

CLYDE MUIRSHIEL PARK AUTHORITY

To: Joint Committee

On: 15 February 2019

Report by: The Treasurer

Heading: Revenue Estimates 2019/20 to 2021/22

1. Summary

- 1.1 The following report has been prepared by the Park Treasurer to present the Revenue Estimates and to establish the requisition of the Clyde Muirshiel Park Authority (CMPA) for the financial year 2019/20.
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2 Recommendations

- 2.1 It is recommended that members:

- (a) approve the Revenue Estimates of the Joint Committee for the financial year 2019/20 per Appendix 2, and agree the requisitions payable by each member council per Appendix 1
 - (b) approve that a revised budget for 2019/20 be presented to the June 2019 meeting of the Joint Committee
 - (c) approve the financial principles outlined in 5.4 below
 - (d) Note the indicative estimates for 2020/21 and 2021/22
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3 Background

- 3.1 The Annual Revenue Estimates process each year outlines the summary revenue budget position for the organisation. In agreeing the 2018/19 budget and associated requisitions, the Joint Committee agreed that options to

address the financial outlook for the Park Authority in light of a significant reduction in requisition income be developed. While this work remains in progress, the potential of a service redesign is necessarily being explored given salaries constitute 70% of the organisation's costs. Management have therefore canvassed staff with regards interest in voluntary redundancy or early retirement. This exercise is ongoing, however several members of staff have stated an interest in voluntary early release. It is therefore not at this stage clear to what extent this interest can be accommodated within the financial parameters which would normally be associated with the early release. The impact on Park operations from agreeing to release staff will also require to be fully assessed.

- 3.2 This exercise will materially impact the 2019/20 budget position for the Park, but to what extent is at this point not clear. Therefore the budget proposed within this report is based on the current budgeted staffing establishment, with the expectation that the position will become clear in the coming weeks. It is therefore proposed that a revised budget be presented to the Joint Committee in June 2019 once this clarity has been secured.
- 3.3 The budget estimates provided in the attached Appendix 2 outline the proposed requisition for 2019/20, which as mentioned above may be subject to change following conclusion of the VR exercise. The assumptions used in developing these projections are outlined in section 4 below.
- 3.4 In regards the general financial environment in which the Park Authority and member authorities operate, this continues to be characterised by cost pressures which are compounded by reducing levels of government grant support. The local government settlement announced by the Scottish Government on 12 December 2018 was for a single financial year only, adding some uncertainty to financial forecasts. However, it is recognised that over the medium term, local government in Scotland is likely to face further contraction in available resources, relating predominantly to the provision of revenue grant from the Scottish Government. In this context, the Park Authority will continue to seek operational savings and alternative income sources to ensure financial sustainability.

4 Budget Assumptions

- 4.1 The budget has been constructed on the basis of the following assumptions:-
 - A budget provision of 3% in relation to the 2019/20 pay award has been included in the budget forecast, with a further 3% also assumed in the indicative 2020/21 and 2021/22 forecasts in line with the current employer offer. It is recognised that national pay negotiations for local government are not concluded but should the final position be in excess of or less than this budget provision an appropriate adjustment will require to be made to the 2019/20 budgeted reserves balance;

- Staff costs have been adjusted to reflect the interim management arrangements in place, but no assumptions have been made with regards the early release of staff
- no inflation adjustment to all non-pay expenditure lines as per the practise adopted in previous years; and
- adjustments to budget lines to reflect operational experience and historic trends;
- as outlined above, Park management are currently undertaking a VR exercise which at this stage is not concluded. There will be one-off costs associated with the early release of staff which have not been included within the costs outlined in Appendix 2. These costs will require to be met through the use of reserves or, where this is not prudent, directly by each member authority.

4.2 Requisition income is based current levels, subject to further revision once the outcome of the current VR exercise is concluded.

4.3 The Interim Park Co-ordinator and Lead Officer will continue to control expenditure on a "bottom line" basis in order that the effective management of the Park's operational finances continues. Any significant factors which affect either expenditure or income would be reported to Members at the earliest opportunity.

5 Financial Overview

5.1 As outlined above, the financial outlook in the medium term is characterised by uncertainty. There appears to be increasing levels of risk with regards the major influences on the Park's financial position ie the level of pay award is expected to be higher in future years than in the recent years, and similarly the level of funding available to local government through the grant settlement process is expected to reduce.

