

2019/20 REVENUE AND CAPITAL BUDGET POSITION TO 31ST DECEMBER 2019 AND EXPECTED OUTTURN FORECAST

AGENDA ITEM NO. 10

MEETING: POLICY AND RESOURCES

DATE: 22ND JANUARY 2020

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to present the nine-month 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 exceed income targets in most service areas in the first nine months of the 2019/20 financial year, and, as a result, is continuing to achieve a level of net spending which is well below the level of Precept set.

2.2 **Total savings of £225,000 have been achieved on the Council's 2019/20 Revenue Budget up to the 31st December 2019.**

2.3 There are a number of reasons for these savings and the main 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 three flexible retirements, staff turnover and vacant posts;
- Significant procurement savings, including from the re-tender of the Council's insurance and cash collection contracts;
- Much higher than expected pre-school funding income;
- A significant upturn in sports complex bar sales;
- A substantial increase in driving range takings;
- Much higher than usual 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 remaining three months of the year, taking into account previous years' trends and 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 £253,750 by the end of the financial year.**
- 2.7 This would represent a saving in the region of 15% of the approved Council Precept.
- 2.8 This better than expected Revenue Budget surplus is very welcome, as it comes at a time when the Medium-Term Financial Plan is forecasting 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 £299,500**, 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, and additional budget approvals of £20,000 to provide for the pre-school extension, and £3,000 for the replacement of the pre-school boiler.
- 2.11 Expenditure against the Capital Programme Budget up to the 31st December 2019 totalled £90,000, with some further progress on the delivery of the planned programme of works expected during the remaining three months of the year.
- 2.12 However, many of the projects included in the 2019/20 Capital Programme Budget are ‘provisional’ sums and a number of projects will not therefore go ahead this year. It is also expected that some projects may be delayed into the next financial year, and that the final costs on a number of other projects will be less than budgeted.
- 2.13 **Final spending is therefore projected to be £188,000 less than budgeted at £111,500.**
- 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 £1.254 million.**
- 2.16 This level of balances and reserves is nearly £300,000 better than forecast in the Council’s current Medium-Term Financial Plan and will enable the Council to significantly strengthen its financial position.
- 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 enables additional investment to be made in community events next year, whilst restricting the Town Council Tax increase to below the current rate of inflation.
- 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 nine months 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 nine months 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 were adjusted following the 2018/19 year-end closedown process.
- 3.4 Support service and works section recharges, were 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 nine months up to 31st December 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	52,950	49,230	66,500	(5,250)
Finance Service	68,250	51,500	48,696	65,150	(3,100)
Administration Service	96,800	82,500	67,908	80,700	(16,100)
Corporate Service	276,250	218,500	198,266	258,100	(18,150)
St Oswald's Pre School	46,200	5,200	(21,891)	22,250	(23,950)
Works	175,750	142,900	130,688	162,700	(13,050)
Depot	25,700	20,450	20,023	25,750	50
Capital Financing	26,650	4,350	2,175	23,900	(2,750)
Sub-Total	787,350	578,350	495,095	705,050	(82,300)
<u>Recreation</u>					
Special Events	143,950	132,600	126,514	136,950	(7,000)
Sports Complex	310,500	242,850	203,572	267,500	(43,000)
Sports Pitches	17,550	11,300	9,799	15,450	(2,100)
Golf Course	58,550	22,750	30,665	69,150	10,600
Driving Range	35,300	30,900	15,207	15,600	(19,700)
Parks and Play Areas	203,700	156,250	147,796	194,900	(8,800)
Sub-Total	769,550	596,650	533,553	699,550	(70,000)
<u>Environment</u>					
Environment	97,600	75,100	73,439	96,150	(1,450)
Street Equipment	6,550	5,100	3,676	6,300	(250)
Allotments	19,450	7,950	7,861	19,150	(300)
Cemeteries	44,400	33,650	25,087	33,950	(10,450)
Church Works	10,500	7,850	6,525	9,000	(1,500)
Sub-Total	178,500	129,650	116,588	164,550	(13,950)
Contingency Sum	12,500	9,500	-	-	(12,500)
Transfer to Reserves	75,000	56,250	-	-	(75,000)
Less LCTSS Grant	(161,850)	(161,850)	(161,874)	(161,850)	-
Precept / Net Spending	1,661,050	1,208,550	983,362	1,407,300	(253,750)

