

2023/24 REVENUE AND CAPITAL BUDGET YEAR-END OUTTURN POSITION

AGENDA ITEM NO. 9

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 5TH JUNE 2024

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to provide Member's with details of the year-end outturn position on the Council's approved Revenue and Capital Budgets for the 2023/24 financial year.
- 1.2 The report also outlines the year-end position on the Council's balances and reserves, loans, investments and debtors.
- 1.3 The Council's 2023/24 Accounting Statements, which are part of the 2023/24 Annual Governance and Accountability Return (AGAR), are due to be presented to the Council on the 12th June 2024.

2.0 Summary of the Year-End Financial Position

- 2.1 **The Council set a Net Revenue Budget for the 2023/24 financial year, as represented by the Precept, of £1,890,739.**
- 2.2 Despite the ongoing cost-of-living crisis continuing to have an impact on the Council's Revenue Budget, with inflationary increases in expenditure on many goods and services and capital works and increases in staffing costs linked to the National Living Wage, the Council has, via prudent financial management, spending restrictions and income generation, managed to deliver a significant saving against its 2023/24 Revenue Budget.
- 2.3 **Actual final spending for the year was £1,549,517, which resulted in a year-end saving of £341,222, equating to 18% of the Precept.**
- 2.4 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;
 - Only £2,330 use of the £15,000 contingency sum;
 - Substantial savings on gas and electricity budgets due to a significant reduction in wholesale costs;
 - Savings on fuel costs due to a reduction in prices;
 - Substantially higher than budgeted investment income as a result of the significant increases to interest rates and higher balances due to receipt of the leisure services VAT claim and restrictions on capital spending;
 - Savings in staffing costs as a result of vacancies during the year including the Corporate Assistant and Administration Assistant.
 - Savings on internal audit costs following the move to self-employed auditor;

- Significantly higher than budgeted income at the pre-school as a result of higher-than-expected attendance numbers, increased Special Educational Needs numbers, and an increase in the early years funding rate for two-year-olds;
- Savings on the Senior Citizens' Excursions as a result of a number of the trips being undersubscribed resulting in a reduction in the planned number of trips, as well as savings due to the introduction of providing cash to individuals, on a number of trips, to purchase their own lunch rather than providing a meal at a restaurant;
- Substantially higher than budgeted income at the Sports Complex as a result of increases in usage, the change in VAT treatment across a number of sporting activities, hire of the sports hall for various events, and a significant increase in bar, catering and gaming machine income;
- Higher than budgeted income at the driving range and on golf shop sales;
- Higher than budgeted income at the sports pitches as a result of an increase in the number of teams booking the pitches; and
- Savings from reduced waste disposal and on the tree works budget as a result of most works being undertaken via the Capital Budget.
- Savings across most maintenance budgets, these budgets can vary year on year depending on repairs and maintenance required throughout the year.

2.5 These savings have been achieved despite increased expenditure above budget across all services due the higher than budgeted Local Government Pay Award, continued inflationary pressures on running costs and income losses at the golf course and cemeteries.

2.6 It is important to point out that a significant proportion of the savings in 2023/24 relate to issues that have been accounted for during the setting of the 2024/25 Revenue Budget and are therefore unlikely to be ongoing savings e.g. reductions in gas and electricity costs, increases in investment income, staff vacancies, savings in internal audit costs, increases in sports complex income etc.

2.7 The Revenue Budget saving has been transferred to the Council's balances and reserves at the end of the year, helping to replenish those balances at a time when the Council's Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing reserves over the longer term.

2.8 This transfer to reserves, coupled with the receipt of the VAT windfall resources and various capital grants during the year, and the ongoing restrictions on capital spending, has helped the Council to increase its level of balances and reserves and strengthen its financial position despite the budget challenges faced. This is a positive achievement in these challenging times.

2.9 More detail on the overall Revenue Budget position, as well as commentary on the savings achieved in each Committee area, is set out in Sections 3 and 4 of the Report.

