

Great Aycliffe Town Council

2018/19 Annual Financial Report



Annual Report on the Council's Finances 2018/19

1. Introduction

Welcome to this Annual Report on the Council finances which we hope you will find informative and of interest.

The Annual Report sets out the following information:-

- the principal activities of the Council;
- the Council's financial needs, resources and influences;
- the Council's financial planning process;
- the Council's future spending plans, as set out in the Medium-Term Financial Plan and the 2019/20 Revenue and Capital Budget;
- the Council's financial performance including details of actual spending over the last two years, and the levels of balances and reserves held;
- key information from the Annual Accounts; and
- the outcome of the annual audit inspection.

2. Principal Activities of the Council

Great Aycliffe Town Council provides a wide range of services and facilities within the Parish.

The main services and activities provided by the Council are detailed below:-

- Two pre-school learning centres at St Oswald's Park, providing child care to two-year olds, and pre-school education to children aged from three years to four years and eleven months;
- Oak Leaf Sports Complex providing indoor bowls, multi-use sports hall, squash courts, and bar and catering facilities;
- Oak Leaf Golf Complex comprising an eighteen-hole golf course, golf shop, changing rooms, and driving range;
- Eight football pitches including junior football and six a side pitches;
- Nine parks, all with play equipment, four further play areas, five multi-use games areas, a skate park, BMX track, and scoot track;
- Stephenson Way and West Cemeteries, and the provision of burial services;
- Five allotments sites including some with pigeon and poultry facilities;
- A community events programme including senior citizens trips, fun in the parks, Santa tours and the fireworks display;
- Grounds maintenance of Council owned land and facilities;
- An environment centre and environmental management of a number of nature and conservation areas, the Great Aycliffe Way and other green open space across the Parish;
- Operation of CCTV cameras at the sports complex and depot sites;
- Civic events and functions and the Town Mayor;
- A Park Patrol Service and Town Pride Team; and
- Provision and maintenance of public seating, litter and dog bins and bus shelters.

Services are currently provided by a workforce of 68 staff of which 41 are full time posts and 27 part time posts, supported by a number of casual and temporary staff.

The Council is managed under the policy direction of 30 Elected Members / Councillors, each representing a Ward within the Parish.

3. Financial Needs and Resources

Revenue Spending and Income

The provision of the various services, facilities and activities of the Council incurs day to day running costs such as the salaries and wages of staff, building and vehicle running costs and the purchase of supplies and services. This is known as revenue expenditure and is funded from the Council's Revenue Budget.

In many service areas, income is receivable to help offset these running costs. For example, the pre-school learning centres are eligible for funding from Durham County Council, and in other service areas fees and charges are levied for the services provided, for example at the sports and golf complex and for the cemeteries and allotments services.

The Council also receives Council Tax Support Grant funding from the Government, which is paid via Durham County Council, and currently totals £162,000 per year, representing nearly 10% of the Council's Net Revenue Budget Requirement.

This grant was put in place by the Government to offset the loss in the Council's tax raising capacity which was brought about by the changes to the Council Tax Benefit System and the introduction of Local Council Tax Support Schemes.

The net revenue cost of all of the Council's various services, activities and facilities, after deducting the Council Tax Support Grant and all income due from external funding or fees and charges, is met from the Town Council Precept.

The Precept is the amount that the Council has estimated it will require to be raised from the tax payers of Great Aycliffe to fund the services that it provides and is the figure on which the Town Council proportion of the Council Tax bill is calculated.

Capital Investment

In addition to its day to day revenue spending, the Council also needs to make one-off capital investment in the various fixed assets supporting front line service provision such as buildings, vehicles and machinery, community assets such as parks and play areas, and street equipment such as public seating and litter bins.

Examples of capital investment would include the replacement of a roof or a new heating system to a building, the purchase of a new or replacement vehicle, and the installation or upgrade of a play area.

Capital expenditure is mainly funded from the Council's balances and reserves, along with any capital grants or contributions that may be available towards specific projects. Additional capital resources can also be raised by selling existing fixed assets such as land, to generate capital receipts, or by taking out loans.

4. Influences on Council Income and Expenditure

The amount of income that the Council can raise from Council Tax is largely influenced by the number of households in the Parish, which is known as the Tax Base, and also by the maximum amount by which the Council chooses to increase the Council Tax each year.

The other key component of the Council's income is the Council Tax Support Grant, which is influenced by the Local Government Grant Settlement by the Government, and also by Durham County Council in terms of how much of the grant is passed on.

