

2020/21 REVENUE AND CAPITAL BUDGET POSITION TO 30TH SEPTEMBER AND EXPECTED OUTTURN FORECAST

AGENDA ITEM NO. 12

MEETING: POLICY AND RESOURCES

DATE: 21ST OCTOBER 2020

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to present the half-year financial position on the Council's approved 2020/21 Revenue and Capital Budget, along with a forecast of the expected year-end outturn position.
- 1.2 The report quantifies the income losses, additional costs and savings relating to the Coronavirus pandemic and how these have impacted upon the Council's Revenue Budget and overall financial position.

2.0 Summary of the Council's Current Financial Position

- 2.1 Despite some unavoidable negative impacts relating to the Coronavirus pandemic on the Council's finances, particularly in relation to lost income at the sports complex, the Council has still managed to deliver a substantial saving against its Revenue Budget in the first half of the 2020/21 financial year.
- 2.2 In total, a saving of nearly £200,000 has been achieved on the Council's 2020/21 Revenue Budget up to the 30th September 2020.
- 2.3 There are a number of reasons for this saving and the key explanations are summarised below:-
 - The budgeted contribution to capital reserves of £75,000;
 - No use to date of the £28,750 contingency sum;
 - The unfortunate cancellation of a number of community events which has saved more than £115,000 to date;
 - Savings in staffing costs from flexible retirements, staff vacancies, much lower than usual overtime and claims for sports complex staff costs under the Coronavirus Job Retention Scheme;
 - Much lower than usual spending during the lockdown period across all services e.g. services shutdown, a limited number of council meetings and little corporate and civic activity;
 - Significantly higher than budgeted pre-school funding, with the maximum funding having been paid to help ensure that the service could continue during the pandemic;
 - A substantial increase in golf green fee takings since reopening, assisted by favourable weather conditions and the fact that golf is one of the sports still permitted under the Government's Coronavirus restrictions e.g. social distancing.

- 2.4 These savings have meant that the income losses at the sports and driving range as a result of the Coronavirus pandemic, which totalled £162,500 up to the end of September, have been more than offset.
- 2.5 This has left the Council in a unique situation whereby the Coronavirus pandemic has actually helped to deliver a large net saving to the Council Revenue Budget in the first half of the year. This is almost entirely due to the substantial saving from the cancellation of community events.
- 2.6 A forecast of the expected year-end outturn position on the 2020/21 Revenue Budget has also been undertaken, based on an assessment of likely spending and income in the second half of the year.
- 2.7 This projection has been made difficult due to the uncertainties around the Coronavirus pandemic e.g. the potential impact of the second wave of infections, the new three tiers of local lockdown, and the risk of a further national lockdown.
- 2.8 It has been assumed for the purposes of the forecast that the pandemic will continue throughout the autumn and winter months and into next spring, and that all the current Tier 2 restrictions on social distancing, public gatherings and indoor sport, will remain in place but that a move to Tier 3 restrictions or national lockdown will *not* be implemented.
- 2.9 The expected outturn forecast indicates that the Council is on course to achieve a Revenue Budget saving, including the planned contribution to capital reserves, in the region of £252,500 by the end of the 2020/21 financial year.
- 2.10 This saving would be achieved despite the financial losses suffered as a result of the Coronavirus pandemic and would be a significant achievement during these challenging and unprecedented times.
- 2.11 The Revenue Budget surplus will be transferred to the Council's balances and reserves at the end of the year, enabling the Council to maintain a healthy financial position at the end of the financial year.
- 2.12 This top-up of reserves will be welcome, as it comes at a time when the Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing balances and reserves over the medium to long-term.
- 2.13 Having said that, it is felt that the Council may need to consider how it accounts for the 'one-off' savings that have come about specifically as a result of the Coronavirus pandemic, and in particular those that have been generated as a result of services that have not taken place this year, such as the cancelled community events programme.
- 2.14 There is a strong case for the Council to give consideration to passing back a relevant proportion of the above saving to local council taxpayers to compensate for the services that have not taken place this year, if the financial situation allows this, via one-off investments during the remainder of this financial year and into the 2021/22 financial year. Section 7 of the Report considers this issue in more detail.

