

**2011/12 REVENUE AND CAPITAL BUDGET
YEAR END OUTTURN POSITION**

AGENDA ITEM NO.

MEETING: POLICY AND RESOURCES

DATE: 30TH MAY 2012

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 and Capital Budgets for the 2011/12 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 27th June.

2.0 Summary of the Year End Financial Position

- 2.1 The Council set a **2011/12 Revenue Budget**, as represented by the Precept, of **£1,616,850**. **Actual final spending** against the Revenue Budget for the year was **£1,294,226**.
- 2.2 There was therefore an **overall year end saving on the 2011/12 Revenue Budget of £322,624 or nearly 20%**. This included the planned £50,000 contribution to capital reserves.
- 2.3 There were a number of reasons for the remaining £274,624 saving on the Revenue Budget and these included the following:-
- the contingency sum was not required to be used;
 - officer pay was again frozen in 2011/12;
 - employers' pension contributions were reduced;
 - significantly higher than expected pre-school income as a result of both centres being full all year;
 - savings on pre-school staffing costs as a result of the staff cover budget not being required to be used;
 - a significant refund on previous year's CCTV running costs;
 - unused planting budget as DCC flower beds not taken over;
 - lower than expected environmental waste disposal charges;
 - savings on golf complex running costs
 - a recovery in golf and driving range income;
 - significant savings on sports complex running costs;
 - savings on corporate and civic costs;
 - lower than expected special events running costs;
 - reduced Audit Commission fees;
 - general efficiency savings across all budget areas

- 2.4 A total of **£40,512** has been identified in respect of on-going commitments that is required to be transferred from the above saving to the Revenue Budget Support Reserve and used **to support the 2012/13 Revenue Budgets**, for example to support to the development of the Neighbourhood Plan and provide cover for staff absence.
- 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, 4 and 5 of the Report.
- 2.6 The Council's **2011/12 Capital Programme Budget totalled £427,750** having been increased to provide for carried forward projects from 2010/11, as well as a number of new projects approved during the year including the Town Park play area and Council Offices solar panels.
- 2.7 **Final spending on the Council's approved 2011/12 Capital Programme Budget totalled £338,502**, of which £37,574 was funded from external capital contributions, and the remaining £300,928 from the Council's Earmarked Capital Reserves.
- 2.8 Capital investment this year funded a number of important projects including new play areas at Byerley Park and the Town Park, the extension of St Oswald's Allotments, the planting of Woodham Burn Jubilee Woodland and the Council Offices solar panel system.
- 2.9 However, the Council still had a number of **outstanding Capital Programme requirements at the end of the year totalling £91,500**. These include the forthcoming programme of roofing works and lift replacement and major drainage works at the Sports Complex.
- 2.10 The under spend on the 2011/12 Capital Programme Budget will therefore need to be carried forward to 2012/13 to meet the cost of these works. More detail on the Capital Programme position is provided in Section 6 of the Report.
- 2.11 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 just under £810,000** at the end of the year.
- 2.12 The funding of the on-going Revenue Budget and Capital Programme requirements referred to in paragraphs 2.4 and 2.9, and that are requested to be carried forward to 2012/13, would then reduce Balances and Reserves to around £680,000. Further detail on Council Balances and Reserves is set out in Section 7 of the Report.
- 2.13 This level of balances is a much better position than originally estimated in the Council's last Medium Term Financial Plan and places the Council in a healthy financial position going forward.
- 2.14 The update of the Council's Medium Term Financial Plan is due to be reported to a future meeting and will provide further details of the Council's financial position, setting out the Council's financial strategy for the five year period 2012/13 to 2016/17.