Income from fees and charges is largely driven by demand for the services in question, and while this can be managed to some extent, for example by marketing, it is significantly controlled by economic, demographic and social factors.

There are also many influences on the Council's expenditure, most of which are again driven by economic, demographic and social factors.

Examples include inflation and annual pay awards, demand for services, availability of supplies and services, new technology, identification of more economic and efficient ways of working, and improved procurement of goods and services.

5. The Council's Financial Planning Process

The Council must, by law, set a Budget every year and the Budget is set in advance of the following year.

The Council's financial year runs from 1st April to 31st March.

The development of the annual Budget usually takes place between September and December, with the Budget set in January, in advance of the new financial year.

The Budget is essentially an estimate of the resources that the Council will require to fund all of the services that it provides, deliver its strategic aims and objectives and meet community and local taxpayer needs and priorities.

The Council Budget is made up of the Revenue Budget and the Capital Budget.

The Revenue and Capital Budget is prepared in line with the overall financial strategy and key principles set out in the Council's Medium-Term Financial Plan.

6. The Medium-Term Financial Plan

The production and annual update of the Medium-Term Financial Plan (MTFP) ensures that the Council takes a strategic approach to its financial planning, by putting in place a forward-looking strategy covering a five-year period.

It helps put in place a link between the Council's strategic aims and the priorities of the local community, as set out in the Service Delivery Plan, and the resources that are likely to be available to fund the delivery and achievement of these over the medium term.

The MTFP establishes the Council's financial principles, considers the national and local situation within which the Council's financial planning will be undertaken, and highlights the key financial challenges that will face the Council over the five-year period, putting in place a financial strategy to help deal with these.

The MTFP effectively puts in place the framework for the planning of the Council's revenue and capital spending each year via the annual Budget and was therefore the main driver for the setting of the 2019/20 Revenue and Capital Budgets.

The Council's approved its current Medium-Term Financial Plan in July 2018, and the Plan covers the five-year period from 2018/19 to 2022/23.

The MTFP was prepared on the key principle of aiming to maintain existing levels of services and staffing structures, whilst keeping any required increase in the council tax as low as possible over the five-year period of the plan.

The MTFP concluded that the Council is currently in a strong financial position with a balanced Revenue Budget, continued delivery of savings in the current year, good progress made in delivering the Council's Asset Management Plan, capital receipts from land sales, and healthy levels of balances and reserves.

This sound financial position provides the Council with a strong foundation on which to build, as it looks ahead to a challenging future.

The MTFP highlighted a number of financial challenges facing the Council in the coming years, which will make balancing the Council's Revenue Budget increasingly difficult towards the middle of the next decade.

Of the greatest risk to achieving a balanced Revenue Budget is the Council's continued reliance on the Council Tax Support Grant which currently represents 10% of the Council's Precept. This funding is linked to the government's funding allocation for local government and current indications suggest the grant will be cut by around £50,000 or 30% over the four years to 2022/23.

The other major risk facing the Council's Revenue Budget over the medium and longer term is the issue of low pay. The Council has a large number of low paid staff and the ongoing increases in the National Living Wage and proportionately higher annual pay awards for low paid staff will become an increasing budget pressure, in the longer term, at a potentially substantial cost.

The Council is also facing a number of other budget pressures including future pension contribution increases, inflation on running costs, possible pressure to consider taking on services from Durham County Council, and requests for financial assistance from community organisations.

The financing of these funding cuts and spending pressures is made more difficult by the fact that the Council could be made subject to a Government limit in terms of how much it can increase the Council Tax without being required to hold a public referendum, from 2021/22 onwards.

The surplus on the Council's Revenue Budget at the present time will certainly help in the short term, but in the longer term the process of balancing of the Revenue Budget is likely to become increasingly difficult and the level of surplus resources in the Revenue Budget and the savings being brought forward each year is likely to diminish year on year.

Moving forward, it is likely that the Revenue Budget pressures faced will need to be financed by a combination of increases to the Town Council Tax, increases in fees and charges, council tax base growth from new housing, as well as the identification and delivery of efficiency savings and budget reductions.

These issues will need to be considered in detail via future budget setting processes, when options around council tax and fees and charges increases and the identification and delivery of any required budget reductions and efficiency savings, would need to be drawn up and considered.

The Council has already started a process of service reviews and a reassessment and update of the Council's strategic aims and targets, with a view to determining which services are to be protected and which services may be subject to budget reductions in the longer term.

