

CLYDE MUIRSHIEL PARK AUTHORITY

To: Joint Committee

On: 16 February 2018

Report by: The Treasurer

Heading: Revenue Estimates 2018/9

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 2018/19.
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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 2018/19 per Appendix 2, and agree the requisitions payable by each member council per Appendix 1, and
 - (b) note any decision on requisitions will be subject to ratification by member Councils and instruct the Park Manager to report back on the implications for Park Services should any member council agree any alteration to the level of requisition recommended by the Park Authority.
 - (c) Agree that the Park Manager develop options to address the unallocated savings outlined in the report.
 - (d) Agree the Park Manager submit a report to the Joint Committee no later than September 2018 outlining options and recommendations for the future governance and operation of the Park and the Joint Committee which recognises the financial constraints outlined in this report.
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3 Background

- 3.1 The Annual Revenue Estimates process each year outlines the summary revenue budget position for the organisation. The budget estimates provided in the attached Appendix 2 outline the proposed requisition for 2018/19. The assumptions used in developing these projections are outlined in section 4 below.
- 3.2 At present the local government grant settlement has been made available for 2018/19, however the Scottish Government has indicated that the settlement figures will be for a single year only. This uncertainty over the level of financial contraction which local government is likely to face over the medium term is a significant risk for the Park Authority, and this position is explored in further detail in section 5 below.

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 2018/19 pay award has been included in the budget forecast, recognising the removal of the 1% cap on public sector pay awards. It is recognised that national pay negotiations remain ongoing and should the agreed position be in excess of this budget provision an appropriate adjustment will require to be made to the 2018-19 budget funded from reserve balances. Within the pay budget a saving of £72,000 has been budgeted linked to improved workforce planning;
 - 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;
 - an unallocated saving of £60,000 is reflected in the proposed budget which is linked reduced requisition income. The Park Manager is instructed to develop options to address this savings requirement.
- 4.2 Requisition income is based on the revised levels outlined in section 5 below.
- 4.3 The Park Manager 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. At this point both major areas of financial risk for the Joint

Committee – the level of pay award and the level of requisition income (broadly linked to the movement in the level of grant available to local government) – are unknown. However, both appear to be increasing risks 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. A further 9.5% reduction from the 2017/18 requisition level was proposed by the Treasurer to each partner council in advance of the formal requisition being agreed by the Joint Committee. This proposal was noted as being acceptable by Renfrewshire and Inverclyde councils, however North Ayrshire Council have intimated a £60,000 (59%) reduction in their requisition. A reduction in requisition on this scale calls into question the financial sustainability of the Park Authority in its current form. It is proposed therefore that the Park Manager be instructed to seek additional in year savings in order to continue to manage in-year expenditure within the resources available; and also to develop a report for consideration by the Joint Committee as soon as possible but not later than the September 2018 Joint Committee meeting; that report to outline options and recommendations with regards the future operation and governance of the Park Authority, recognising the reduced level of requisition income available.

5.3 The level of requisition proposed as payable by each council is outlined in Appendix 1. The level of requisition reflects the reduction intimated by North Ayrshire Council, and a reduction of 9.5% for both Renfrewshire and Inverclyde Councils. The respective share of total requisition is adjusted as follows:

	2017/18	2018/19
Renfrewshire	60.7%	66.1%
Inverclyde	24.7%	26.8%
North Ayrshire	14.6%	7.1%

The Minute of Agreement under which the Park Authority is constituted is silent on the distribution of costs between requisitioning authorities ie there is no legal obstacle to adjusting the respective shares of costs as outlined above.

5.4 The audited accounts for the year ended 31 March 2017 confirmed the level of working balances as £80,607. It is currently projected that an underspend of £17,100 will be achieved in financial year 2017/18 which will result in the current reserves balance increasing to £97,707. This balance will carry forward into 2018/19 and represents 15.5% of the Park's turnover. The remaining reserves balance will be held to mitigate financial risks which may arise over the course of 2018/19.

6 2018/19 Member Authority Requisitions

- 6.1 The Member Authority requisitions for 2018/19 and the date of drawdown for the requisitions are summarised in Appendix 1.

Member Requisition for Financial Year 2018-19

Clyde Muirshiel Park Authority

Requisition Payable by Member Authorities

		2017/2018	2018/2019 £
		Agreed	Proposed
RENFREWSHIRE	66.03%	420,700	380,700
INVERCLYDE	26.83%	171,000	154,700
NORTH AYRSHIRE	7.13%	101,100	41,100
		692,800	576,500

Requisition Payment 2018/19	
£ 1st April 2018	£ 1st July, 1st October & 31st December 18
95,100	95,200
38,600	38,700
10,200	10,300

Due Dates	
01-Apr-18	01-Jul-18 01-Oct-18 31-Dec-18

Clyde Muirshiel Park Authority

Revenue Estimates for 2018/19

	Approved 2017/18 £	Probable 2017/18	Recommended 2018/19 £
Expenditure			
Employee costs	736,600	761,600	704,000
Property Costs	50,200	48,200	39,900
Supplies & Services	143,200	174,800	143,200
Contractors	14,800	14,800	14,800
Transport	49,200	46,000	46,500
Administration Costs	84,400	70,500	72,600
Payments to Other Bodies	600	1,700	1,700
Unallocated Savings to Locate	0	0	(60,000)
Total Budgeted Expenditure	1,079,000	1,117,600	962,700
Income			
Shop Retail Income	175,800	168,400	175,800
Sales, fees & charges	187,400	187,400	187,400
Other Income	23,000	86,100	23,000
Total Generated Income	386,200	441,900	386,200
Requisition Payable by Member Councils	692,800	692,800	576,500
Total Budgeted Income	1,079,000	1,134,700	962,700
Budgeted (Surplus)/Deficit for Year	0	(17,100)	0
Reserves			
Reserves brought forward	80,607	80,607	97,707
Budgeted surplus/(deficit) for year	0	17,100	0
Reserves carried forward	80,607	97,707	97,707
		14.10%	16.95%

Further analysis of Requisitions

Requisitions per council			
Renfrewshire	420,700	420,700	380,700
Inverclyde	171,000	171,000	154,700
North Ayrshire	101,100	101,100	41,100
	692,800	692,800	576,500
Reduction in requisitions			16.8%
Requisition Movement in Year	2017/18	Reduction	2018/19
Renfrewshire	420,700	(40,000)	380,700
Inverclyde	171,000	(16,300)	154,700
North Ayrshire	101,100	(60,000)	41,100
	692,800	(116,300)	576,500