

# 2021/22 REVENUE AND CAPITAL BUDGET POSITION TO 31<sup>ST</sup> DECEMBER 2021 AND YEAR END OUTTURN FORECAST

## AGENDA ITEM NO. 9

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**MEETING: POLICY AND RESOURCES**

**DATE: 19<sup>TH</sup> JANUARY 2022**

**REPORT BY: FINANCE MANAGER**

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### **1.0 Purpose of the Report**

- 1.1 The purpose of this report is to present the financial position on the Council's approved 2021/22 Revenue and Capital Budget for the nine months to 31<sup>st</sup> December 2021, along with a forecast of the expected year-end outturn position.
- 1.2 The report quantifies the income losses, additional costs and savings resulting from 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 financial losses relating to the ongoing Coronavirus pandemic, particularly in relation to lost income at the sports complex and golf course, the Council is on course to deliver a substantial saving against its 2021/22 Revenue Budget.
- 2.2 In the nine months up to the 31<sup>st</sup> December 2021, a saving of nearly £243,000 has been achieved on the Council's 2021/22 Revenue Budget.
- 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 £50,000;
  - No use to date of the £29,250 contingency sum;
  - The unfortunate cancellation of a number of the Council's community events which has more than £90,000 to date;
  - Savings in staffing costs as a result of vacancies in the first half of the year at the sports complex and council offices;
  - Covid grants and furlough claims;
  - Efficiency savings and lower than usual spending during the Covid restriction periods across all services; and
  - Better than expected attendance levels at the pre-school resulting in high income from funding and fees.
- 2.4 There has been a gross income loss at the sports complex of £68,500 between April and December as a consequence of the Coronavirus restrictions. However, this has been offset by significant savings from

staff vacancies and savings in running costs such as bar and catering supplies resulting in a net saving on the budget.

- 2.5 The Council kept the sports complex staff on flexible furlough leave and recovered between 60% and 80% of the cost of their unworked hours from the Government's Job Retention Scheme until it ended on 30<sup>th</sup> September 2021. This also helped offset the loss in income.
- 2.6 This has all combined to leave the Council in a situation whereby the ongoing Coronavirus pandemic has helped to deliver a net saving to the Council Revenue Budget.
- 2.7 A forecast of the expected year-end outturn position on the 2021/22 Revenue Budget has been undertaken, based on an assessment of likely spending and income in the remaining three months of the year.
- 2.8 This projection has been made difficult by the continued uncertainties around the Coronavirus pandemic, along with current economic situation and in particular the volatility in gas and electricity costs. The expected outturn projection includes increases in these costs provided by Durham County Council (DCC) and are based on these increased charges and historic usage which is recorded and monitored by DCC.
- 2.9 The National Joint Council for Local Government Service's (NJC) final pay offer to local government employees has been rejected by members of the trade unions. The NJC have confirmed that the offer is the final offer. Unions are currently in consultation with their members with the option of balloting for strike action. This adds more volatility to the expected outturn projections.
- 2.10 The expected outturn assumes that there will be no further restrictions or lockdowns in relation to Coronavirus. Officers are closely monitoring the Coronavirus situation as the new Omicron variant takes hold. The expected outturn does however take into account reduced activity and usage particularly at the sports complex, as customers have still not returned in their pre-pandemic numbers across many activities.
- 2.11 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 £217,750 by the end of the 2021/22 financial year. This is slightly down on the saving to the end of December and takes into account the further income losses and increased costs faced over the next three months.
- 2.12 This saving would be achieved despite the financial losses suffered as a result of the ongoing effects of the Coronavirus pandemic and would be a significant achievement during these challenging times.
- 2.13 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.

