East Dean & Friston
Parish Council

Date:	**2nd August 2018**
Title:	**Report Item 5 – Budget Update Quarter 1**
By:	**Councillor Kevin Godden, Lead Member for Finance** **K Larkin (Parish Clerk)**
Purpose:	**To report on the financial position of the Council for the three months ending 30th June 2018**

Recommendations:

a) **To note the key revenue variations and explanations between budget and projected outturn for 2018/19**
b) **To note for reporting purposes the separation of major projects (capital income and capital expenditure) from day to day council expenditure and income**
c) **note the impact on reserves from projected savings in day to day operational costs of £3,889**
d) **note the impact on reserves from the additional capital receipt from an easement fee of £3,000 received in the quarter.**
e) **To approve the use of £500 from cash reserves to finance the War Memorial Project**

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1. Under Council Standing Order 17, the Responsible Financial Officer is required to provide details of the receipts and payments for the quarter, the cumulative receipts and payments to date, the balances held at the end of each quarter and the projected outturn for the year highlighting any actual or potential overspends.

2. At the last meeting, the Council agreed a new set of Standing Orders and Financial Regulations. This report is in-line with the reporting and budget approval requirements set out in these revised documents.

3. The Council accounts for its income and expenditure on a cash basis and not an accruals basis which is reflected in its Annual Governance and Accountability Return.

Summary of Key Variations

4. At the request of Members, a summary of key variations between the budget and projection outturn are included in Table 4 below.

2018/19 Budget

5. Council approved its 2018/19 budget at the 4th January 2018 meeting. This included a forecast for the following three years ending 31st March 2022. As part of the budget setting process, the Council also approved a precept for £57,730 for the year ending 31st March 2019.

6. A summary of the original 2018/19 budget approved by the Council is set out in the table below with the three-year forecast. A detailed breakdown and subjective analysis of the budgeted income, precept and expenditure is set out in Appendix A of this report.

7. It may be seen that the total expenditure for this current financial year was planned to exceed income by £9,772 and this deficit would be met from the Council's cash reserves. In future years two out of the three years provide a projected surplus to be added back to the cash reserves although in 2020/21, the net expenditure requires a small contribution of £220 from cash reserves to balance its budget.

Table 1 – Budget and Forecast Figures

All £	Budget	Forecast		
	2018/19	2019/20	2020/21	2021/22
Income	-62,803	-61,183	-61,105	-61,105
Less:				
Council Office	15,415	16,905	16,495	16,805
Professional Expenses	4,520	3,890	4,015	4,190
Councillor Expenses	775	800	825	850
Asset Maintenance	6,500	6,515	7,500	7,175
Services	18,270	17,720	17,990	18,970
VAT on Payments	2,000	2,000	2,000	2,000
Total Operating Expenditure	47,480	47,830	48,825	49,990
Net Revenue	**-15,323**	**-13,353**	**-12,280**	**-11,115**
Add:				
Capital Income	0	0	0	0
Major Projects Expenditure	25,095	12,500	12,500	7,500
Net Deficit met from/(paid to) from Reserves	**9,772**	**-853**	**220**	**-3,615**

8. It may be seen that we have separated the day to day costs from the major projects (which have longer term benefits), and the net deficit reconciles to the original 2018/19 budget projections that were set out the in the 4th January 2018 report.

9. We have also included a new budget for "capital income" which will cover grants, contributions etc received towards funding the major projects.

Revised Revenue Budget 2018/19

10. The table below sets out any changes to the Original Budget for 2018/19 which may include virements between budgets or new budgets or changes to budgets, all of which mush be approved by the Council.

Table 2 – Revised Budget 2018/19

All £	Original Budget 2018/19	Budget Virements in Year	Budget Approvals in Year	Revised Budget 2018/19
Revenue Receipts	-62,803	0	0	-62,803
Less:				
Council Office	15,415	0	0	15,415
Professional expenses	4,520	0	0	4,520
Councillor expenses	775	0	0	775
Asset Maintenance	6,500	0	0	6,500
Services	18,270	0	0	18,270
VAT Payments	2,000	0	0	2,000
Total Payments	47,480	0	0	47,480
Net Deficit / (Surplus) from Operations	-15,323	0	0	-15,323

Budget Virements for Quarter 1

11. The Council's budget is an estimate of planned future income and expenditure and there are some occasions where it makes sense to revise the budget during the year to reflect a known change in activity. This is undertaken by a process called "Budget Virements".