3.0 2011/12 Year End Revenue Budget Position

- 3.1 A detailed breakdown of the financial position on the Council's Revenue Budget, broken down by each Committee and also by individual service areas is attached in **Appendix 1** to the report.
- 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 reflect the inclusion of a number of accounting entries required in order to comply with 'proper accounting practices'.
- 3.4 The first of these relates to the recharge of costs relating to the Works Section and support services such as Administration and Finance, to front line service areas.
- 3.5 These recharges are required as proper accounting practices require the Council to show the full cost of each service that the Council provides within its end of year Accounts.
- 3.6 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.
- 3.7 The year-end 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.
- 3.8 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.
- 3.9 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.

3.10 The table below provides a summary of the final position on the Council's Revenue Budget for 2011/12:-

Cost Centres by Committee	Budget 2011/12 £	Actual Outturn £	Overspend / (Saving) £
<u>Policy and Resources</u>			
Members and Civic	74,500	68,332	(6,168)
Finance	65,900	61,949	(3,951)
Administration	127,500	117,842	(9,658)
Corporate	265,600	200,738	(64,862)
Pre School Learning Centres	79,300	6,109	(73,191)
Works	125,550	119,459	(6,091)
Depot	39,200	36,276	(2,924)
Capital Financing	24,650	26,041	1,391
Total	802,200	636,746	(165,454)
<u>Recreation</u>			
Special Events	143,650	133,333	(10,317)
Sports Complex	330,650	292,540	(38,110)
Sports Pitches	19,500	19,210	(290)
Golf Course	72,300	56,545	(15,755)
Driving Range	25,300	20,386	(4,914)
Parks	250,150	233,904	(16,246)
Play Areas	83,850	85,228	1,378
Total	925,400	841,146	(84,254)
<u>Environment</u>			
Environment	126,550	126,972	422
Public Conveniences	1,600	2,069	469
Street Equipment	18,850	18,903	53
Allotments	5,950	8,762	2,812
Cemeteries	15,400	14,848	(552)
Church Works	8,250	8,830	580
Total	176,600	180,384	3,784
Contingency Sum	16,150	-	(16,150)
Contribution to Reserves	50,000	50,000	-
Grand Total	1,970,350	1,708,276	(262,074)
Removal of Depreciation	(353,500)	(364,050)	(10,550)
Precept / Net Expenditure	1,616,850	1,344,226	(272,624)

3.11 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 £272,624 or nearly 17%**.

3.12 In addition, the budgeted £50,000 contribution to capital reserves was made, making a **total contribution to balances of £322,624**.

4.0. Commentary on Revenue Budget Position by Committee

Policy and Resources Committee

4.1 The Policy and Resources Committee Budgets **achieved a total saving of £165,454 or 21%** during 2011/12.

4.2 The main two factors in this very favourable position were savings on CCTV running costs and Pre-Schools which together totalled £120,000. The reasons for these savings are set out below:-

4.3 CCTV Costs Savings

A substantial refund was received on CCTV running costs. This followed a review of CCTV provision by Durham County Council which resulted in the running costs of all 'strategic' cameras being taken on by the County Council. This resulted in five cameras previously paid for by the Town Council being taken over by the County Council, saving the Council £14,000 per year backdated three years. In addition, a further refund was received against running costs in the current year due to the cameras being out of operation. Total savings were £47,400.

4.4 Pre Schools Budget Savings

The Pre Schools Budget came very close to breaking even this year, running at a net cost of only £6,109 and achieving a saving against budget of £73,000, which is an excellent achievement. The position is largely due to two factors.

- Firstly pre-school funding and fees income were over £45,000 higher than expected as a result of both pre-schools running at capacity numbers all year. When the funding budgets were set back in December 2010, the waiting lists for the pre-schools were poor and the income budgets were set lower as a result.
- Secondly, there was a saving on pre-school staffing costs of nearly £20,000. A large proportion of this saving is due to the unused staff cover budget. The staffing budget must include provision for cover as OFSTED require that both pre-schools have a minimum number of staff. Provision for cover equating to one and a half members of staff is therefore included so that any staff absence e.g. sickness, maternity leave, training etc., can be covered e.g. via existing staff working additional hours or temporary staff being brought in.