2.10 A total of £34,331 has been identified in respect of on-going revenue budget commitments, for which it is requested that a proportion of the 2023/24 Revenue Budget savings are carried forward in the Revenue Budget Support Reserve to support the 2024/25 Revenue Budget. Further detail on this carry forward is set out in Section 5 of the Report.

2.11 In relation to the VAT Windfall Reserve, set aside using a proportion of the backdated VAT windfall resources received from HMRC, a total of £53,861 had been spent up to 31st March 2024, from the total reserve of £74,619. The remaining resources will be carried forward to 2024/25 and are expected to be used early in the new financial year. Further detail on the use of the VAT Windfall Reserve is set out in Section 5 of the Report.

2.12 **The Council's final approved Capital Programme Budget for 2023/24 stood at £499,059.** The original approved budget was £116,500 and was subsequently increased by £335,500 to provide for the approved carry forward of on-going commitments from the 2022/23 financial year, and additional budget approvals of £47,059 during the year.

2.13 **Final spending on the 2023/24 Capital Programme Budget totalled £287,051 (including £41,568 expenditure funded by the VAT windfall reserve), and this has been funded partly from external grant funding received towards specific projects, VAT windfall resources, and the Council's Earmarked Capital Reserves which are set aside for this purpose, as follows:-**

<i>Earmarked Capital Reserves</i>	<i>£155,582</i>
<i>Capital Grants</i>	<i>£89,901</i>
<i>VAT Windfall Reserves</i>	<i>£41,568</i>

2.14 Net of the use of capital grants and use of the VAT Windfall Reserve, final spending on the 2023/24 Capital Programme Budget was therefore £343,477 under budget.

2.15 This significant underspend was due a number of factors, but the main reason was the Council review of the Capital Programme Budget with a view to restricting expenditure and focussing on essential investment only. This led to a number of projects being deferred to future years or retained as 'provisional' sums. Additionally, some projects were delayed, and the final costs on a number of other projects were less than budgeted.

2.16 As a consequence of the above, a number of projects will need to be carried forward into the new 2024/25 financial year as a result, and **it is requested that a total of £304,250 is carried forward to meet the cost of deferred and delayed capital projects and provisional sums.**

2.17 More detail on the 2023/24 Capital Programme Budget position and the carry forward to 2024/25 is provided in Section 6 of the Report.

2.18 As highlighted earlier, the saving on the 2023/24 Revenue Budget was transferred to the Council's Balances and Reserves at the end of the year. After accounting for the Revenue Budget surplus and financing of the Capital Programme as highlighted above, as well as financing of by-elections during the year, receipt of the leisure services VAT claim monies and various capital grants, Council Balances and Reserves increased by £330,500 over the course of the year from £1.662 million to £1.993 million.

2.19 This level of balances is around £760,000 better than forecast in the Council's current Medium-Term Financial Plan and this has significantly strengthened the Council's financial position.

- 2.20 This improved financial situation has been achieved via a combination of reasons including the much better than expected Revenue Budget savings, the Capital Programme Budget spending restrictions, limited use of the Budget Support Reserve, and the receipt of nearly £200,000 in backdated VAT windfall resources.
- 2.21 **Net uncommitted year-end balances and reserves**, after taking into account the funding of the ongoing Revenue Budget commitments and deferred and delayed capital projects referred to above, and the ongoing revenue commitments, would fall to around **£1.404 million**.
- 2.22 This is considered to be a healthy level of balances, particularly bearing in mind the challenges faced as a result of the ongoing economic difficulties and cost-of-living crisis, and is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.
- 2.23 This will be particularly important bearing in mind the challenges faced in the years ahead in relation to the further cuts to the Council Tax Support Grant funding, ongoing pressures on staffing costs linked to the National Living Wage and pay awards, and the fact that balances and reserves are projected to be on a downward trajectory moving forward as the significant longer term capital commitments are financed.
- 2.24 The forthcoming update of the Council's Medium-Term Financial Plan will aim to assess the financial impact of these challenges and develop a financial strategy for the five-year period 2024/25 to 2028/29, highlighting how the Council's Revenue and Capital Budget may need to change to respond to the difficulties that lie ahead. This is due to be reported to the Council in the summer ahead of the 2025/26 budget setting process.

