Budget savings, transferred to the Revenue Budget Support Reserve and used to support the 2011/12 Revenue Budgets.

4.11 These carry forward requirements have been agreed by the Finance Manager and Town Clerk and are highlighted in **Appendix 2** for Members approval.

4.12 The carry forward includes a number of items of expenditure that have been committed to but where the goods or services have not been received yet. There were also a number of requests to carry forward revenue budget savings to support projects in 2011/12 for which budget does not exist. These include resources for a Council Satisfaction Survey in 2011/12 and resources to meet the cost of roofing surveys to all Council buildings.

5.0 2010/11 Capital Programme Year End Position

- 5.1 The Council approved an original Capital Programme Budget for 2010/11 of £311,500.
- 5.2 However this Budget was subsequently increased to £379,000 to provide for the carry forward of outstanding capital commitments from 2009/10 totalling £67,500. This carry forward was approved by Policy and Resources Committee on 2nd June 2010.
- 5.3 These on-going commitments included the Sports Complex heating system replacement, works to reopen the public toilets at St Oswald's Park, St Oswald's allotments access road and asset management works to the Stephenson Way and West cemeteries.
- 5.4 The Capital Programme Budget was subsequently increased again to provide for a number of additional approvals during the year totalling £46,850. These have all been reported to and approved by Policy and Resources Committee during the year.
- 5.5 These additional approvals related to new budget requirements that have arisen during the year and included the new Council website, and the replacement of the tyre swing at the Town Park.
- 5.6 The **final revised Capital Programme Budget for 2010/11** therefore **totalled £425,850**. **Appendix 3** includes a breakdown of the various adjustments made to the original approved Capital Programme Budget.
- 5.7 **Expenditure on the approved Capital Programme up to the 31st March 2011 totalled £289,500**.
- 5.8 This spend included the completion of the following works:-
- Council Offices carpeting
 - Converting St Oswald's bowls pavilion into a pre-school office;
 - Replacement golf fairways mower;
 - ICT hardware including a new finance server and replacement computers, software upgrades and a fibre optic link to the Complex;
 - Notice boards;
 - Sports Complex heating system replacement;
 - Refurbishment of the public toilets, carpeting, and double glazing replacement at the Sports Complex;
 - Works to re-open the public toilets at St Oswald's Park;
 - Works to Simpasture and Moore Lane park pavilions;
 - Upgrade of School Aycliffe play area and play area safety surfacing;
 - Town Park tyre swing replacement;
 - Roofing works at the Golf Complex;
 - Improvement works to Stephenson Way and West Cemeteries;
 - Replacement litter and dog bins;
 - Access road at St Oswald's allotments and allotments fencing
- 5.9 The Council has also purchased a dance mat system and undertaken improvements to the Great Aycliffe Way, with Area Budget funding received from Durham County Council.