- 2.14 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.
- 2.15 The Council's 2021/22 Capital Programme Budget currently stands at £536,350, having been increased to provide for the carry forward of a significant number of on-going commitments and delayed projects from the 2020/21 financial year and a number of additional capital budget approvals during the year.
- 2.16 Expenditure against the Capital Programme Budget up to the 31<sup>st</sup> December 2021 totalled £156,820, with further progress on the delivery of the planned programme of works expected during the remainder of the year.
- 2.17 However, some of the projects included in the 2021/22 Capital Programme Budget are 'provisional' sums and it is therefore likely that a number of projects will not go ahead. It is also expected that some projects may be delayed into the next financial year and that the final costs on some projects will be less than budgeted.
- 2.18 **Final net spending is therefore expected to be around £300,502 (after taking into account the use of external capital grants and contributions).**
- 2.19 **The net Capital Programme Budget outturn will be funded from the Council's Earmarked Capital Reserves which are set aside for this purpose.**
- 2.20 After accounting for the forecast Revenue Budget saving and financing of the Capital Programme as highlighted above, Council Balances and Reserves would reduce by around £181,600 over the course of the year from £1.608 million to £1.426 million.
- 2.21 Despite the reduction over the course of the year, this is still a very healthy level of balances, particularly bearing in mind the challenges faced as a result of the Coronavirus pandemic.
- 2.22 This is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.
- 2.23 Clearly, if the Coronavirus situation worsens in the remainder of the financial year e.g. if further restriction measures are introduced for any period of time, this may have a negative impact on the projections set out in this report relating to the current financial year.
- 2.24 However, it must be stressed that the Council is well-placed to deal with any further financial impacts as a result of the pandemic and maintain a healthy financial position into next year.
- 2.25 The ongoing surplus on the Revenue Budget will also assist the council in setting a balanced 2022/23 Revenue Budget that maintains existing levels of services and staffing structures next year and provides some

scope to deal with the volatile economic climate, particularly in relation to increasing gas and electricity prices and rising inflation. This issue is discussed in more detail in the 202/23 Budget Setting Report.

### **3.0 2021/22 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 2021/22 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 2021/22 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 Please note that the insurance budgets have 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. Whilst this has changed some of the individual budget totals, there is no impact on the overall level of precept.
- 3.4 The table on the following page provides a summary of the overall position on the revenue budgets for the nine months up to 31<sup>st</sup> December 2021, and the projection of expected outturn for the year.

## 2021/22 Revenue Budget Position to 31<sup>st</sup> December 2021 and Expected Outturn Projection

Budgets by Committee and Service Area	2021/22 Approved Budget £	Year to Date Budget £	2021/22 Spend to Date £	2021/22 Expected Outturn £	(Saving) / Overspend £
<b><u>Policy and Resources</u></b>					
Members and Civic	71,950	52,350	46,552	66,900	(5,050)
Finance Service	88,050	64,700	59,279	83,600	(4,450)
Administration Service	80,250	64,900	39,943	59,500	(20,750)
Corporate Service	273,100	205,300	214,509	277,750	4,650
St Oswald's Pre School	54,900	2,950	(29,254)	31,250	(23,650)
Works	162,000	134,900	142,867	166,050	4,050
Depot	30,050	24,400	24,776	30,900	850
Capital Financing	20,900	7,650	11,006	25,500	4,600
<b>Sub-Total</b>	<b>781,200</b>	<b>557,150</b>	<b>509,678</b>	<b>741,450</b>	<b>(39,750)</b>
<b><u>Recreation</u></b>					
Special Events	207,700	181,650	90,999	118,350	(89,350)
Sports Complex	319,250	248,950	191,479	301,850	(17,400)
Sports Pitches	15,750	10,350	14,040	19,750	4,000
Golf Course	74,750	26,950	33,708	84,000	9,250
Driving Range	17,100	17,250	15,223	8,250	(8,850)
Parks	143,000	106,450	107,080	142,450	(550)
Play Areas	61,250	48,150	48,194	61,250	-
<b>Sub-Total</b>	<b>838,800</b>	<b>639,750</b>	<b>500,723</b>	<b>735,900</b>	<b>(102,900)</b>
<b><u>Environment</u></b>					
Environment	100,100	69,750	68,757	99,050	(1,050)
Street Equipment	7,250	5,600	5,943	7,600	350
Allotments	22,700	10,100	11,418	22,650	(50)
Cemeteries	37,000	27,150	33,859	46,550	9,550
Church Works	11,500	8,600	8,960	11,500	-
<b>Sub-Total</b>	<b>178,550</b>	<b>121,200</b>	<b>128,937</b>	<b>187,350</b>	<b>8,800</b>
<b>Contingency Sum</b>	<b>29,250</b>	<b>21,850</b>	-	-	<b>(29,250)</b>
<b>Transfer to Reserves</b>	<b>50,000</b>	<b>37,500</b>	-	-	<b>(50,000)</b>
<b>Less LCTSS Grant</b>	<b>(180,300)</b>	<b>(180,330)</b>	<b>(184,992)</b>	<b>(184,950)</b>	<b>(4,650)</b>
<b>Precept / Net Spending</b>	<b>1,697,500</b>	<b>1,197,120</b>	<b>954,346</b>	<b>1,490,750</b>	<b>(217,750)</b>