Thankfully, in the short term at least, the Council remains in a strong financial position and as such the 2019/20 Revenue Budget was prepared on the principle of maintaining existing levels of services and staffing levels.

Another major financial challenge identified in the MTFP is the fact that the Council has potentially substantial capital investment commitments identified in its Asset Management Plan over the next five years of more than £1 million. These relate to essential investment in Council and community assets such as buildings, vehicles, machinery, play areas, and street equipment

The funding of this capital investment presents a major risk that Council balances and reserves will inevitably fall and could even run out by the middle of the next decade, if they cannot be replenished by Revenue Budget savings, capital receipts or council tax base growth.

The issue of how to ensure the replenishment of the Council's earmarked capital reserves is one of the major challenges that needed to be addressed by the MTFP and was therefore a key consideration in the setting of the 2019/20 Revenue and Capital Budget.

7. 2019/20 Revenue Budget

The 2019/20 Revenue Budget was developed in a way that delivered the key principles from the Medium-Term Financial Plan; namely:-

- Ensuring that all services can continue to be provided to current standards;
- Recognising the longer-term budget pressures faced by the Council, and the need to maintain contingency resources within the Revenue Budget;
- Addressing the forecast depletion in the level of the Council's balances and reserves and ensuring a greater replenishment of those balances.

The setting of the Revenue Budget needed to take into account the likely changes in costs and income between the two years.

Additional budget provision needed to be made for the following:-

- A 6.4% cut to the Council Tax Support Grant funding;
- The 2019/20 local government pay award which implements significant increases at the lower end of the salary scale linked to increases in the National Living Wage, and which amounts to a 4% year on year increase in the Council's staffing costs;
- The cost of a restructure of the lower end of the Council's staff grading system to address problems linked to the above;
- Staff joining the local government pension scheme under the automatic enrolment legislation;
- Changes in legislation around holiday pay;
- An increase in the Members' Allowance rate;
- Increased information technology costs linked to the proposed move to 'paper light' office and governance;
- Additional investment in the Santa tours budget linked to the increased number of routes;
- Increases in the cost of bar and catering supplies and golf shop stocks linked to the significant increase in takings in the current year;
- A fall in sports complex sporting activities income and golf membership numbers; and
- Inflation and other unavoidable increases in running costs;

However, these increases have been partly offset by council tax base growth, savings and budget reductions, assisted by the positive financial situation in the current financial year, including the following:-

- New housing development adding 48 properties to the Council Tax Base;
- Savings in staffing costs from staff turnover, reduced working hours, and less staff cover and overtime;
- Savings in gas and electricity costs following the transfer of all contracts onto county council rates;
- A significant increase in sports complex bar income, takings from golf shop sales, cemeteries income and interest on balances;
- Removal of the one-off budgets for information technology and consultancy linked to GDPR compliance;
- An increase in pre-school income following an improvement in the numbers attending both settings;
- Various other budget reductions and efficiency savings including on vehicle repair costs, sports complex running costs and maintenance costs.

In addition, in light of the longer-term financial challenges identified in the Medium-Term Financial Plan, the Council has also taken the decision to increase the contribution to capital reserves in the Revenue Budget by £50,000 to £75,000.

These surplus resources will enable a much higher top up of the Council's earmarked capital reserves than is the case now, in line with the recommendation made in the Medium-Term Financial Plan and will ease the pressure on the Council's balances moving forward.

A small contingency sum budget of £12,500 has also been included in the Revenue Budget which provides some spare resources to meet any unforeseen budget pressures next year.

No additional provision has been made for new investment in the Revenue Budget either in existing services or new initiatives, or for the potential taking on of additional responsibilities from Durham County Council.

However, the contingency sum does provide some limited scope for additional investment next year should the Council need to do so.

In overall terms, the Council's 2019/20 Net Revenue Budget, as represented by the Precept has increased by £90,050 or 5.7%, from £1,571,000 in 2018/19 to £1,661,050 in 2019/20.

This increase in the Precept has been agreed firstly in order to ensure that all services can continue to be provided to the standard expected by the residents of Great Aycliffe next year, secondly to provide a firm foundation and some surplus resources to meet the increases in running costs and cuts to funding that lie further ahead, and lastly to increase the Council's capacity to replenish its balances and reserves moving forward.