3.8 Based on the above expected outturn projection, it is estimated that there will be a total saving of £253,750, or 15.3% against the approved 2019/20 Revenue Budget by the end of the year.

- 3.9 This better than expected Revenue Budget surplus is very welcome, as it comes at a time when the Medium-Term Financial Plan is forecasting 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 £82,300 or 10.5%.

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 £3,750;
- A projected unspent balance on the donations budget of £1,500;
- Savings of £31,500 on central establishment staffing costs from two flexible retirements, as well as staff turnover and vacancies during the year including the events officer and administrative assistant;
- A forecast saving of £3,000 on unused pre-school staff cover;
- An expected saving of £8,000 in works staffing costs linked to the flexible retirement of the tractor driver;
- Higher than expected pre-school funding income totalling £19,000 as a result of higher attendance numbers and the receipt of additional funding linked to special educational needs;
- A £3,750 increase in investment income due to better than expected levels of balances and reserves;
- A £3,500 saving on the use of external consultants;
- Various savings on running costs totalling £15,750 including on staff training, office running costs, information technology, youth council costs, pre-school supplies, works tools and equipment, equipment maintenance and bedding plants.

There may be an unbudgeted cost of £7,500 to provide for the costs of a by-election in the Woodham Ward, and this has been provided for in the Corporate Services Revenue Budget.

4.2 Recreation Committee

The Recreation Committee Budgets are projecting an expected saving for the year of £70,000 or 9.1%.

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

- A forecast saving of £7,000 on the events budget from non-attendees on the senior citizens' trips and lower than expected costs on the Christmas lights, fun in the parks and fireworks display budgets;
- Savings on £10,000 across all of the recreation budgets from the re-tender of the insurance and cash collection contracts;
- A saving of £10,500 on sports complex staff cover due to reduced levels of absence;
- A forecast saving of £10,000 on sports complex running costs including on staff training, building maintenance, water costs, equipment and marketing;
- Sports complex income forecast to be £19,000 up on budget, largely as a result of a substantial increase in bar takings;
- A forecast £16,000 increase in driving range takings as a result of the fifty pence increase in fees and increased usage;
- A £750 increase in football pitch income from an additional team;
- A forecast saving of £7,250 on sports pitch, parks and play area maintenance costs.

However, it should be noted that these savings have been partly offset by a forecast overspend on the golf course budget of £10,500 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 £13,950 or 7.8%.

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

- A projected saving of £1,500 on environment running costs including on building maintenance, events and projects, equipment, waste disposal costs and wildflower meadow maintenance;
- A £2,000 saving on maintenance costs across the cemeteries, allotments and street equipment budgets;
- A significant increase of £10,500 in cemeteries income as a result of vastly increased numbers of interments and purchases.

4.4 Revenue Budget Contingency Sum

There has been no use of the **£12,500** Revenue Budget Contingency Sum so far this year, which will result in a further saving to the Revenue Budget at the end of the 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 last year's Revenue Budget saving to the Revenue Budget Support Reserve.

These resources were required to fund a number of issues that were on-going at the end of last year, and for which additional budget was expected to be required during 2019/20. This included a sum of £20,000 to double the Large Community Events Budget this year.

Resources have been 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 £6,082 is expected to be transferred to service revenue budgets this year. **A total of £24,500 will therefore be returned to the Council's reserves.** This is largely due to the £20,000 sum carried forward to support the large events budget not being used.