3.0 2023/24 Year-End 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 figures set out the following information:-
- The approved annual budget for each service area;
 - The actual income and expenditure for the year as recorded in the Council's financial management system;
 - The variance between the approved annual budget and the actual outturn for the year;
 - An explanation of any significant variances between approved budgets and actual outturn i.e. savings or overspending.

- 3.3 The table below provides a summary of the final position on the Council's Revenue Budget for 2023/24.

Budgets by Committee and Service Area	2023/24 Approved Budget £	Final Outturn £	(Saving) / Overspend £
<u>Policy and Resources</u>			
Members and Civic	69,550	65,380	(4,170)
Finance Service	101,550	95,293	(6,257)
Administration Service	76,600	59,937	(16,663)
Corporate Service	295,288	275,368	(19,920)
St Oswald's Pre School	64,800	29,195	(35,605)
Works	278,650	279,188	538
Depot	36,300	35,128	(1,172)
Capital Financing	3,050	(64,742)	(67,792)
Sub-Total	925,788	774,748	(151,040)
<u>Recreation</u>			
Special Events	217,050	198,652	(18,398)
Sports Complex	411,950	291,187	(120,763)
Sports Pitches	16,250	13,308	(2,942)
Golf Course	86,200	118,231	32,031
Driving Range	4,100	(1,400)	(5,500)
Parks	150,050	145,865	(4,185)
Play Areas	64,000	59,931	(4,069)
Sub-Total	949,600	825,773	(123,827)
<u>Environment</u>			
Environment	99,850	89,798	(10,052)
Street Equipment	11,350	10,678	(672)
Allotments	22,950	21,666	(1,284)
Cemeteries	34,950	43,783	8,833
Church Works	9,700	9,190	(510)
Sub-Total	178,800	175,115	(3,685)
Contingency Sum	15,000	2,330	(12,670)
Transfer to Reserves	50,000	-	(50,000)
Less LCTSS Grant	(204,911)	(204,911)	-
Less Use of Elections Reserve	(23,538)	(23,538)	-
Precept / Net Spending	1,890,739	1,549,517	(341,222)

- 3.4 As can be seen in the above summary, there was an overall year-end saving on the Council's 2023/24 Revenue Budget, including the budgeted contribution to reserves, of £341,222 or 18%.
- 3.5 As highlighted earlier, these savings have been achieved despite increased expenditure above budget across all services due the higher than budgeted Local Government Pay Award, continued inflationary pressures on running costs and income losses at the golf course and cemeteries, which is a very positive achievement.
- 3.6 The Revenue Budget saving has been transferred to the Council's balances and reserves helping to replenish and increase those balances at a time when the Council's Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing reserves over the longer term.

- 3.7 Detailed commentary on the 2023/24 Revenue Budget position broken down by each committee, and highlighting the specific savings made, is provided in the following section of the Report.

4.0 Commentary on Revenue Budget Position by Committee

4.1 Policy and Resources Committee

There was a saving of £151,040 or 16.3% on the Policy and Resources Committee Revenue Budgets during 2023/24.

There are a number of reasons for this saving are these are explained below:-

- Savings on members and civic costs of more than £4,000 which included an underspend on members allowances due to vacancies and ill health, and an underspend on the Donations Budget;
- Savings of £5,750 on internal audit costs following the move to self-employed auditor;
- Savings of more than £10,000 from corporate and administration staff vacancies.
- Savings of around £8,000 on the offices, pre-school and depot gas and electricity budgets due to a significant reduction in wholesale costs, and a saving of £8,500 on vehicle fuel due to falling prices.
- Substantially higher than budgeted investment income as a result of the significant increases to interest rates and higher balances due to receipt of the leisure services VAT claim and restrictions on capital spending, resulting in increased income of nearly £64,500;
- Significantly higher than budgeted income at the pre-school as a result of higher-than-expected attendance numbers, increased special educational needs numbers, and an increase in the early years funding rate for two-year-olds resulting in a budget saving of more than £35,000;
- Efficiency savings and reduced spending across all budgets in the region of £15,000, including on staff training, office running costs, including service contracts, printing, postage, stationary, newsletters and subscriptions, works equipment maintenance, bank charges and consultancy;