The following table provides a summary of the Council's 2019/20 spending plans:-

2019/20 Revenue Budget Summary

Service Area	2019/20 Budget £
Members and Civic Expenses	71,750
Corporate Management, Finance and Administration	454,650
Capital Financing Charges	33,900
Pre Schools	231,950
Community Events	145,250
Sports Complex	717,350
Golf Course and Driving Range	298,600
Environment and Open Spaces	97,850
Parks, Sports Pitches and Play Areas	225,200
Works and Depot	204,700
Street Equipment	6,550
Cemeteries	98,250
Allotments	26,750
Contingency Sum	12,500
Total Cost of Running Town Council Services	2,625,250
Capital Programme Investment in Council Assets	275,750
Contribution to Capital Reserves	75,000
Total Planned Revenue and Capital Spending	2,976,000
Less Income	
Council Tax Support Grant	(161,850)
Pre-School Funding and Fees	(185,750)
Sports Complex Fees and Charges	(406,850)
Golf Course and Driving Range Fees and Charges	(204,750)
Cemeteries and Allotments Fees and Charges	(50,650)
Feed in Tariff Income from Solar Panels	(11,250)
Other Income	(10,850)
Investment Income	(7,250)
Total Income	(1,039,200)
Less Use of Council Balances - Capital Programme	(275,750)
Net Budget Requirement / Council Precept	1,661,050

The 2019/20 Budget Document provides more background to the budget setting process and more detail in terms of the budgets for individual service areas. The Budget document can be viewed at the Council Offices or on the Council website.

8. 2019/20 Council Tax

The Town Council Tax is calculated using the Council Tax Base for the Parish which is the total number of chargeable properties in the area for council tax purposes and is calculated by Durham County Council as the council tax billing authority.

The Tax Base calculation takes the total number of properties in the Parish and adjusts this to reflect property values in the area, as well as the number of households in receipt of council tax benefits, exemptions and discounts, and the council tax collection rate achieved by the County Council.

The Precept divided by the Tax Base provides the Band D Council Tax figure.

Durham County Council notified the Council that the Council Tax Base for 2019/20 has increased by 48 properties from 6,743 to 6,791, driven by new housing development in the Parish.

The 2019/20 Council Precept of £1,661,050 divided by the 2019/20 Tax Base of 6,791 results in a 2019/20 Band D Town Council Tax of £244.59 per year.

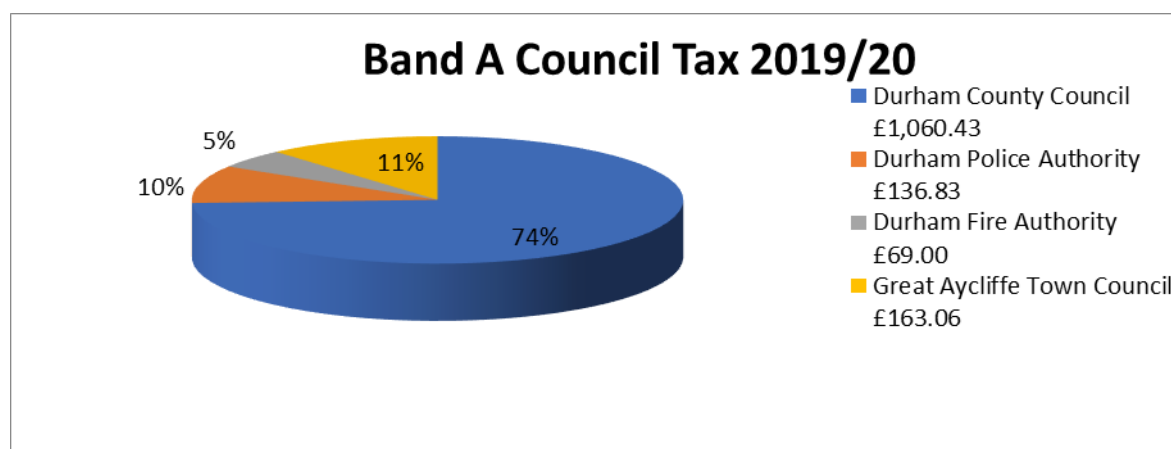
This represents an increase of £11.62 per year or 97p a month on the 2019/20 Band D Council Tax.

However, it is important to note that around 60% of the properties in Great Aycliffe fall within Council Tax Band A and therefore pay only two thirds of the Band D Council Tax.

The 2019/20 Band A Council Tax is £163.06 per year which equates to around £14 per month or £3 per week. This is an increase of £7.75 per year or 65p per month.

The decision to increase the Council Tax was not taken lightly. The Council hopes local tax payers will agree that the annual increase of £8 is a modest price to pay in order to ensure that all of the important services provided by the Town Council to the community of Great Aycliffe can be protected for another year, whilst ensuring that a sufficient level of contingency sum and replenishment of council balances is maintained to help steer the Council through the difficult times that lie ahead.