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 was subsequently 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 stump removal and replanting of hedges at Stephenson Way Cemetery.

5.5 This carry forward was approved by the Policy and Resources Committee on 5th June 2019.

5.6 There have subsequently been two additional budget approvals agreed at the Policy and Resources Committee during the year; £20,000 to meet the net cost, after external grant funding, of the pre-school extension, and £3,000 for the replacement of the pre-school boiler.

- 5.7 **The revised 2019/20 Capital Programme Budget therefore currently totals £299,500. Appendix 3** includes more detail on the adjustments made to the budget since it was originally approved.
- 5.8 **Expenditure against the Capital Programme Budget up to the 31st December 2019 totalled £90,000.** This included installation of LED lighting at the offices, electrical testing, replacement of the pre-school flooring, repairs to the depot automatic gate, a replacement works tipper vehicle, computer hardware, website accessibility improvements, replacement festive lighting, purchase of driving range targets and tee mats and a storage container for the golf buggies, bar service lift repairs, installation of shutters, and the refurbishment of the bowls hall carpet at the sports complex, tree stump grinding and replanting at Stephenson Way Cemetery, replacement bins and public seating, and footpath works in the Woodham Burn area.
- 5.9 Some further progress on the delivery of the 2019/20 Capital Programme Budget is expected during the remaining three months of the year, with planned projects including tree works and scrub management in the Agnew 5 woodland, purchase of further remembrance seating, replacement bar furniture, and the completion of the footpath repair programme of works.
- 5.10 **Final spending is expected to be around £188,000 less than budgeted at around £111,500.**
- 5.11 This projected saving is because many of the projects included in the 2019/20 Capital Programme Budget are 'provisional sums' and therefore a number of the projects will not go ahead this year. It is also expected that some projects will be delayed into the next financial year, and that the final costs on a number of other projects will be less than budgeted.
- 5.12 Projects totalling £90,500 have currently been identified as needing to be carried forward to the 2020/21 financial year and these include the pre-school extension, resources within the information technology budget relating to reviewing the electronic filing system and moving all data online, replacement of the motor for the office automatic doors, replacement of the driving range ball washer machine, golf irrigation system repairs, and various works at the sports complex including roofing repairs, security improvements, further bar furniture replacements, sports hall flooring works and kitchen equipment.
- 5.13 The Capital Programme Budget outturn will be funded from the Council's Earmarked Reserves which are set aside for this purpose.
- 5.14 **A detailed breakdown of the actual spending position on the Council's 2019/20 Capital Programme** up to the 31st December 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, and the financing of the Capital Programme from the Council's earmarked reserves as highlighted above, **Council Balances and Reserves would increase by around £145,000 over the course of the year to stand at £1.254 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
Forecast Contribution to Balances in 2019/20:	
Forecast 2019/20 Revenue Budget Saving	178,750
2019/20 Contribution to Earmarked Reserves	75,000
Proceeds from Sale of Works Machinery	8,618
Forecast Use of Balances in 2019/20:	
Less Funding of the 2019/20 Capital Budget	(111,500)
Less Use of the Budget Support Reserve	(6,082)
Forecast Balances Held as at 31st March 2020	1,254,321

- 6.3 This level of balances is nearly £300,000 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 significant 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, and actually resulted in the Council's balances and reserves increasing over the course of this year.

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 31st December 2019, the Council had £1,184,405 invested in a 100-day notice account with the Council's bank, and a further £400,000 invested in the Public Sector Deposit Fund.

Interest rates on both the 100 Day Notice Account and Public Sector Deposit Fund are currently 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 £11,000 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 31st December 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 nine-month financial position on the Council's 2019/20 Revenue and Capital Budgets and the projection of year-end expected outturn;
 - receive a final Revenue and Capital Budget Position Report at the June 2020 meeting of the Policy and Resources Committee, detailing the final outturn position as at 31st March 2020.