4.2 Recreation Committee

There was a saving of £123,827 or 13% on the Recreation Committee Revenue Budgets during 2023/24.

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

- A substantial saving of £35,000 on sports complex gas and electricity budgets due to a significant reduction in wholesale costs;
- A saving of £11,500 on the Senior Citizens' Excursions as a result of a number of the trips being undersubscribed resulting in a reduction in the planned number of trips, as well as savings due to the introduction of providing cash to individuals, on a number of trips, to purchase their own lunch rather than providing a meal at a restaurant;
- Savings on the running costs of other events totalling £7,000.
- Substantially higher than budgeted income at the Sports Complex totalling £121,000 as a result of increases in usage, the change in VAT treatment across a number of sporting activities, hire of the sports hall for

- various events, and a significant increase in bar, catering and gaming machine income;
- Higher than budgeted income at the driving range and on golf shop sales totalling £6,000;
 - Higher than budgeted income at the sports pitches of more than £1,000 as a result of an increase in the number of teams; and
 - Savings on maintenance budgets across all services.

These savings have been partly offset by the higher than budgeted pay award, increases in bar, catering and golf shop stock purchases linked to the increases in sales, and a significant reduction in golf course income due to the exceptionally wet weather during the year.

4.3 Environment Committee

There was saving of £3,685 or 2% on the Environment Revenue Budgets during 2023/24.

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

- Savings on cemeteries and street lighting electricity costs due to a significant reduction in wholesale costs;
- Savings from reduced waste disposal charges; and
- Savings on the tree works budget as a result of most works being undertaken via the Capital Budget.

These savings have been partly offset by a significant reduction in cemeteries income.

4.4 Central Support Recharges

As Members are aware Central Support Service Recharges are calculated and included across all budget areas to help reflect the true cost of each service, and these recharges are therefore included in the year-end figures. For Members information a brief overview and explanation of the recharges is included in **Appendix 1A**, this highlights that there is a **net zero impact on the overall financial position of the Council**.

4.5 Contingency Sum and Contribution to Capital Reserves

There was £2,330 spend against the **Revenue Budget Contingency Sum** during the year, as approved by Policy and Resources Committee on 24th January 2024 in relation to works on the golf course footpaths. This resulted in a **saving** to the Revenue Budget of **£12,670**.

The Council also made the **planned £50,000 contribution to capital reserves** from the Revenue Budget at the end of the year.

The existence of the contingency sum and contribution to capital reserves is another contributing factor towards the fact that the Council has been able to offset the unbudgeted costs experienced this year and deliver a saving on its Revenue Budget.

5.0 Revenue Budget Support Reserve and VAT Windfall Reserve

5.1 Use of Budget Support Reserve in 2023/24

Members may recall that as part of the reporting of the 2022/23 year- end position, a total of **£66,106** was transferred from the 2022/23 Revenue Budget saving to the Revenue Budget Support Reserve, in order to provide resources to support the 2023/24 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 use of these resources is attached at **Appendix 2** for Members' information.

This shows that a total of £1,356 has been transferred to service revenue budgets during the year. This resulted in an unused sum of £64,750 being transferred back to Council Balances.

The better than anticipated outturn on the revenue position has resulted in the funds set aside in the 2023/24 Revenue Budget Support Reserve not being required in the main, therefore there was only a limited amount needed to be used during the financial year.

