

2021/22 REVENUE AND CAPITAL BUDGET POSITION TO 30TH SEPTEMBER 2021 AND EXPECTED OUTTURN FORECAST

AGENDA ITEM NO.

MEETING: POLICY AND RESOURCES

DATE: 20TH OCTOBER 2021

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 2021/22 Revenue and Capital Budget, along with a forecast of the expected year-end outturn position.
- 1.2 The report also quantifies any 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 reduced 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 2021/22 financial year.
- 2.2 In total, a saving of almost £200,000 has been achieved on the Council's 2021/22 Revenue Budget up to the 30th September 2021.
- 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 community events including the senior citizens' trips, which has saved 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;
 - Higher than budgeted for income at the pre-school as a result of high attendance numbers during the spring and summer term;
 - Lower spending across a number of budgets
- 2.4 There has been a gross income loss at the sports complex of £78,800 between April and September as a consequence of the Coronavirus restrictions. However, the net loss drops to around £27,400 once savings from staff vacancies and in running costs such as water, building maintenance, equipment, bar, and catering supplies are taken into account.

- 2.5 The Council has kept the sports complex staff on flexible furlough and recovered between 60% and 80% of the cost of their unworked hours from the Government's Job Retention Scheme, which has also helped offset the loss in income.
- 2.6 This has all combined to leave the Council in a situation whereby the Coronavirus pandemic has helped to deliver a net saving to the Council Revenue Budget in the first half of the year.
- 2.7 A forecast of the expected year-end outturn position on the 2021/22 Revenue Budget has also been undertaken, based on an assessment of likely spending and income in the second half of the year.
- 2.8 This projection has been made difficult due to the current economic situation and in particular the volatility in gas and electricity costs. The current projection does not include any increase in these costs as officers are awaiting information on the revised utility charges to enable the calculation of these charges. The outcome from the UN Climate Change Conference being held at the end of October may also introduce additional challenges to the budget.
- 2.9 Officers have also recently received notification that the National Employers' final pay offer to local government services employees has been rejected by members of the trade unions. The Local Government Employers will be meeting on 19th October to take stock of the situation. This adds more volatility to the budget position.
- 2.10 The expected outturn assumes that there will be no further restrictions or lockdowns in relation to Coronavirus. It does however take into account reduced activity and usage particularly at the sports complex, as customers have not yet returned in their pre-pandemic numbers.
- 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 £184,840 by the end of the 2021/22 financial year.
- 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 and unprecedented 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 £523,900, 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.

- 2.16 Expenditure against the Capital Programme Budget up to the 30th September 2021 totalled £149,204, with significant further progress on the delivery of the planned programme of works expected during the second half of the year.
- 2.17 However, some of the projects included in the 2020/21 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 £397,850 (after taking into account externally funded projects).**
- 2.19 **The Capital Programme outturn will be funded from the Council's Earmarked 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 £335,500 over the course of the year from £1.608 million to £1.272 million.
- 2.21 This is 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 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.
- 2.24 The 2022/23 Revenue and Capital Budget Report, included elsewhere on the agenda for this meeting, provides further information on the outlook for next year.

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 half 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 half 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 below provides a summary of the overall position on the revenue budgets for the six months up to 30th September 2021, and the projection of expected outturn for the year:-

Budgets by Committee and Service Area	2021/22 Approved Budget £	Year to Date Budget £	2021/22 Spend to Date £	2022/23 Expected Outturn £	(Saving) / Overspend £
<u>Policy and Resources</u>					
Members and Civic	71,950	36,750	32,038	69,250	(2,700)
Finance Service	88,050	44,650	39,024	80,550	(7,500)
Administration Service	80,250	46,400	23,271	59,750	(20,500)
Corporate Service	273,100	159,600	167,465	283,750	10,650
St Oswald's Pre School	54,900	(6,700)	(36,700)	21,000	(33,900)
Works	162,000	97,400	98,620	163,750	1,750
Depot	30,050	18,000	17,399	28,800	(1,250)
Capital Financing	20,900	3,800	5,883	26,900	6,000
Sub-Total	781,200	399,900	347,000	733,750	(47,450)
<u>Recreation</u>					
Special Events	207,700	135,350	52,523	118,650	(89,050)
Sports Complex	319,250	170,350	142,924	352,100	32,850
Sports Pitches	15,750	6,050	9,551	19,250	3,500
Golf Course	74,750	(17,600)	(8,430)	82,650	7,900
Driving Range	17,100	11,200	6,540	10,750	(6,350)
Parks	143,000	73,700	73,669	142,150	(850)
Play Areas	61,250	33,400	34,509	61,250	-
Sub-Total	838,800	412,450	311,284	786,800	(52,000)
<u>Environment</u>					
Environment	100,100	43,800	43,465	99,800	(300)
Street Equipment	7,250	4,150	4,485	7,100	(150)
Allotments	22,700	9,500	8,782	22,450	(250)
Cemeteries	37,000	19,300	20,676	36,250	(750)
Church Works	11,500	5,750	5,835	11,500	-
Sub-Total	178,550	82,500	83,243	177,100	(1,450)
Contingency Sum	29,250	14,550	-	-	(29,250)
Transfer to Reserves	50,000	25,000	-	-	(50,000)
Less LCTSS Grant	(180,300)	(90,150)	(94,840)	(184,990)	(4,690)
Precept / Net Spending	1,697,500	844,250	646,688	1,512,660	(184,840)