4.5 The other factors contributing to the saving on the Policy and Resources Budgets were as follows:-

- officer pay has again been frozen in 2011/12;
- employers' pension contributions have been reduced;
- savings on external audit fees;
- saving on the donations budget;
- savings on civic events, hospitality, training and conferences;
- unused works planting budget as DCC flower beds not taken over;
- reduced Audit Commission fees;
- Saving on premises costs for the offices, depot and pre-schools;
- Other savings across all service areas including I.T, best value, youth council grants, stationery, photocopying and training.

Recreation Committee

4.6 The Recreation Committee Budgets **achieved a total saving of £84,254 or 9%** during 2011/12.

4.7 The main factors contributing to the savings are as follows:-

- Savings on the running costs of many special events, including the fireworks display for which a refund was due following the cancelled display last year, Christmas lights costs due to lamp post inspections not being required this year and senior citizens trips due to lower than expected numbers attending;
- Savings on Sports Complex staffing costs as a result of the pay freeze, reduced pension costs, staff turnover, and lower overtime;
- Savings on Sports Complex gas and water costs due to energy efficiency measures e.g. the new heating system;
- Reduced spending on Sports Complex bar, catering and vending machine stocks as a result of the downturn in usage and demand;
- Savings on Sports Complex coaching courses as a result of the increased use of 'in house' coaching;
- Savings on other Sports Complex supplies and services costs including equipment, marketing, cleaning materials and stationery;
- A recovery in golf green fee and driving range income;
- Savings on Golf Complex running costs including course maintenance, equipment, stationery and sub-contractor costs;
- Lower Works Section recharges against the Parks as a result of the widening role of the Park Patrol Service and the employment of the Works Apprentice in St Oswald's Park.

4.8 However, it should be noted that the savings on Sports Complex running costs have been partly offset by a significant shortfall in bar income and smaller shortfalls in squash, catering and vending machine income. These combined to result in a shortfall against income targets for the year of £12,500.

Environment Committee

4.9 There was a **small overspend** on the Environment Committee Budgets **of £3,784 or 2%** during 2011/12.

4.10 This small over spend was largely due to support provided by Works staff towards environment related capital projects such as the St Oswald's Allotments extension and Woodham Burn Jubilee Woodland.

4.11 The other main issues to report in respect of the Environment Budget position are as follows:-

- Savings have been made on environment waste disposal costs as a result of recycling initiatives undertaken by the Works Department to minimise the amount of waste disposed of;
- Major repairs were required to Woodham Burn footbridge during the year resulting in the overspend on bridge maintenance costs;
- There has been very low cemeteries income in the year resulting in reduced Works Section recharges and a shortfall in income;
- There was increased income from the new plots at St Oswald's Allotments;

Revenue Budget Contingency Sum

- 4.12 The Revenue Budget Contingency Sum was not required to be used during the year resulting in a further saving of £16,150 in the budget.

5.0 Revenue Budget Support Reserve

Use of Budget Support Reserve in 2011/12

- 5.1 Members may recall that as part of the approval of the 2010/11 year end position by this Committee, a total of £31,946 was transferred from the 2010/11 Revenue Budget saving to the Revenue Budget Support Reserve, in order to support the 2011/12 Revenue Budget.
- 5.2 The total carried forward included resources to fund a variety of on-going issues including tree works, the purchase of Christmas lighting and the cost of roofing surveys. The Sports Complex brewery sponsorship was also carried forward in this reserve.
- 5.3 Resources have since been transferred from the Revenue Budget Support Reserve during the year to meet expenditure on the above, as required, and these transfers totalled £17,871.
- 5.4 This resulted in an unused balance of £14,075, being transferred back to Council Balances and Reserves at the end of the year.
- 5.5 An analysis of the use of the Revenue Budget Support Reserve is attached at **Appendix 2**.