A breakdown of the 2019/20 Council Tax is shown below demonstrating that 11p in every £1 of the total Council Tax comes to the Town Council:-



9. 2019/20 Capital Programme Budget

The Capital Programme Budget provides for major one-off investment in Council and community assets such as buildings, play areas, vehicles and machinery.

The 2019/20 Capital Programme Budget was set at £135,000, and includes provision for the following projects:-

- Replacement of the flooring at St Oswald's Tots in the Park Pre-School;
- Electrical testing and remedial works at all Council buildings;
- Computer replacements and website development;
- Provision for information technology improvements linked to the proposed move to paper light office and governance and off-site data storage, including provision to install wi-fi at the council offices, purchase tablet computers for members and officers, purchase and implement the Modern.Gov software system, and all associated installation and consultancy costs;
- The ongoing programme of replacement festive lighting;
- The ongoing programme of play area surfacing replacement;
- Replacement of the driving range ball washer machine, tee mats and targets;
- Purchase of a golf buggy storage container;
- Replacement of the driving range to golf shop door;
- Provision for ongoing drainage repairs at the sports complex;
- Sand and re-seal of the sports hall flooring at the sports complex;
- Deep clean of the sports complex bar and function room carpets;
- The ongoing programme of footpath repairs.

The 2019/20 Capital Programme Budget provides for a much lower level of capital investment than has been the case in recent years, linked to the need to more closely control capital investment to help maintain and protect the Council's balances and reserves for as long as possible.

The proposed budgets focus on investment linked to the delivery of the Council's Asset Management Plan and will keep all essential building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment are undertaken as necessary.

There were also a number of capital projects including a replacement works vehicle, roofing repairs, sports complex bowls hall carpet and bar furniture replacement and footpath repairs which did not take place this year, and which have been delayed into next year. These projects are due to take place in the 2019/20 financial year, and a total of £140,750 will be carried forward to meet the cost of these projects.

The total adjusted 2019/20 Capital Programme Budget is therefore £275,750 and will be funded from the Council's Earmarked Capital Reserves, which are set aside for this purpose.

Any external grants and contributions that are secured next year would provide resources over and above those set aside in the 2019/20 Capital Programme Budget, although no such grants have been confirmed at the present time.

The Council does not currently need to consider any further borrowing in light of the Earmarked Capital Reserves currently available, although the option of leasing capital assets will be considered where relevant.

10. 2017/18 and 2018/19 Actual Revenue Spending

A summary of the Council's actual expenditure in 2017/18 and 2018/19 in running its various services, and how this expenditure was funded is detailed below:-

2017/18 £	Service Area	2018/19 £
56,937	Members and Civic Expenses	56,421
400,611	Corporate Management, Finance and Administration	397,574
31,290	Capital Financing Charges	34,485
149,132	St Oswald's Pre Schools	196,046
114,832	Community Events	142,158
661,775	Sports Complex	678,525
256,211	Golf Course and Driving Range	284,630
197,239	Parks, Sports Pitches and Play Areas	219,860
273,036	Environment, Works and Street Equipment	266,218
81,804	Cemeteries	92,600
21,846	Allotments	27,780
745	Contingency Sum	1,303
17,479	Elections	-
2,262,937	Total Cost of Running Council Services	2,397,600
	Less Income	
(191,733)	Council Tax Support Grant	(172,992)
(132,949)	Pre School Funding and Fees	(183,513)
(398,527)	Sports Complex Fees and Charges	(433,971)
(180,107)	Golf Course and Driving Range Fees and Charges	(212,336)
(32,295)	Cemeteries Fees	(40,870)
(6,896)	Allotments Rents	(6,991)
(27,328)	Other Income	(25,479)
(17,479)	Use of Balances (Elections and Neighbourhood Plan)	-
(4,160)	Investment Income	(10,056)
(991,474)	Total Income	(1,086,208)
1,271,463	Actual Net Cost of Council Services	1,311,392
182,037	Contribution to Council Balances / Savings	259,608
1,453,500	Council Precept / Council Tax	1,571,000

The financial position and spending of the Council is continuously monitored and controlled in order to help achieve the most efficient use of public resources and, as can be seen above, this prudent management of the Council's spending has resulted in significant savings being achieved in both 2017/18 and 2018/19.

Spending in 2018/19 was £260,000 or 16.5% under the level of Precept.