- 5.10 A detailed breakdown of the actual spending position on the Council's Capital Programme is attached at **Appendix 4**.
- 5.11 The final outturn on the Capital Programme was funded as follows:-
- | | |
|---|-----------------|
| GAMP Area Budget Funding | £36,905 |
| Earmarked Capital Reserves | £252,595 |
| Total Funding of Capital Programme | £289,500 |
- 5.12 The Council had **on-going Capital Programme requirements** at the end of the year **totalling £143,500**, relating to a number of projects either in progress or due to commence early in the new financial year, and for which the unspent Capital Programme Budget will need to be approved **to be carried forward to 2011/12**.
- 5.13 These carry forward requests are summarised below:-
- | | |
|---|-----------------|
| - Council Website | £20,000 |
| - Sports Complex Bar Roof Works | £50,000 |
| - Sports Complex External Decoration | £5,000 |
| - Sports Complex Access Road Resurfacing | £25,000 |
| - Moore Lane Pavilion Works | £2,000 |
| - Play Area Safety Surfacing | £2,500 |
| - Stephenson Way Cemetery Roofing Works | £15,000 |
| - St Oswald's Allotments Extension | £20,000 |
| - Aycliffe Nature Park Works | £4,000 |
| Total Capital Programme Carry Forward to 2011/12 | £143,500 |
- 5.14 Including the carry forward referred to above, and the recent approval of £23,800 for the Town Park play area improvements, **the 2011/12 Capital Programme Budget currently stands at £351,300**.
- 5.15 Full details of the Council's Capital Programme commitments going forward will be set out in the updated Medium Term Financial Plan which is due to be reported to a Special Meeting of the Policy and Resources Committee on 29th June 2011.
- 6.0 Council Balances and Reserves**
- 6.1 The movement on the Council's Balances and Earmarked Reserves during the year needs to take into account the following issues:-
- the 2010/11 Revenue Budget savings;
 - the proposed carry forward of unspent Revenue Budget;
 - the financing of the 2010/11 Capital Programme;
 - the proposed carry forward of unspent Capital Budget.
- 6.2 **The Council was able to carry forward a total of £810,037 in Balances, Reserves and Unused Capital Receipts and Capital Contributions as at 31st March 2011** and a breakdown of the movement on the Council's Balances and Earmarked Reserves is detailed on the following page:-

£

Balances held at 1st April 2010:

General Fund Balance	106,977
Revenue Budget Support Reserve	25,753
Earmarked Capital Reserves	650,000
Unused Capital Grants and Contributions	13,525
Unused Capital Receipts	16,726
Total Opening Balances and Earmarked Reserves	812,981

Add Contribution to Balances during 2010/11:

Revenue Budget Saving	213,036
Contribution to Capital Reserves from Revenue Budget	50,000
GAMP Area Budget Funding for Dance Mats	15,000
GAMP Area Budget Funding for Great Aycliffe Way	25,884
GAMP Area Budget Funding for Picnic Tables	3,390
Total Contribution to Balances and Reserves	307,310

Less Use of Balances during 2010/11:

Use of Area Budget Funding	(36,905)
Use of Earmarked Capital Reserves	(252,595)
Use of Revenue Budget Support Fund	(20,753)
Total Use of Balances and Reserves	(310,253)

Balances held at 31st March 2011:

General Fund Balance	65,471
Revenue Budget Support Reserve	31,946
Earmarked Capital Reserves	675,000
Unused Capital Grants and Contributions	20,895
Unused Capital Receipts	16,726
Total Closing Balances and Earmarked Reserves	810,038

- 6.3 **The funding of the proposed 2010/11 Revenue and Capital Budget carry forward** referred to earlier in the report totalling £26,950 and £143,500 respectively, **would reduce the above Balances and Reserves to around £640,000.**
- 6.4 The funding of the 2011/12 Capital Programme taken alongside the planned £50,000 contribution to reserves built into the 2011/12 Revenue Budget would see balances potentially reduce to around £500,000 by the end of the year, although balances would be higher if savings continue to be delivered on the Council Revenue Budget.
- 6.5 Further details on the likely movement of Council Balances over the next five years are provided in the Medium Term Financial Plan which is due to be reported to a Special Meeting of the Policy and Resources Committee on 29th June 2011.

7.0 Balance Sheet Issues

7.1 It is considered best practice to provide further information to Members in respect of the following important 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 balances invested by the Council;
- Debtors i.e. sums owed to the Council by its customers.

7.2 However, it should be noted that all of these areas will be covered in greater detail in the Council's Statement of Accounts, due to be presented to the Special Meeting of the Policy and Resources Committee on 29th June.

External Loan Debt

7.3 The total amount of the two remaining **loans outstanding** to the Public Works Loans Board **as at 31st March 2011 was £246,469.**

7.4 The final payments on two of the Council's older loans were made in October, which has significantly reduced the Council's future loan repayment costs, as reflected in the 2011/12 Revenue Budget.