Proposed Revenue Budget Carry Forward to 2012/13

- 5.6 A total of **£40,512** has been identified in respect of on-going and future 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 2012/13 Revenue Budgets.
- 5.7 These carry forward requirements have been agreed by the Finance Manager and Town Clerk and are highlighted in **Appendix 3** for Members approval.
- 5.8 The carry forward includes £25,000 to support to the development of the Neighbourhood Plan and provide cover for staff absence, as well as resources to enable the Council to undertake a Satisfaction Survey in 2012, purchase Christmas lighting, undertake bus shelter inspections footpath repairs, staff training, marketing and to help meet the cost of any donation made to the Citizens Advice Bureau.

6.0 2011/12 Capital Programme Year End Position

- 6.1 The Council approved an original Capital Programme Budget for 2011/12 totalling £184,000. This was then increased to £327,500 to provide for the carry forward of outstanding commitments at the end of 2010/11 totalling £143,500. This carry forward was approved by Policy and Resources Committee on 1st June 2011.

- 6.2 The **Capital Programme Budget** has since been increased to **£427,750**, following the approval of a number of new projects during the year totalling £100,250 including the Town Park play area and the installation of solar panels to the Council Offices.
- 6.3 A breakdown of the revised 2011/12 Capital Programme Budget is attached at **Appendix 4** including full details of the approved adjustments made to the budget since it was originally set.
- 6.4 A number of important capital projects were undertaken this year including:-
- The upgrade of the play area at Byerley Park;
 - Installation of the new toddlers play area at the Town Park;
 - The installation of the solar panel system to the Council Offices;
 - The development of the new Council website;
 - Various works at the Sports Complex including re-decoration, window replacement, replacement lockers, sports hall lighting and male changing room refurbishment;
 - The re-surfacing of the access road to the Sports Complex;
 - A replacement utility vehicle for the Golf Complex;
 - Demolition of Horndale football changing rooms;
 - Extension of St Oswald's Allotments;
 - Computer hardware and server upgrades;
 - The planting of the Jubilee Woodland at Woodham Burn;
- 6.5 **Actual spending** on the Capital Programme during the year **totalled £338,502**, and a detailed breakdown of the actual spending position on the Council's Capital Programme is attached at **Appendix 5**.
- 6.6 The final outturn on the Capital Programme was funded as follows:-
- | | |
|---|-----------------|
| Capital Contributions | £37,573 |
| Earmarked Capital Reserves | £300,929 |
| Total Financing of Capital Programme | £338,502 |
- Capital contributions included £23,800 from Section 106 Agreement monies towards the Town Park toddler play area and Woodham Burn Jubilee Woodland, GAMP Area Grants and a Rotary Club donation.
- 6.7 Whilst there was an under spend on the 2011/12 Capital Programme, there were a number of **outstanding Capital Programme requirements at the end of the year totalling £91,500, for which a carry forward of the unspent capital budget will be required.**
- 6.8 These outstanding commitments included planned capital works from 2011/12 that had not commenced at the end of the year including the replacement of the roof at Stephenson Way Cemetery, roofing repairs at a number of other Council buildings, the upgrade of the disabled access lifts at the Sports Complex and the replacement of the Sports Complex indoor bowls hall lighting.
- 6.9 In addition, a recent inspection has revealed that major drainage works are required at the Sports Complex.

- 6.10 A total of £91,500 from the unspent balance on the 2011/12 Capital Programme Budget will need to be carried forward to 2012/13 to meet the potential cost of these works.
- 6.11 The **Capital Programme Budget for 2012/13** was originally set at £221,750. Including the carry forward referred to above, and the forthcoming requirement for £15,000 to upgrade of the Council Offices electricity supply to meet the requirements of the solar panel system, the 2012/13 Capital Programme Budget **currently stands at £328,250**.
- 6.12 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 future meeting.