- 3.5 Based on the above expected outturn projection, it is estimated that there will be a total saving of £217,750, or 12.8% against the approved 2021/22 Revenue Budget by the end of the year.
- 3.6 This saving would be achieved despite the ongoing challenges posed by the Coronavirus pandemic and would be a significant achievement during these challenging times.
- 3.7 Detailed commentary on the above 2021/22 Revenue Budget position, by committee area, and including analysis of the key reasons for the saving, is provided in the following section of the Report.

## **4.0 Commentary on Revenue Budget Position by Committee**

### **4.1 Policy and Resources Committee**

It is forecast that there will be a saving of £39,750 or 5.1% on the Policy and Resources Committee Revenue Budgets for the year.

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

- A forecast saving of £5,050 on members and civic costs;
- Savings on staffing costs as a result of vacancies during the first half of the year in the administration and finance section;
- Increased funding income at the pre-school due to high attendance numbers and increased SEN funding;
- Savings on information technology costs as a result of the Council decision not to proceed with the implementation of paperless governance and office;
- Savings on Youth Council budgets as this has not progressed in the current financial year due to COVID;

These savings have been partly offset from the additional salary costs relating to the overlap of the new and outgoing Town Clerk, increases staffing costs in the Works Section as a result of a member of staff joining the pension scheme, increased charges in relation to the increasing move from cash to card payments in the golf and sports complex, a reduction in interest received due to the impact of very low interest rates, and increased gas and electricity costs.

### **4.2 Recreation Committee**

It is forecast that there will be a saving of £102,900 or 12.3% on the Recreation Committee Revenue Budgets for the year.

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

- A £90,000 saving from the unfortunate cancellation of a number of community events including the senior citizens' trips and most of the Fun in the Parks events;
- Significant savings on sports complex staffing costs as a result of vacancies being held during Coronavirus restrictions;
- Furlough claims for sports and golf complex staff under the Job Retention Scheme and COVID business rates support grants;
- A significant increase in golf shop sales;

These savings have more than offset the net projected income losses at the sport complex and golf course as a result of the ongoing Coronavirus pandemic, the Council decision to waive football pitch fees this year, and increased gas and electricity costs.

### **4.3 Environment Committee**

It is forecast that there will be an overspend of £8,800 or nearly 5% on the Environment Committee Revenue Budgets for the year.

This is as a result of a fall in the number of burials and advance purchases at the cemeteries this year.

### **4.4 Revenue Budget Contingency Sum**

There has been no use of the £29,250 Revenue Budget Contingency Sum so far this year.

### **4.5 Contribution to Capital Reserves**

The budgeted contribution to capital reserves will result in a £50,000 top-up to the Council's balances this year.