- 3.5 Based on the above expected outturn projection, it is estimated that there will be a total saving of £184,840, or 10.9% 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.
- 3.7 The Revenue Budget surplus 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 next few years, and the projected saving will help to replenish the Council's balances and reserves.
- 3.8 Detailed commentary on the 2021/22 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 £47,450 or 6.1%.

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

- A forecast saving of £2,700 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 in the summer term 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 in the overlap of the new and outgoing Town Clerk, increased charges in relation to the move from cash to card payments in the golf and sports complex as well as a reduction in interest received due to the impact of very low interest rates.

4.2 Recreation Committee

The Recreation Committee Budgets are projecting an expected saving for the year of £52,000 or 6.2%.

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;
- A significant increase in golf shop sales;

These savings have been partly offset from the net projected loss at the sport complex as a result of the continuing impact of the coronavirus pandemic, whilst there is a projected overspend on the sports pitches budget as a result of the Council decision to waive the fees for this year. Losses have been experienced at the golf complex as membership numbers are down and there have been reductions in income from hire of equipment and golf buggies due to Coronavirus.

4.3 Environment Committee

The Environment Committee Budgets are projecting a small expected saving for the year of £1,450 or 0.8%.

This is as a result of small savings across a number of budgets.

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 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 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 ongoing 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.

This shows that £4,831 has been transferred to service revenue budgets so far this year.

4.7 Use of COVID-19 Recovery Reserve

The Council agreed at the 9th June 2021 Policy and Resources Committee 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 is 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 £2,000 has been allocated from the community grants fund in the first half of the year.

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 9th June 2021.
- 5.4 The Capital Programme has been further increased after it was agreed, at Policy and Resources Committee on 8th 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.
- 5.5 Also included in the Capital Programme Budget are two grant funded projects; Aycliffe Village Park Footpath and Horndale Tree Planting, which are being funded by grants from GAMP.
- 5.6 The revised 2021/22 Capital Programme Budget currently totals £523,800. **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 2021 was totalled £149,204. This included completion of the extension at the pre-school, purchase of works vehicles including rotary mower, golf course utility vehicle and electrical machinery, the replacement play area at Woodham Park, works at the golf complex and driving range and the purchase of replacement Christmas lighting.

- 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 office roofing works, replacement golf fairway mower, information technology infrastructure improvements, play area surfacing replacement, golf course and driving range equipment, various works at the sports complex, footpath repairs and Ash tree die-back works.
- 5.9 **Final net spending is therefore expected to be around £397,850 (after taking into account the two externally funded projects).**
- 5.10 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.
- 5.11 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.
- 5.12 **A detailed breakdown of the actual spending position on the Council's 2021/22 Capital Programme up to the 30th September 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:-

Council Balances and Reserves	£
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
Actual Balances Held as at 1st April 2021	1,607,766
Estimated Contribution to Balances in 2021/22:	
Estimated 2021/22 Revenue Budget Saving	134,840
2021/22 Contribution to Earmarked Reserves	50,000
Capital Contributions Received	44,600
Estimated Use of Balances in 2021/22:	
Estimated Financing of 2021/22 Capital Programme	(397,854)
Use of Budget Support Fund	(27,500)
Use of COVID-19 Recovery Reserve	(100,000)
Use of Earmarked Revenue Reserve (Elections)	(35,000)
Use of Capital Contributions	(54,600)
Estimated Balances Held as at 31st March 2022	1,222,252

- 6.2 Taking into account the forecast saving on the 2021/22 Revenue Budget of £134,840 and the estimated financing of the 2020/21 Capital Programme at £397,854 as highlighted in this report, Council Balances and Reserves would reduce by around £385,500 from £1.608 million to £1.222 million over the course of the 2021/22 financial year.
- 6.3 This would still be a healthy level of balances, and 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, restrict capital expenditure, and build up the Council's balances and reserves.

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 30th September 2021, the Council had £1,295,491 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 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.

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 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.

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 half-year financial position on the Council's 2021/22 Revenue and Capital Budgets and the early projection of year-end expected outturn; and
- receive a further Revenue and Capital Budget Position Report at the January Policy and Resources Committee, detailing the financial position as at 31st December 2021 and an updated projection of expected outturn;