- 2.15 The Council's 2020/21 Capital Programme Budget currently stands at £401,000, having been increased to provide for the carry forward of on-going commitments from the 2019/20 financial year.
- 2.16 Many of the projects included in the 2020/21 Capital Programme Budget have either been postponed or delayed as a consequence of the Coronavirus pandemic, whilst a number of budgets are provisional sums. It is therefore likely that a number of projects will either not go ahead this year or be delayed until a future budget year.
- 2.17 The expected outturn forecast on the 2020/21 Capital Programme Budget indicates that actual final spending for the year will be well under budget at around £200,000.
- 2.18 After accounting for the forecast Revenue Budget saving and financing of the Capital Programme as highlighted above, Council Balances and Reserves would increase by around £56,000 over the course of the year from £1.267 million to £1.323 million.
- 2.19 This is a very healthy level of balances, particularly bearing in mind the challenges faced as a result of the Coronavirus pandemic and would be a significant achievement in these unprecedented times.
- 2.20 This is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.
- 2.21 The higher than expected forecast level of balances gives weight to the argument that some of the one-off savings made during 2020/21 due to cancelled events and reduced services should be passed back to local taxpayers via one-off investments.
- 2.22 Clearly, if the second wave of the virus worsens significantly during the autumn and winter and more stringent Tier 3 local lockdown measures were put in place or national lockdown measures re-introduced, this would have a negative impact on the projections set out in this report.
- 2.23 However, the Council is well-placed to deal with the financial impact of the pandemic and maintain a healthy financial position.
- 2.24 The ongoing surplus on the Revenue Budget will also assist the Council in setting a balanced 2021/22 Revenue Budget that maintains existing levels of services and staffing structures next year and provides some scope to deal with the Council Tax Support Grant cuts and council tax base losses that it may need to budget for.
- 2.25 The 2021/22 Revenue and Capital Budget Framework Report, included elsewhere on the agenda for this meeting, provides further information on the outlook for next year, and sets out the timetable and framework for the setting of the 2021/22 budgets.

3.0 2020/21 Revenue Budget Position

- 3.1 A detailed breakdown of the financial position on the Council's Revenue Budget, broken down by each Committee, and by individual service areas, is attached in **Appendix 1** to the report.
- 3.2 The attached budgetary control figures set out the following information:-
- The approved budget for each service area;
 - The year to date budget for the first half of 2020/21 which gives an indication of how much of the budget would have expected to have been incurred in the year to date.
 - The actual income and expenditure in the first half of the year as recorded in the Council's Financial Management System.
 - A projection of the 'expected outturn' for 2020/21 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 2020/21 Revenue Budget have been adjusted following the 2019/20 year-end closedown process.
- 3.4 Support service and works section recharges, have all been recalculated based on the actual figures reported in the Council's 2019/20 Revenue Budget outturn figures. These were based on actual hours worked during last year, as recorded on timesheets.
- 3.5 Insurance costs have also been adjusted in line with the latest 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 below provides a summary of the overall position on the revenue budgets for the six months up to 30th September 2020, and the projection of expected outturn for the year:-

Budgets by Committee and Service Area	2020/21 Approved Budget £	Year to Date Budget £	2020/21 Spend to Date £	2020/21 Expected Outturn £	(Saving) / Overspend £
<u>Policy and Resources</u>					
Members and Civic	73,000	37,150	29,825	59,100	(13,900)
Finance Service	77,800	39,300	37,831	76,500	(1,300)
Administration Service	76,850	43,300	37,267	69,400	(7,450)
Corporate Service	261,950	142,100	139,216	254,500	(7,450)
St Oswald's Pre School	52,850	1,050	(28,209)	3,400	(49,450)
Works	154,500	85,500	76,124	134,650	(19,850)
Depot	28,100	18,050	17,014	27,750	(350)
Capital Financing	19,250	1,250	(466)	21,750	2,500
Sub-Total	744,300	367,700	308,602	647,050	(97,250)
<u>Recreation</u>					
Special Events	206,200	144,500	42,992	90,000	(116,200)
Sports Complex	316,650	173,300	184,286	392,950	76,300
Sports Pitches	16,150	5,600	6,638	16,250	100
Golf Course	79,650	(8,850)	(17,131)	70,750	(8,900)
Driving Range	24,950	9,700	32,744	41,150	16,200
Parks and Play Areas	205,850	106,900	102,613	199,900	(5,950)
Sub-Total	849,450	431,150	352,142	811,000	(38,450)
<u>Environment</u>					
Environment	99,250	47,250	44,364	94,600	(4,650)
Street Equipment	7,250	3,850	3,728	7,050	(200)
Allotments	22,950	9,800	9,417	22,400	(550)
Cemeteries	44,050	22,600	18,367	36,400	(7,650)
Church Works	11,500	5,750	5,835	11,500	-
Sub-Total	185,000	89,250	81,711	171,950	(13,050)
Contingency Sum	28,750	14,500	-	-	(28,750)
Transfer to Reserves	75,000	37,500	-	-	(75,000)
Less LCTSS Grant	(165,000)	(165,000)	(165,036)	(165,000)	-
Precept / Net Spending	1,717,500	775,100	577,419	1,465,000	(252,500)