The main reasons for the saving on the Revenue Budget were as follows:-

- Budgeted contribution to capital reserves	£25,000
- Limited use of the contingency sum	£40,000
- Delayed implementation of the staff grading restructure	£25,000
- Savings from staff turnover, vacant posts and flexible retirements	£60,000
- Higher than expected pre-school attendance and income	£10,000
- Lower than anticipated spending on GDPR compliance	£10,000
- Significantly better than expected bar and gaming machine income	£40,000
- Increased golf complex income as a result of the dry weather	£15,000
- Other savings on running costs and unspent budgets	£35,000

All savings achieved on the Revenue Budget are set aside in the Council's Earmarked Reserves to provide for further investment in Council and community assets for the benefit of the tax payers of Great Aycliffe over the coming years.

11. 2017/18 and 2018/19 Actual Capital Investment

A summary of the Council's capital investment in Council and community assets in 2017/18 and 2018/19, and how this expenditure was funded is detailed below:-

2017/18 £	Investment Area	2018/19 £
22,235	Council Building Works and Improvements	41,937
140,014	Replacement Vehicles, Machinery and Equipment	96,461
9,712	Information Technology and Office Equipment	16,236
8,717	Parks and Play Area Improvements	281,857
3,065	Infrastructure Works (Drainage, Footpaths)	24,920
1,050	Street Equipment (Bus Shelters, Seats, Bins, Fencing)	1,783
184,793	Total Capital Investment	463,194
	Funded by:-	
-	Capital Contributions	87,000
184,793	Use of Council Balances	376,194
184,793	Funding of Capital Investment	463,194

The Council has made significant investment in Council and community assets of more than £3 million over the ten-year period 2009/10 to 2018/19.

This investment has included the installation of numerous new play areas and multi-use games areas across the town, the opening of a second pre-school, planting of new woodland, improvement works to public buildings and replacement vehicles, machinery and equipment.

This is all investment that would not otherwise have been possible if the Council did not include a contribution to capital reserves in the Revenue Budget each year and achieve efficiency savings against the Revenue Budget year on year.

12. Council Balances and Earmarked Reserves

The Council's Balances and Earmarked Reserves stood at **£1.128 million at the 31st March 2019** as summarised below:-

General Fund Balance and Budget Support Fund	£124,250
Earmarked Revenue Reserves	
Community Benefit Fund	£3,500
Elections Reserve	£50,000
	£53,500
Earmarked Capital Reserves	
Building Works Reserve	£250,000
Vehicle and Machinery Reserve	£250,000
Parks and Play Areas Reserve	£250,000
Information Technology Reserve	£50,000
Sports and Golf Complex Reserve	£100,000
Street Equipment Reserve	£50,000
	£950,000
Total Balances and Reserves as at 31st March 2019	£1,127,750

This is considered to be an adequate level of reserves to fund capital spending commitments for the foreseeable future and to provide some protection against future revenue budget pressures and possible cuts to funding.

13. The Council's Balance Sheet

A summary of the Council's Balance Sheet for 2017/18 and 2018/19 is detailed below and shows the net worth of the Council, in terms of its assets and liabilities:-

2017/18 £	Category of Asset or Liability	2018/19 £
	Fixed Assets	
6,289,602	Land and Buildings	6,303,362
2,809,889	Vehicles, Plant and Machinery	3,082,562
293,733	Community Assets	293,733
-	Surplus Land	-
	Current Assets	
1,171,526	Investments	1,027,854
176,738	Bank and Cash	203,202
78,005	Other Current Assets e.g. Stocks, Debtors etc.	87,736
	Current Liabilities	
(196,987)	Creditors, Accruals, Short Term Borrowing etc.	(228,407)
(131,582)	Outstanding Borrowing	(112,431)
10,490,924	Net Worth of Council	10,657,611

The net worth of the Council has increased from £10.50 to £10.66 million, mainly as a result of the capital investment on the new park at Cobblers Hall during the year.

14. Annual Return and External Audit Report

The Council completes an Annual Return each year comprising its Accounting Statements, Annual Governance Statement and Internal Auditors Report.

The Annual Return is reviewed by the Council's external auditors and an opinion is provided on whether the Council has prepared the accounts and governance statement in accordance with statutory requirements and proper practices for town and parish councils.

The Council is pleased to report that the external auditors did not raise any issues of concern in respect of the 2017/18 Annual Return.

The 2017/18 Audited Annual Return to the Council is available to view at the Council Offices or on the Council's website.