### **4.6 Use of the Revenue Budget Support Reserve**

Members may recall that as part of the reporting of the 2020/21 year-end position, a total of £27,500 was transferred from the 2020/21 Revenue Budget saving to the Revenue Budget Support Reserve, in order to provide resources to support the 2021/22 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.

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.

It is currently forecast that a total of £18,870 will need to be transferred to revenue budgets from this reserve, with £8,630 therefore being returned to the Council's balances at the end of the year.

### **4.7 Use of COVID-19 Recovery Reserve**

The Council agreed at the 9<sup>th</sup> June 2021 Policy and Resources Committee Meeting to set aside a proportion of the 2020/21 Revenue Budget saving in a COVID-19 Recovery Reserve.

It was agreed that £25,000 of this reserve would be allocated in a community grants fund with the remaining £75,000 set aside for recreational and environmental projects, including a specific sum identified for possible improvements on the former Elmfield School site.

An analysis of the resources set aside within the COVID-19 Recovery Reserve and the expected use of these resources is attached at **Appendix 2** for Members' information.

This shows that £15,632 has been allocated from the community grants fund in the first nine months of the year, along with £6,622 spending for environmental projects which has been used to fund the surveys for the woodland burial site.

It was agreed at the Events Sub-Committee in November 2021 and subsequently approved at the Recreation Committee that a further £5,000, each, is allocated to increase the budget for the Senior Citizens Excursions and The Fun in the Parks in 2022/23. A total of £10,000 will therefore need to be carried forward from the recreation allocation of the fund to 2022/23 for this purpose.

The allocation for the Elmfield site improvements, is subject to the lease being agreed with DCC to take over the land and it is recommended that £25,000 is carried forward to 2022/23 for this purpose.

Subject to Members agreeing to the amounts identified above being carried forward to 2022/23 for events and the Elmfield site, Members are also asked to consider whether any further remaining year-end balances from the Covid 19 Recovery Reserve are carried forward to 2022/23 or transferred into general balances.

## **5.0 2021/22 Capital Programme Budget**

- 5.1 The Council approved an original Capital Programme Budget for 2021/22 totalling £198,500.
- 5.2 The 2021/22 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 2020/21 financial year totalling £273,000.
- 5.3 This carry forward was approved by Policy and Resources Committee on 9<sup>th</sup> June 2021.
- 5.4 The Capital Programme has been further increased after it was agreed, at Policy and Resources Committee on 8<sup>th</sup> September 2021, to bring forward the £50,000 golf fairways mower budget from 2022/23 and to increase the budget for the replacement rotary mower by £2,400. It was increased by a further £3,200 at Policy and Resources Committee on 20<sup>th</sup> October to increase the budget for allotment fencing works at St. Oswald's. A further £9,250 was approved at Policy and Resources Committee on 1<sup>st</sup> December to increase the budget for the Sports Complex roofing works.
- 5.5 Also included in the 2021/22 Capital Programme Budget are two grant funded projects; Aycliffe Village Park Footpath and Horndale Tree Planting. These projects are being funded by grants from GAMP.