5.2 The requisition income available to the Park Authority has reduced in recent years, acknowledging the financial pressures that councils have been facing and also an increasingly commercial approach to the operations of the Park. In 2018/19, requisition income severely reduced following a period of gradual reductions in prior years as outlined in the table below:

	2014/15		2015/16		2016/17		2017/18		2018/19	
	£	%	£	%	£	%	£	%	£	%
Renfrewshire	520,700	61%	490,700	61%	420,700	61%	420,700	61%	380,700	66%
Inverclyde	211,700	25%	199,500	25%	171,000	25%	171,000	25%	154,700	27%
North Ayrshire	125,100	15%	117,900	15%	101,100	15%	101,100	15%	41,100	7%
	857,500		808,100		692,800		692,800		576,500	

5.3 The Interim Park Manager was instructed to develop options to address the required savings of £60,000. As is outlined within the budget monitoring report to this meeting, through one-off measures this saving has been practically met

in 2018/19; however the recurring deficit remains to be addressed. Through a review of the service and the use of voluntary early release of staff it is anticipated a recurring saving will be achieved, however this position is not finalised; therefore a revised budget for 2019/20 will be required in order to fully address this recurring budget deficit.

- 5.4 The revised budget will be presented for agreement to the June meeting of the Joint Committee, based on the following financial principles:
- The one-off costs of the early release of staff will be funded from reserves in the first instance; with a minimum level of reserves equivalent to 8% of turnover (broadly £75,000) being held in order to mitigate against future financial risks. Early release costs over and above this level to be funded by each authority in proportion to their requisition level in 2017/18 as outlined in the table above
 - Reduced costs from the early release of staff will be utilised to address the recurring deficit currently being operated
 - Any opportunity for further reductions in requisition flowing from the VR exercise to be allocated between Inverclyde Council (30%) and Renfrewshire Council (70%) (those proportions being based on 2019/20 requisition). No further requisition reduction to be allocated to North Ayrshire Council on the basis that a 60% reduction in requisition was agreed in 2018/19, with Inverclyde and Renfrewshire Council's reduction being 9.5% respectively.
- 5.5 The audited accounts for the year ended 31 March 2018 confirmed the level of working balances as £100,121. It is currently projected that an overpend of £8,100 will occur in financial year 2018/19 which will result in the current reserves balance decreasing to £92,021. This balance will carry forward into 2019/20 and represents 9.9% of the Park's turnover. The remaining reserves balance will be held to mitigate financial risks which may arise over the course of 2019/20, subject to a di minimis level of 8% of turnover.

6 2019/20 Member Authority Requisitions

- 6.1 The Member Authority requisitions for 2019/20 and the date of drawdown for the requisitions are summarised in Appendix 1. The indicative level of requisition for 2020/21 and 2021/22 have been increased in line with the level of assumed pay award.

Estimates of Expenditure and Income for the Year Ended 31st March 2020

Clyde Muirshiel Park Authority

Requisition Payable by Member Authorities

		2018/2019 £	2019/2020 £
		Agreed	Proposed
RENFREWSHIRE	66.04%	380,700	380,700
INVERCLYDE	26.83%	154,700	154,700
NORTH AYRSHIRE	7.13%	41,100	41,100
		576,500	576,500

Requisition Payment 2019/20	
£	£
1st April 2019	1st July, 1st October & 31st December 19
95,100	95,200
38,600	38,700
10,200	10,300

Due Dates	
01-Apr-19	01-Jul-19 01-Oct-19 31-Dec-19

Clyde Muirshiel Park Authority

Revenue Estimates for 2019/20 to 2021/22

	Approved 2018/19	Probable 2018/19	Recommended 2019/20	Indicative 2020/21	Indicative 2021/22
	£		£	£	£
Expenditure					
Employee costs	704,000	734,200	709,600	734,800	759,900
Property Costs	39,900	43,800	39,900	39,900	39,900
Supplies & Services	143,200	131,400	132,400	132,400	132,400
Contractors	14,800	49,800	14,800	14,800	14,800
Transport	46,500	33,600	35,500	35,500	35,500
Administration Costs	72,600	63,400	64,400	64,400	64,400
Payments to Other Bodies	1,700	1,800	1,800	1,800	1,800
Minimum Service Redesign Saving	-60,000	0	-65,900	-73,900	-81,100
Total Budgeted Expenditure	962,700	1,058,000	932,500	949,700	967,600
Income					
Shop Retail Income	175,800	148,100	157,700	157,700	157,700
Sales, fees & charges	187,400	220,500	187,400	187,400	187,400
Other Income	23,000	104,800	10,900	10,900	10,900
Total Generated Income	386,200	473,400	356,000	356,000	356,000
Requisition Payable by Member Councils	576,500	576,500	576,500	593,700	611,600
Total Budgeted Income	962,700	1,049,900	932,500	949,700	967,600
Budgeted (Surplus)/Deficit for Year	0	8,100	0	0	0
Reserves					
Reserves brought forward	100,121	100,121	92,021	92,021	92,021
Budgeted surplus/(deficit) for year	0	-8,100	0	0	0
Reserves carried forward	100,121	92,021	92,021	92,021	92,021