7.5 Interest payable on the existing loans totalled £15,713 in 2010/11 while principal repayments totalling £26,226 were made. Principal repayments of £11,270 are due to be made in 2011/12 which will leave £235,199 outstanding at the end of March 2012.

7.6 There are no plans to refinance or repay early any of the Council's existing loans. Doing so would require use of Council balances and would involve incurring significant premiums as interest rates are currently so low. There are also no plans to undertake any additional borrowing during the five year period covered by the Medium Term Financial Plan.

Short Term Investments

7.7 **As at 31st March 2011, the Council had over £800,000 invested in a higher interest bank account.** The treasury deposit investment is not currently being used as the interest rate achievable on the higher interest bank account is currently the same as the investment interest rate while providing the benefit of instant access to the funds.

7.8 Due to the very low Bank of England base interest rate, investment income during the year has been minimal and interest credited to the Revenue Budget during the year in respect of investments was £3,561, which is slightly up on last year.

- 7.9 In addition, there is a projected fall in balances over the next few years, as the Council funds its Capital Programme requirements, and therefore the funds available for the Council to invest will fall accordingly. These issues have been provided for in the 2011/12 Revenue Budget and 2011 to 2015 Medium Term Financial Plan.
- 7.10 The Council's Treasury Management Code of Practice includes the Council's investment strategy and the arrangements for managing the Council's investments.

Debtors

- 7.11 Outstanding debt relates to fees and charges due for any of the services that the Council provides that have not yet been paid for.
- 7.12 Prompt recovery of all monies due to the Council has a positive impact on cash-flow and all debt must therefore be actively managed so as to minimise payment times and the number of debts written off as uncollectable.
- 7.13 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 responsibilities for raising debtor's invoices.
- 7.14 **The level of outstanding debt at 31st March 2011 totalled £12,000** although £4,427 of this total related to money due from HM Revenues and Customs in respect of the March VAT return.
- 7.15 There are currently **only four overdue accounts which are outside of the Council's approved payment terms**. Payment is expected to be made in respect of all of these invoices and it is not anticipated that there will be any problems clearing this debt.
- 7.16 The Council's outstanding debt position will continue to be closely monitored and reported to Committee.

8.0 Impact on Great Aycliffe Town Council

- 8.1 The regular monitoring and reporting of Council spending and income, levels of balances and the overall financial position helps to ensure that the Council manages its finances prudently and delivers value for money to the local community.

9.0 Policy Implications

- 9.1 The regular monitoring and reporting of the Council's financial position contributes to the following Strategic Aims:-

Aim 1 "To provide good quality governance and management of the Council".

Aim 2 "To manage the Council's finances and assets in a responsible manner".

10.0 Staffing Implications

10.1 All of the year-end figures set out in the report have been discussed and agreed with the appropriate budget managers.

11.0 Financial Implications

11.1 The financial implications are fully set out in the report and appendices.

12.0 Crime and Disorder Implications

12.1 None.

13.0 Equal Opportunities Implications

13.1 None.

14.0 Environmental Implications

14.1 None.

15.0 Risk Assessment

15.1 Effective budgetary control is a key factor in ensuring prudent management of the Council's finances and ensuring Members are informed of any potential budget problems at an early stage thereby allowing remedial action to be taken.

15.2 A full risk assessment in respect of the Council's finances is included when the Council sets its Budget and approves the Statement of Accounts and Medium Term Financial Plan.

16.0 Recommendations

16.1 It is recommended that Members:-

- a) Receive the year-end financial position on the Council's Revenue Budgets;
- b) Receive the year-end financial position on the Council's Capital Programme Budgets;
- c) Receive the year-end position on the Council's Balances and Reserves;
- d) Approve the Revenue Budget and Capital Programme carry forward requests referred to in paragraphs 4.10 to 4.12 and 5.13 and Appendices 2 and 4 are approved;
- e) Continue to receive quarterly budgetary control reports during 2011/12, detailing the financial position and estimated outturn on the Council's 2011/12 Revenue and Capital Budgets.