3.8 Based on the above expected outturn projection, it is estimated that there will be a total saving of £252,500, or nearly 15% against the approved 2020/21 Revenue Budget by the end of the year.

3.9 This saving would be achieved despite the challenges posed by the Coronavirus pandemic and would be a significant achievement during these unprecedented times, enabling the Council to maintain a healthy financial position at the end of the financial year.

3.10 Detailed commentary on the 2020/21 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 £97,250 or 13%.

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

- Savings across all budgets due to very limited spending both during and since the Coronavirus lockdown period e.g. the offices have been largely closed, there have been very few council meetings and limited corporate and civic activity;
- Savings on staffing costs as a result of flexible retirements, unfilled staff vacancies, and much lower than usual staff overtime;
- Significantly higher than budgeted pre-school funding as a result of the maximum amount for the summer term having been paid upfront by Durham County Council Early Years Department to assist in ensuring that the service could continue during the pandemic, the receipt of specific COVID-19 funding for those children still attending, and very high attendance numbers since the pre-school reopened fully.

4.2 Recreation Committee

The Recreation Committee Budgets are projecting an expected saving for the year of £38,450 or 4.5%.

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

- A £116,000 saving from the unfortunate cancellation of the majority of the Council's 2020 community events programme to date;
- Savings across all budgets due to limited spending during the Coronavirus lockdown period e.g. reduced premises running costs and no spending on bar and catering supplies during the time the sports and golf complex buildings were closed, and limited play area maintenance during the time parks were closed to the public;
- The reclaim of a significant proportion of sports complex staffing costs from the Government's Coronavirus Job Retention Scheme;
- Substantial golf green fee income since reopening in mid-May, which has seen the losses in the early part of the year completely offset.

There is projected to be a £76,000 net overspend on the sports complex budget for the year and a £16,000 overspend on the driving range budget as a result of lost income during the lockdown period and the impact on usage of social distancing rules and the local lockdown rules e.g. households being prevented from mixing, since reopening.

However, the savings from cancelled events, reduced spending across services and increased golf course income have more than offset the income losses at the sports complex and driving range, resulting in a small overall saving on the Recreation Committee Revenue Budgets.

4.3 Environment Committee

The Environment Committee Budgets are projecting an expected saving for the year of £13,050 or 7%.

The main factors contributing towards the achievement of this saving was the limited spending incurred across all environment services during the lockdown period and increased cemeteries income from a higher number of interments and advance purchases.

4.4 Revenue Budget Contingency Sum

There has been no use of the £28,750 Revenue Budget Contingency Sum so far this year.

This existence of the contingency sum is another contributing factor towards the fact that the Council has been able to offset the unforeseen income losses suffered as a result of the Coronavirus lockdown.

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.

The existence of these surplus resources in the Revenue Budget is another key reason why the financial impact of the Coronavirus pandemic has been able to be managed and offset by the Council.

4.6 Use of the Revenue Budget Support Reserve

Members may recall that as part of the reporting of the 2019/20 year-end position, a total of £19,820 was transferred from the 2019/20 Revenue Budget saving to the Revenue Budget Support Reserve, in order to provide resources to support the 2020/21 Revenue Budget.

These resources were required to fund a number of issues that were on-going at the end of year, and for which additional budget was expected to be required. This included £10,000 to boost the Council's 2020/21 donations budget at this difficult time, and when local community organisations may need additional support in the months to come.