5.2 Proposed 2024/25 Revenue Budget Support Reserve

A total of **£34,331** has been identified in ongoing Revenue Budget commitments at the end of the 2023/24 financial year for which it is requested that some of the Revenue Budget savings are **carried forward in the Revenue Budget Support Reserve to support the 2024/25 Revenue Budget.**

These carry forward requirements are summarised in **Appendix 3** for Members consideration and approval.

Carry forward requirements include ongoing repairs linked to income from insurance claims received in 2023/24, delayed equipment maintenance, carry forward of unused training budgets, unspent pre-school funding, and unspent consultancy monies to put towards the solar panels feasibility study.

5.3 VAT Windfall Reserve

As reported to Policy and Resources Committee on 13th September 2023, a total of £72,500 was agreed to be set aside from the backdated VAT windfall resources relating to leisure services.

This has been further increased to £74,619 after it was agreed at the Policy and Resources Committee on 6th December 2023 to increase the budget allocation in relation to the alcove seating at the Sports Complex.

The windfall resources were set aside in a new VAT Windfall Reserve and used to fund the identified one-off investments agreed by the Council.

A total of £53,861 had been spent up to 31st March 2024, from the total reserve of £74,619. Of the remaining resources, £19,500 will be carried forward to 2024/25 and is expected to be used early in the new financial year.

An analysis of the resources set aside within the VAT Windfall Reserve and the actual use of these resources is attached at **Appendix 4** for Members' information, **Appendix 5** provides details of the £19,500 carry forward requirement from this reserve.

6.0 2023/24 Year End Capital Programme Budget Position

6.1 The Council approved an original Capital Programme Budget for 2023/24 totalling £116,500.

6.2 The 2023/24 Capital Programme Budget was subsequently increased to provide for the carry forward of a significant large number of capital on-going commitments and provisions outstanding at the end of the 2022/23 financial year totalling £335,500.

6.3 The Capital Programme has been further increased during the year via a number of additional budget approvals totalling £47,059 as follows:-

- *Policy and Resources Committee on 7th June 2023 agreed to increase the budget by £2,750 to purchase a replacement sports hall scrubbing machine;*
- *Policy and Resources Committee on 19th July 2023 agreed to increase the budget by £5,400 to match fund the upgrade of the Byerley Park Play Area;*
- *Council Meeting on 26th July 2023 agreed to increase the budget by £4,460 to increase the Sports Complex External Decoration Budget;*
- *Policy and Resources Meeting on 8th December 2023 agreed to bring forward the budget of £5,500 to upgrade the CCTV at the Sports Complex; and*
- *Council Meeting on 13th December agreed to bring forward and increase to £28,949 the budget to purchase a replacement Park Patrol Vehicle.*

6.4 Also added to the 2023/24 Capital Programme Budget were a number of grant funded projects, as follows;

- *75th Anniversary of Newton Aycliffe Display Boards, funded by Durham County Council at £8,818;*
- *Byerley Park Play Area Upgrade, funded by S106 and GAMP at a total of £71,413;*
- *West Ward Public Seating, funded by GAMP at £8,000;*
- *Sports Complex Bowls Rail, funded by a County Councillor at £670;*
- *Aycliffe Village seating, funded by Aycliffe Village Community Association at £1,000*

6.5 **The revised 2023/24 Capital Programme Budget therefore totalled £499,059** and **Appendix 6** includes more detail on the adjustments made to the budget since it was originally approved.

6.6 **Final spending on the 2023/24 Capital Programme Budget totalled £287,051 (including £41,568 expenditure funded by the VAT windfall reserve) and this has been funded partly from external grant funding received towards specific projects, VAT windfall resources, and the**

Council's Earmarked Capital Reserves which are set aside for this purpose, as follows:-

<i>Earmarked Capital Reserves</i>	<i>£155,582</i>
<i>Capital Grants</i>	<i>£89,901</i>
<i>VAT Windfall Reserves</i>	<i>£41,568</i>