12. The aim of a budget virement is to enable the Council to move budgeted amounts between each of the budget headings, without affecting the overall original 2018/19 budget figure which as a result can more accurately reflect the Council's anticipated net expenditure.

13. As a budget virement impacts on budgets, it is important that there is an audit trail of where the budget head was when the original budget was approved, and the allocation of a budget during the year as it impacts on the monitoring of the overall Council budget (see later in this report), and therefore each budget virement must be formally recorded.

14. Under Financial Regulation [4.2.2], the Council may, where there is essential spending which would otherwise exceed an approved budget, may use a budget virement from other budget heads or from Council Reserves with the approval of Council.

15. No Virements have been made to the budget in the last quarter.

New Budget Approvals

16. Under Financial Regulation 4.2.1 the Council may exceed an approved budget subject to the prior approval of the Council where this is funded from the Council's own cash reserves.

17. No approvals were made during the quarter which required approval for additional budgets funded from cash reserves.

Projected Outturn for 2018/19 (Day to Day Management)

18. Under Financial Regulation [6.2.7] all invoices must be brought to Council for approval prior to payment, unless payments are classified as urgent in which case approval may be granted in consultation with the Chairman of the Council, Deputy Chair or the Lead Member for Finance.

19. A summary of the payments that have already been authorised at each Council meeting (April to June 2018) is summarised in the table below. These receipts and payments are compared to the revised budget for the year.

Table 3 – Projected Outturn for 2018/19 against Revised Budget 2018/19 budget

REVENUE SUMMARY	Revised Budget 2018/19	Actual Spend to Date	Estimate of Future Spend	Projected Outturn 2018/19	Variation Budget v Outturn
Receipts	-62,803	-34,113	-30,939	-65,052	-2,249
Council Office	15,415	3,822	13,040	16,862	1,447
Professional Expenses	4,520	2,172	862	3,034	-1,486
Councillor Expenses	775	0	775	775	0
Asset Maintenance	6,500	1,871	4,529	6,400	-100
Services	18,270	5,966	12,804	18,770	500
VAT on payments	2,000	0	0	0	-2,000
Total Payments	**47,480**	**13,831**	**32,010**	**45,841**	**-1,639**
Surplus/Deficit from Operations	**-15,323**	**-20,283**	**1,071**	**-19,212**	**-3,889**

20. The projected outturn relating to operating income and expenditure is a surplus of £19,212 compared to a surplus of £15,323 in the Revised Budget for the year. It may be noted that this surplus was allocated to support major projects. However, there is at the end of this quarter a projected differential of a £3,889 surplus.

21. We have set out below an explanation of the key variations where income received, or expenditure incurred exceeds or is likely to exceed the current budget.

Table 4 – Key Variations from Budget

	£
Additional Office Costs	1,447
Additional cost in year because of a payment in advance from Cricket Club which was accounted for in previous year but relates to this financial year.	888
Additional cost likely for new dog bin collection by the Council.	252
Additional maintenance costs at Pavilion	251
Additional Costs of Pathways and Signs	235
Increased cost of PR services	398
New Dog Bin Purchase	350
Additional income from VAT refund due to VAT recovered from major projects etc.	-4,691
Saving in Audit Fees	-83
Saving relating to subscriptions.	-143
Saving in Mowing Contract Costs	-426
Saving resulting from no anticipated elections in this financial year	-750
Saving in insurance premiums following a procurement exercise to test the market.	-511
Saving in ROSPA fees (£200) and safety surface (£500) budgets due to works undertaken as part of the major project on replacing the playground at the recreation ground.	-700
Saving in commercial printing expected.	-398
Bank Interest	-8
Total	**-3,889**

Projected Outturn 2018/19 for Major Projects

22. In accordance with Financial Regulation 4.2.1 payments on capital projects should be made in accordance with forecast cashflows included in the approved budget plan.