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

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

5.0 2020/21 Capital Programme Budget

- 5.1 The Council approved an original Capital Programme Budget for 2020/21 totalling £287,250.
- 5.2 However, this was subsequently reduced to £264,750 after it was agreed, under the Town Clerk's emergency delegated powers, to bring forward the £22,500 budget for the replacement of the mini excavator machine to the 2019/20 financial year. This decision was taken in order to mitigate the risk of additional burials following the outbreak of the Coronavirus pandemic.
- 5.3 The 2020/21 Capital Programme Budget has subsequently been increased to provide for the carry forward of a large number of capital commitments and on-going projects outstanding at the end of the 2019/20 financial year totalling £136,250.
- 5.4 These projects included the pre-school extension, the carry forward of unspent resources in the information technology budget to facilitate the completion of the set-up of remote working for key staff and the set-up of systems and infrastructure to enable virtual Council meetings to be held, as well as various works at the sports complex including roofing repairs, security improvements, further bar furniture replacements, sports hall flooring maintenance and kitchen equipment replacement.
- 5.5 This carry forward was reported in the 2020/21 Revenue and Capital Budget Position to 30th June 2020 and approved by the Policy and Resources Committee on 26th August 2020.
- 5.6 The revised 2020/21 Capital Programme Budget currently totals £401,000. **Appendix 3** includes more detail on the adjustments made to the budget since it was originally approved.
- 5.7 Expenditure against the Capital Programme Budget up to the 30th September 2020 was minimal and totalled £18,750.
- 5.8 Significant further progress on the delivery of the 2020/21 Capital Programme Budget is expected during the remainder of the year, with planned projects including the pre-school extension, office roofing works, replacement ride-on mower, information technology infrastructure improvements, replacement festive lighting, play area surfacing replacement, golf course and driving range equipment, various works at the sports complex, footpath repairs and Ash tree dieback works.
- 5.9 However, many of the projects included in the 2020/21 Capital Programme Budget have been postponed or delayed as a consequence of the Coronavirus pandemic, whilst a number of budgets are provisional sums which will only go ahead if absolutely necessary. It is therefore likely that a number of projects will either not go ahead this year or be delayed until a future budget year.
- 5.10 The expected outturn forecast on the 2020/21 Capital Programme Budget indicates that actual final spending for the year will be well under budget at around £200,000.

- 5.11 The final outturn on the 2020/21 Capital Programme Budget will be funded from the Council's Earmarked Reserves which are set aside for this purpose.
- 5.12 Projects totalling £202,250 have currently been identified as needing to be carried forward to the 2021/22 financial year and these include electrical works machinery, the unspent elements of the information technology budget relating to server replacement and implementation of paperless office and governance, Woodham Park play area upgrade, replacement of the driving range ball washer machine, golf irrigation system repairs, and various works at the sports complex including roofing repairs, bar furniture replacement and kitchen equipment and the unspent balance on the Ash tree dieback disease works budget.
- 5.13 **A detailed breakdown of the actual spending position on the Council's 2020/21 Capital Programme up to the 30th September 2020, the projection of year-end expected outturn, and the likely carry forward to the 2021/22 financial year is attached at Appendix 4.**

6.0 Council Balances and Reserves

- 6.1 The estimated movement on the Council's Balances and Earmarked Reserves during the 2020/21 year is summarised in the table below:-

Council Balances and Reserves	£
General Fund Balance	167,705
Budget Support Fund	19,820
Community Benefit Fund	4,208
Allotments Bonds Holding Account	400
Earmarked Revenue Reserves	50,000
Earmarked Capital Reserves	1,025,000
Actual Balances Held as at 1st April 2020	1,267,133
Estimated Contribution to Balances in 2020/21:	
Estimated 2020/21 Revenue Budget Saving	177,500
2020/21 Contribution to Earmarked Reserves	75,000
Proceeds from Sale of the Civic Car	1,000
Estimated Use of Balances in 2020/21:	
Estimated Funding of 2020/21 Capital Budget	(196,650)
Estimated Use of 2020/21 Budget Support Fund	(845)
Estimated Balances Held as at 31st March 2021	1,323,138

- 6.2 Taking into account the forecast saving on the 2020/21 Revenue Budget of £252,500 and the estimated financing of the 2020/21 Capital Programme at £196,650 as highlighted in this report, Council Balances and Reserves would increase by around £56,000 from £1.267 million to £1,323 million over the course of the 2020/21 financial year.