- 5.6 Following a break-in at the Depot and a subsequent insurance claim, a further item included the 2021/22 Capital Programme is a replacement for the stolen power washer which is funded almost entirely by the insurance claim settlement.
- 5.7 The revised 2021/22 Capital Programme Budget currently totals £536,350. **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 31<sup>st</sup> December 2021 was totalled £156,820. This included completion of the extension at the pre-school, purchase of works vehicles including rotary mower, golf course utility vehicle and electrical machinery, computer replacements, the replacement play area at Woodham Park, footpath repair works, works at the golf complex and driving range, and the purchase of replacement Christmas lighting.
- 5.9 Further progress on the delivery of the 2021/22 Capital Programme Budget is expected during the remainder of the year, with planned projects including the office and sports complex roofing works, golf fairways mower, migration of data to the cloud, play area surfacing replacement, various works at the sports complex, allotments fencing works, remembrance seating and Ash tree dieback works.
- 5.10 **Final net spending is therefore expected to be around £300,502 (after taking into account the use of capital grants and contributions for the two externally funded projects).**
- 5.11 Some of the projects included in the 2021/22 Capital Programme Budget are provisional sums and may not go ahead this year, some projects may be delayed into 2022/23, while it is also expected that the final costs on a number of other projects will be less than budgeted.
- 5.12 The final outturn on the 2021/22 Capital Programme Budget will be funded from the Council's Earmarked Reserves which are set aside for this purpose.
- 5.13 **A detailed breakdown of the actual spending position on the Council's 2021/22 Capital Programme** up to the 31<sup>st</sup> December 2021, the projection of year-end expected outturn, and the likely carry forward to the 2022/23 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 2021/22 year is summarised in the table below:-

<b>Council Balances and Reserves</b>	<b>£</b>
General Fund Balance	146,689
Budget Support Fund	27,500
Community Benefit Fund	5,109
Allotments Bonds Holding Account	600
COVID-19 Recovery Reserve	100,000
Earmarked Revenue Reserves (Elections)	50,000
Earmarked Capital Reserves	1,250,000
Capital Contributions Unapplied	10,000
Usable Capital Receipts	17,868
<b>Actual Balances Held as at 1st April 2021</b>	<b>1,607,766</b>
<b>Estimated Contribution to Balances in 2021/22:</b>	
Estimated 2021/22 Revenue Budget Saving	167,750
2021/22 Contribution to Earmarked Reserves	50,000
Capital Contributions Received	46,948
<b>Estimated Use of Balances in 2021/22:</b>	
Estimated Financing of 2021/22 Capital Programme	(300,502)
Use of Budget Support Fund	(18,870)
Use of COVID-19 Recovery Reserve	(35,000)
Use of Earmarked Revenue Reserve (Elections)	(35,000)
Use of Capital Contributions	(56,948)
<b>Estimated Balances Held as at 31<sup>st</sup> March 2022</b>	<b>1,426,144</b>

- 6.2 Taking into account the forecast saving on the 2021/22 Revenue Budget of £167,750 and the estimated financing of the 2020/21 Capital Programme at £300,502 as highlighted in this report, as well as the funding of elections and by-elections and the projected use of capital contributions and the COVID Recovery Fund, Council Balances and Reserves would reduce by around £181,600 from £1.608 million to £1.426 million over the course of the 2021/22 financial year.
- 6.3 Despite the fall in balances and reserves over the course of the year, this would still be a healthy level of balances. This positive financial situation is a 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 and build up the Council's balances and reserves.
- 6.4 Ending the year with a healthy level of balances and reserves is 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.

## 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 one annuity loans with the Public Sector Loans Board.

The total amount outstanding at the beginning of the financial year was £97,850.

Interest payable on the loan will total £4,966 in the current financial year, while principal repayments will total £9,420.

**The total balance of loans outstanding at the 31st March 2022 will therefore be £88,430.**

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 31<sup>st</sup> December 2021, the Council had £1,295,524 invested in a business premium account with the Council's bank, and a further £250,000 invested in the Public Sector Deposit Fund.**

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 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.

## **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 31<sup>st</sup> December 2021 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 and Climate Change 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 Governance and Accountability 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 latest financial position on the Council's 2021/22 Revenue and Capital Budgets and the projection of year-end expected outturn.
  - Approve the recommendation to carry forward to 2022/23 from the COVID Recovery Reserve:-
    - o £25,000 for the Elmfield Site Improvements
    - o £5,000 for Senior Citizens Excursions
    - o £5,000 for Fun In The Parks Event
  - Consider and advise officers on the treatment of any other remaining balances on the COVID Recovery Reserve at the year end and whether any balances are carried forward to 2022/23 or transferred to general balances.