23. This reference to capital projects has provided the opportunity for the Council to separately account or report for capital income and expenditure compared to income and expenditure from the day to day management of council business.

24. We have set out the details of the capital income and capital expenditure relating to the approved projects in the table below.

Table 5 – Major Projects

MAJOR PROJECTS SUMMARY	Revised Budget 2018/19	Actual Spend to Date	Estimate of Future Spend	Projected Outturn 2018/19	Variation Budget v Outturn
Major Projects Income	0	-3,000	0	-3,000	-3,000
400 - War Memorial	2,500	0	3,000	3,000	500
401 - Pavilion - refurb	2,000	0	2,000	2,000	0
402 - Playground upgrade	13,595	11,649	1,946	13,595	0
403 - Friston Build-out	6,000	0	6,000	6,000	0
404 - Other projects	1,000	0	1,000	1,000	0
Total Major Projects Expenditure	25,095	11,649	13,946	25,595	500
Major Projects - Net Cash	25,095	8,649	13,946	22,595	-2,500

25. The original and revised budgets for the major projects was £25,095 for the financial year. Current expenditure to date is £11,649 relating to the playground upgrade and we have received income on the 8th May 2018 from Rook Construction for an unanticipated easement fee near the recreation ground for £3,000 providing a net actual spend to date of £8,649.

26. An analysis has been undertaken on future commitments for the remaining period of the year and which has projected that a further net £13,946 will be incurred on approved major projects this year.

27. However, although all projects are currently forecast to spend on budget this year, the War Memorial project, is anticipated to overspend by circa £500 this year as a result of the anticipated grant funding not forthcoming.

28. Members will need to decide if they wish to approve funding from cash reserves, especially given the additional capital income from the easement or from a virement from another budget.

Projected Outturn 2018/19 – Overall

29. As it may be seen in the table below, the net outturn of the Council is projected to be £3,384 compared to the £9,772 in the Revised Budget 2018/19 which may reduce the requirement on cash reserves by £6,388 for the budget year.

Table 6 – Projected Outturn 2018/19 – Overall

OVERALL SUMMARY	Revised Budget 2018/19	Actual Spend to Date	Estimate of Future Spend	Projected Outturn 2018/19	Variation Budget v Outturn
Operations	-15,323	-20,283	1,071	-19,212	-3,889
Major Projects	25,095	8,649	13,946	22,595	-2,500
Net Cost to the Council	**9,772**	**-11,633**	**15,017**	**3,384**	**-6,388**

30. This report has highlighted the reasons for the key variations in both capital major projects and day to day management of the council. As this time, it is recommended that the projected savings remain within the budget and that Members note the impact of the underspend on cash reserves.

Council Reserves

31. Council cash reserves are the funds it holds in the bank, cash or investments that are basically its long-term assets. The Council cash reserves change where underspends or overspends in the annual budget occur and these variations are funded by the cash reserves, rather than from existing budgets.

32. The opening balance of Council Reserves that were predicted at 31st March 2018 as part of the budget process for 2018/19 were £31,540 with the assumption that £9,772 would be used to fund net expenditure (expenditure exceeding planned income) in 2018/19, leaving a projected balance of £21,768 at 31st March 2019.

33. However, following the closure of the 2017/18 accounts the actual balance of Council Reserves was £40,123.93 at 31st March 2018. As a result, we have used this as the starting point in the table below.

Table 7 – Council Reserves

All £	Original Budget 2018/19	Revised Budget 2018/19	Revised Outturn 2018/19
Opening Balance	31,540	40,124	40,124
Planned Use of Reserves	9,772	9,772	3,384
Closing Balance	21,768	30,352	36,740

34. It may be seen that if the projected outturn is correct, and it is only an estimate at this stage, the planned use of cash reserves will fall from £9,772 to £3,384 resulting in an additional contribution to cash reserves at the end of the year of £36,740 compared to the revised budget projection of £30,352, a movement of £6,338.

35. This movement is split between capital project income of £3,000 plus the savings on day to day management of the Council of £3,889, less the capital project overspends of £500 relating to the War Memorial project, if the project is to use cash reserves to support the capital underspend.