- 6.3 This would be a healthy level of balances bearing in mind the financial losses suffered as a result of the Coronavirus pandemic and very welcome as it comes at a time when the Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing balances and reserves over the medium to long-term.
- 6.4 Ending the year with this level of balances would be a positive and significant achievement in these challenging and unprecedented times and is an endorsement of the prudent management and planning of the Council's finances over the last few years and the actions taken to set aside contingency resources in the Revenue Budget, restrict capital expenditure, and build up the Council's balances and reserves.

7.0 Proposed Use of COVID-19 Savings

- 7.1 Members will be aware that a significant proportion of the forecast 2020/21 Revenue Budget saving has been generated as a direct consequence of the Coronavirus pandemic; mainly from the cancellation of the 2020 Council events programme and the limited spending across all Council services during and after the lockdown period.
- 7.2 The proportion of the overall saving specifically attributable to the pandemic has been assessed as being in the region of £100,000.
- 7.3 The Council may need to consider how it deals with this 'one-off' saving, which has only come about as a consequence of services and events that the Council planned to provide to the local community during the 2020/21 financial year not actually taking place or being provided on a reduced basis.
- 7.4 It is recommended that the Council gives consideration to setting aside these specific one-off pandemic related savings in a specific 'COVID-19 Recovery Reserve' with a view to reinvesting the savings in the local community, via one-off investments, during the 2021/22 financial year.
- 7.5 This would be subject to the Council's financial situation allowing this i.e. once the final financial impact of the pandemic is known, the Council Tax Support Grant and Council Tax Base figures have been confirmed, and the Council has set a balanced 2021/22 Revenue Budget.
- 7.6 Potential uses of this 'COVID-19 Recovery Reserve' could include:-
- Offsetting any further COVID-19 related financial losses if the pandemic stretches into the 2021/22 financial year;
 - Setting up a Community Grants Fund to provide financial assistance to local organisations to help them recover from the pandemic;
 - Investing more money in events taking place in 2021/22 or subsequent years to make up for the cancellation of the 2020 events;
 - Investing in environmental improvements such as tree and bulb planting and creation of new wildflower meadows.
- 7.7 It is requested that Members give consideration to the principle of passing these 'one-off' savings back to the community, and, if this is deemed to be an appropriate course of action, that £100,000 is set aside in a specific Covid-19 Recovery Reserve to facilitate this.

8.0 Balance Sheet Issues

8.1 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.

8.2 External Loan Debt

The Council currently has two annuity loans outstanding with the Public Sector Loans Board.

The total amount outstanding at the beginning of the financial year was £112,450.

Interest payable on the loans will total £5,650 in the current financial year, while principal repayments will total £14,600.

The total balance of loans outstanding at the 31st March 2021 will therefore be £97,850.

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.

8.3 Short Term Investments

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

At 30th September 2020, the Council had £1,991,615 invested in a business premium account with the Council's bank, and a further £250,000 invested in the Public Sector Deposit Fund.

This very high level of investment is possible following the upfront receipt of the second half of the Council Precept and Council Tax Support Grant payment in late September, at a total of £941,250.

Investment income in respect of interest on balances is currently low, with interest rates on both the 100 Day Notice Account and Public Sector Deposit Fund running at around 0.10%.

Total investment income for the year is likely to be down on budget as a result.

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.

8.4 Debtors

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

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

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

The level of outstanding debt at 30th September 2020 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.

9.0 Policy Implications

- 9.1 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".

10.0 Staffing Implications

- 10.1 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.

11.0 Financial Implications

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

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 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.
- 15.2 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 Governance and Accountability Return and Medium-Term Financial Plan.

16.0 General Data Protection Regulations (GDPR)

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

17.0 Recommendations

- 17.1 It is recommended that Members:-
- receive the half-year financial position on the Council's 2020/21 Revenue and Capital Budgets and the early projection of year-end expected outturn;
 - receive a further Revenue and Capital Budget Position Report at the January Policy and Resources Committee, detailing the financial position as at 31st December 2020 and an updated projection of expected outturn; and
 - consider the proposal to set aside £100,000 from the 2020/21 Revenue Budget saving in a COVID-19 Recovery Reserve, with a view to passing these savings back to local taxpayers via one-off investments during the 2021/22 financial year, subject to the financial situation of the Council allowing this.