6.7 Projects completed during the year included:-

- *replacement Park Patrol vehicle with an electric vehicle;*
- *replacement fairway mower cylinders,*
- *replacement ICT server and migration of data to the cloud;*
- *purchase of replacement Christmas lighting;*
- *replacement of play area safety surfacing at St Oswald's Park;*
- *maintenance of the skate park;*
- *external decoration at the Sports Complex*
- *replacement bar furniture in the sports complex bar;*
- *purchase of a scrubbing machine for the sports hall;*
- *various footpath repairs;*
- *bus shelter repairs and replacement seating;*
- *purchase of public seating;*
- *Ash Tree dieback works;*
- *Aycliffe 75 History of a New Town Display Boards;*
- *upgrade of Byerley Park play area; and*
- *West Ward public seating.*

6.8 Net of the use of capital grants and use of the VAT Windfall Reserve, final spending on the 2023/24 Capital Programme Budget was therefore substantially under budget at £343,477.

6.9 This significant underspend was due a number of factors, but the main reason was the Council review of the Capital Programme Budget with a view to restricting expenditure and focussing on essential investment only. This led to a number of projects being deferred to future years or retained as 'provisional' sums. Additionally some projects were delayed, and the final costs on a number of other projects were less than budgeted.

6.10 As a consequence of the above, a number of projects will need to be carried forward into the new 2024/25 financial year as a result, and **it is requested that a total of £304,250 is carried forward to meet the cost of deferred and delayed capital projects and provisional sums.**

6.11 These projects include provisional sums for various roofing replacements and various other building works including the refurbishment of the sports complex sports hall and squash court flooring, replacement sports complex kitchen equipment, information technology infrastructure improvements a replacement leisure booking and till system, play area safety surfacing replacement, bus shelter repairs and Ash Dieback tree works.

6.12 A detailed breakdown of the final actual spending position on the Council's 2023/24 Capital Programme and the projects that are requested to be carried forward to 2024/25 is attached at **Appendix 7.**

7.0 Council Balances and Reserves

- 7.1 As highlighted earlier, the £341,222 saving on the 2023/24 Revenue Budget was transferred to the Council's Balances and Reserves at the end of the year. After accounting for the transfer of the Revenue Budget surplus and financing of the Capital Programme as highlighted earlier in the report, as well as financing of by-elections during the year, receipt of the leisure services VAT claim monies and various capital grants, Council Balances and Reserves increased by £330,500 over the course of the year from £1.662 million to £1.993 million.
- 7.2 The movement on the Council's Balances and Earmarked Reserves during the year is summarised below:-

Council Balances and Reserves	£
General Fund Balance	285,732
Budget Support Fund	66,106
Community Benefit Fund	7,156
Allotments Bonds Holding Account	500
Earmarked Revenue Reserves (Elections)	50,000
Earmarked Capital Reserves	1,250,000
Usable Capital Receipts	3,130
Actual Balances Held as at 1st April 2023	1,662,624
Contribution to Balances in 2023/24:	
2023/24 Revenue Budget Saving	291,222
Capital Contributions Received	118,064
HMRC Leisure Services Claim	195,460
2023/24 Contribution to Earmarked Reserves	50,000
Use of Balances in 2023/24:	
Financing of 2023/24 Capital Programme	(155,582)
Use of Budget Support Fund	(1,356)
Use of VAT Leisure Reserve	(53,861)
Use of Capital Contributions	(89,901)
Use of Earmarked Revenue Reserve (Elections)	(23,538)
Balances Held as at 31st March 2024	1,993,132

- 7.3 This level of balances is around £760,000 better than forecast in the Council's current Medium-Term Financial Plan and this has significantly strengthened the Council's financial position.
- 7.4 This improved financial situation has been achieved via a combination of reasons including the much better than expected Revenue Budget savings, the Capital Programme Budget spending restrictions, and the receipt of nearly £200,000 in backdated VAT windfall resources.
- 7.5 This is considered to be a healthy level of balances, particularly bearing in mind the challenges faced as a result of the ongoing economic difficulties and cost-of-living crisis, and is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.