7.0 Council Balances and Reserves

- 7.1 The movement on the Council's Balances and Earmarked Reserves during the year is summarised below:-

Balances held at 1st April 2011:

General Fund Balance	65,471
Revenue Budget Support Reserve	31,946
Earmarked Capital Reserves	675,000
Unused Capital Grants and Contributions	20,894
Unused Capital Receipts	16,726
Total Opening Balances and Earmarked Reserves	810,037

Add Contribution to Balances during 2011/12:

2011/12 Revenue Budget Saving	272,624
Contribution to Capital Reserves from Revenue Budget Section 106 Agreements	50,000
Rotary Club Contribution for War Memorial	23,800
Land Sale at High Barn Road	5,922
	3,565
Total Contribution to Balances and Reserves	355,911

Less Use of Balances during 2011/12:

Use of Capital Contributions	(37,573)
Use of Earmarked Capital Reserves	(300,929)
Use of Revenue Budget Support Fund	(17,871)
Total Use of Balances and Reserves	(356,373)

Balances held at 31st March 2012:

General Fund Balance	60,730
Revenue Budget Support Reserve	40,512
Earmarked Capital Reserves	675,000
Unused Capital Grants and Contributions	13,042
Unused Capital Receipts	20,291
Total Closing Balances and Earmarked Reserves	809,575

- 7.2 As can be seen above, the Council's Balances and Reserves have remained largely unchanged over the course of the year despite the funding of a Capital Programme Budget totalling over £300,000.

- 7.3 The Council carried forward a total of **£809,575 in Balances, Reserves and Unused Capital Receipts and Capital Contributions as at 31st March 2012.**
- 7.4 The funding of the proposed 2011/12 Revenue and Capital Budget carry forward referred to earlier in the report totalling £40,512 and £91,500 respectively, would reduce the above Balances and Reserves to £677,563.
- 7.5 The funding of the 2012/13 Capital Programme taken alongside the planned £50,000 contribution to reserves built into the 2012/13 Revenue Budget would see balances **potentially reduce to around £500,000 by the end of 2012/13.** However balances would be higher if savings continue to be delivered on the Council Revenue Budget as they have been in recent years.
- 7.6 Further details on the likely movement of Council Balances over the next five years will be provided in the Medium Term Financial Plan which is due to be reported to a future meeting.

8.0 Balance Sheet Issues

- 8.1 In line with best practice guidance on Balance Sheet Management, it is 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.
 - Current Debtors i.e. sums owed to the Council by its customers.
- 8.2 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 27th June.

8.3 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 £246,470.

Interest payable on the existing loans totalled £14,500 in the current financial year, while principal repayments totalled £11,270.

The total balance of **loans outstanding at the 31st March 2012** was therefore **£235,200.**

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 undertaken any additional borrowing during the five year period covered by the Medium Term Financial Plan.

8.4 Short Term Investments

At 31st March 2012, the Council had **£500,000 invested in a bank treasury deposit investment**. This balance is made up of the Council's surplus balances and earmarked reserves.

Investment income credited to revenue budgets in respect of interest on balances is currently minimal, with interest rates on the both the high interest bank account and treasury deposit running at 0.5%.

Total **investment income** for the year was **£3,727**.

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

8.5 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.

Prompt recovery of debtors 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 31st March 2012 was low** with only three invoices currently outside of the 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.

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

9.0 Impact on Great Aycliffe Town Council

9.1 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.

10.0 Policy Implications

10.1 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".

11.0 Staffing Implications

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

12.0 Financial Implications

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

13.0 Crime and Disorder Implications

13.1 None.

14.0 Equal Opportunities Implications

14.1 None.

15.0 Environmental Implications

15.1 None.

16.0 Risk Assessment

16.1 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.

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

17.0 Recommendations

17.1 It is recommended that Members:-

- a) Receive the year-end financial position on the Council's 2011/12 Revenue Budgets;
- b) Receive the year-end financial position on the Council's 2011/12 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 5.6 to 5.8 and 6.7 to 6.10 and Appendices 3 and 5 are approved;
- e) Continue to receive quarterly budgetary control reports during 2012/13, detailing the financial position and estimated outturn on the Council's 2012/13 Revenue and Capital Budgets.