- 7.6 The balances held at the end of the year have been set aside in a number of balances and reserves which are held for various purposes as detailed below:-
- **General Fund Balance** which represents the funds available to meet any significant unforeseen costs or shortfalls in income on the Council Revenue Budget. A total of **£199,352** has been set aside in this fund.
 - **Revenue Budget Support Reserve** which provides for the carry forward of unspent Revenue Budget resources from one year to the next to fund on-going revenue spending commitments. As highlighted earlier, a balance of **£34,331** has been carried forward to 2024/25.
 - **Community Benefit Fund** which holds community benefit monies generated from the solar farm at School Aycliffe totalling **£8,156**;
 - **The Allotments Bonds Account** which holds the bonds from tenants with pigeon lofts and poultry sites, totalling **£500**.
 - **Earmarked Revenue Reserves** which are set aside to meet specific Revenue Budget requirements as follows:-
 - **VAT Windfall Reserve** which contains the remaining balance of **£19,500** carried forward from the 2023/24.
 - **Elections Reserve** which is set aside to meet the costs of the future elections and by elections. A total of **£50,000** is currently set aside in this reserve.
 - **Earmarked Capital Reserves** which are set aside to meet specific future capital investment requirements as set out in the Council's Asset Management Plan as follows:-
 - **Building Works Reserve** which is set aside to meet the cost of planned future works to the Council's buildings. A total of **£250,000** is currently set aside in this reserve.
 - **Vehicle and Machinery Reserve** which is set aside to meet the costs of future replacements of Council vehicles and machinery. A total of **£300,000** is currently set aside in this reserve.
 - **Parks and Play Equipment Reserve** which is set aside to fund future parks related capital investment and the cost of replacing and upgrading play equipment. A total of **£500,000** is currently set aside in this reserve;
 - **Street Equipment Reserve** which is set aside to meet the cost of replacing street equipment such as bus shelters, street lighting, seating, and bins. A total of **£100,000** is currently set aside in this reserve.
 - **Sports and Golf Complex Reserves** which are held to fund future non-building related capital investment specific to the sports and golf complex including replacement of machinery and equipment relating to these facilities. A total of **£200,000** is currently set aside in these reserves.
 - **ICT and Office Equipment Reserve** which is set aside to meet the costs of any major computer related investment in the future such as replacement servers and computers and office equipment such as telephone systems and photocopiers. A total of **£100,000** is currently set aside in this reserve.

- **Climate Change Reserve** which is set aside to meet the costs of carbon reduction related investment in the future such as solar panels or heat pump systems. A total of **£200,000** is currently set aside in this reserve.
- **Unapplied Capital Contributions** which were previously received to be used against future Capital spend. A total of **£31,292** is set aside in this account.

7.7 During 2024/25, the following movement in the Council's Balances and Reserves is estimated:-

- The funding of the Revenue Budget and Capital Programme carry forward requirements from 2023/24 totalling £34,331 and £304,250 respectively;
- The use of the remaining £19,500 from the VAT Windfall Reserve;
- The funding the 2024/25 Capital Programme Budget totalling £156,350; and
- The planned £75,000 contribution to capital reserves from the 2024/25 Revenue Budget.

7.8 **This would see Balances and Reserves fall to around £1.404 million by the end of 2024/25.**

7.9 Balances may be higher if the contingency sum is not used this year or if savings or increased income are achieved on the Revenue Budget. However, it must be noted in the current economic climate, suppliers continue to implement increases which are higher than inflation which continues to impact on costs, in addition to this, as identified earlier in the report, many of the savings achieved in 2023/24 have been stripped out of the budgets as part of the 2024/25 budget setting process.

7.10 As highlighted earlier, despite the anticipated fall in balances over the course of the next year, the current level of reserves is much better than forecast in the Council's previous Medium-Term Financial Plan.

7.11 This will be particularly important bearing in mind the challenges faced in the years ahead in relation to the further cuts to the Council Tax Support Grant funding, ongoing pressures on staffing costs linked to the National Living Wage and pay awards, and the fact that balances and reserves are projected to be on a downward trajectory moving forward as the significant longer term capital commitments are financed.

7.12 The forthcoming update of the Council's Medium-Term Financial Plan will aim to assess the financial impact of these challenges and develop a financial strategy for the five-year period 2024/25 to 2028/29, highlighting how the Council's Revenue and Capital Budget may need to change to respond to the difficulties that lie ahead. This is due to be reported to the Council in the summer ahead of the 2025/26 budget setting process.

8.0 Other Financial Issues

8.1 In line with best practice guidance on financial management, it is also considered prudent to report on and consider the following key areas, 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 one annuity loan outstanding with the Public Sector Loans Board. The total amount of the loan outstanding at the beginning of the financial year was £78,500.

Interest payable on the existing loan totalled £3,950 in the current financial year, while principal repayments totalled £10,450.

The total balance of loans outstanding at the 31st March 2024 was £68,050.

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 31st March 2024, the Council had £201,957 invested in a Deposit Account with the Council's bank, and a further £1,650,000 is invested with the Public Sector Deposit Fund.

The interest rates on the Deposit Account is currently running at around 1.5% and the interest rate on the Public Sector Deposit Fund is currently at around 5.2% with the Bank of England Base Rate currently standing at 5.25%.

Total investment income for the year was substantially up on budget at £91,343 as a result of much higher interest rates and levels of balances than anticipated.

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 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.

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

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

The level of outstanding debt at 31st March 2024 was low with only three invoices outside of the approved payment terms. These invoices have subsequently been paid.

The Council's outstanding debt position will continue to be closely monitored and reported to this Committee every quarter.

9.0 Impact on Great Aycliffe Town Council

- 9.1 The regular monitoring and reporting of Council spending and income, balances and reserves, and the overall financial position helps the Council to ensure that it manages and controls its finances prudently and helps to deliver value for money to the local community.

10.0 Policy Implications

- 10.1 The undertaking of regular budget monitoring and the reporting of the Council's financial position to the Policy and Resources Committee assists the Council in achieving the following Strategic Aims:-

Aim 1 "To provide good quality governance and management of the Council".

Aim 2 "To manage the Council's finances and assets in a responsible manner".

11.0 Staffing Implications

- 11.1 All of the year-end figures set out in the report and explanations of any savings or overspending have been included following consultation and agreement with the responsible budget managers controlling the income and expenditure on the budgets.

12.0 Financial Implications

- 12.1 The financial implications are fully set out in the report and appendices.

13.0 Crime and Disorder Implications

- 13.1 None.

14.0 Equal Opportunities Implications

- 14.1 None.

15.0 Environmental, Biodiversity and Climate Change Implications

- 15.1 None.

16.0 Risk Assessment

- 16.1 Budgetary control is a key factor in effective risk management as it contributes towards the proactive 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.
- 16.2 Formal risk assessments are also undertaken at the time the Council sets the annual Revenue and Capital Budget and also when it approves the Annual Accounts and Medium-Term Financial Plan.

17.0 General Data Protection Regulations (GDPR)

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

18.0 Recommendations

- 18.1 It is recommended that Members:-
- a) Receive the year-end financial position on the Council's 2023/24 Revenue Budgets;
 - b) Receive the year-end financial position on the Council's 2023/24 Capital Programme Budgets;
 - c) Receive the year-end position on the Council's Balances and Reserves and approve the proposed allocation of those balances;
 - d) Approve the Revenue Budget Reserve carry forward requests referred to in paragraph 5.2;
 - e) Approve the VAT Windfall Reserve carry forward requests referred to in paragraph 5.2;
 - f) Approve the Capital Programme carry forward requests referred to in 6.10 and 6.11;
 - g) Continue to receive quarterly budgetary control reports during the 2024/25 financial year, detailing the financial position and expected outturn on the Council's 2024/25 Revenue and Capital Budgets.