

PENRITH TOWN COUNCIL

COUNCIL 26 FEBRUARY 2018

REVENUE BUDGET 2018-2019: BUDGET PROPOSAL

AUTHOR: **V. Tunnadine Town Clerk**
D Rawsthorn Asset Transfer
Support Officer

SUPPORTING MEMBER: **Cllr. Scott Jackson- Mayor**
Cllr. Ron Kenyon- Chairman of
Finance Committee

ITEM NUMBER: 10

LINK TO COUNCIL FUNCTIONS

SUBJECT	POWER	LEGISLATION
Setting a revenue budget for 2018-19	A local Council may set an annual precept after considering its budget requirement	Section 41 LGFA 1992

LINKS TO COUNCIL PRIORITIES

The budget should be the financial manifestation of the Council's priorities. The budget was drawn up by each committee after considering what budget it needed to deliver the priorities set out for it in the Council Plan 2018-23. Appendix A shows the budget detail on a committee by committee basis.

1. INTRODUCTION

1.1 This report considers the Council's revenue budgets as follows;

- a revised budget for 2017/18, and
- a budget and precept for 2018/19

1.2 The report also sets out a five-year medium term financial plan with indicative budgets for the four years after 2018-19.

1.3 An initial draft of this report was reviewed by the budget Task and Finish group on 11 December 2017. The group is made up of the members of this committee and the mayor. The deliberations of that group have informed the draft budget considered by the Finance Committee on 22 January 2018. This report sets out the recommendations of the Finance Committee.

2. RECOMMENDATIONS

1 The revised budget for 2017-2018 (see section 4) is:

	£
Planning committee	25,000
CCEG committee	123,500
Finance committee	218,387
Contingency	0
CTRS grant	<u>-7,031</u>
Net Expenditure	359,856
Less: Precept	<u>-372,145</u>
Contribution to reserves	<u>12,289</u>

2 The budget for 2018-2019 (see section 5) is:

	£
Planning committee	30,000
CCEG committee	98,500
Finance committee	292,501
Contingency	4,796
CTRS grant	<u>-8,058</u>
Net Expenditure	417,739
Plus: Contribution to Reserves	<u>0</u>
Precept	<u>417,739</u>

3 The level of reserves as set out in section 6 is noted

4 The Medium Term Financial Projection 2018-23 set out at appendix B is noted

3. CONSTITUTIONAL REQUIREMENTS

- 3.1 Preparation of the budget and setting the precept is one of the most important tasks that a local council must undertake. Preparation of a budget is required as part of 'proper practices' and as such is a statutory requirement. In addition, it is not lawful to set a precept unless a budget has been prepared and approved.
- 3.2 The precept is the balancing figure after taking account of estimated net expenditure, other estimated income and any amounts proposed to be taken to, or from, reserves
- 3.3 The budget must be approved, and the precept set, at a Full Council meeting. As set out in section 41 of the 1992 Local Government Finance Act, the statutory deadline for setting the precept is 28 February 2018. In Penrith, this is an aggregation of the Council Tax charged by the County Council, the District Council, the Police and Crime Commissioner, and the Town Council.

4. REVISED BUDGET FOR 2017-2018

- 4.1 The revised budget, at Appendix A, shows an increase in net expenditure from £347,778 to £359,856. This increase of £12,078 can be explained as follows;

	£	Note
Staffing costs	-4,952	1.
Deletion of contingency	-5,183	2.
Office relocation: one off	31,861	3.
Specialist planning consultants	-5,000	4.
Britain in Bloom	10,000	5
Inward Investment	-6,800	6
Cultural Strategy	-5,000	7
Other small changes	<u>-2,848</u>	
Increase in budget	<u>12,078</u>	

Notes

1. This was lower than estimated because the provisional rate of 30% superannuation was reduced to a rate of 17.5% (plus lump sum of £3,000) following the triennial pension fund valuation.
2. The contingency was to cover anticipated pay and price inflation- this is now built in to the revised estimates.

3. It was agreed that the one-off costs of the office move would be funded out of reserves by charging directly to in-year revenue. This cost had originally been expected to fall in to 2016/17, whereas it took place in 2017/18.
4. This has been pushed back a year due to the timescale of the draft neighbourhood plan.
5. Funding to enable participation in Britain in Bloom: formal invitation awaited
6. Budget reduced to part fund new Britain in Bloom budget
7. Actual spend in 2017/18 is estimated as £5,000 compared to the original estimate of £10,000.

5 REVENUE BUDGET FOR 2018-2019

5.1 Level of Precept

The budget for 2018-2019 (Appendix A) shows an increase in the precept from £372,145 in 2017/18 to £417,739 in 2018/19. This increase of £45,594 is explained as follows

	£	Note
Devolved services	42,294	1
Staff growth	51,952	2
Remove contribution to reserves	-24,367	3
Britain in Bloom	15,000	4
Inward investment	-10,000	5
Events programme	-7,000	5
Cultural strategy	-10,000	6
Christmas lights	-10,000	7
Other	<u>-2,285</u>	
Increase in precept	<u>45,594</u>	

Notes

1. Council on 25th September agreed in principle to increase the town council's precept by the amount the abolition of Special Expenses reduced Eden Council Tax. To ensure this was only used for devolved services it was agreed that any excess of income over actual cost should be budgeted for as a contribution to a devolved services fund. The £42,294 increase shown here is made up almost entirely of that contribution.
2. This largely represents the cost of creating a post of operations manager and replacing the administrative assistant post with the post of community engagement officer.
3. As the precept rise is to be limited to the amount that Special Expenses is reduced by, a number of budget reductions were required. The build-up of the Council's reserves is ahead of target. Therefore, no contribution is budgeted for in 2018/19. The medium term financial plan shows contributions recommencing in 2019/20. By 31 March 2023 reserves should be at the final target level of 50% of net expenditure.

4. Funding to enable participation in Britain in Bloom: formal invitation awaited
5. Virement of budget to support funding for Britain in Bloom
6. The specific budget has been deleted as it is considered that this will be addressed through extant workstreams, principally the Neighbourhood Plan.
7. In previous years the council has contributed significantly to Christmas lights infrastructure. The BID, which has been agreed for a further five-year period, will continue taking responsibility for the lights. It will be able to apply for grant support to the council if it requires additional funding

5.2 **Increase in precept and abolition of Special Expenses**

At its meeting on 25 September 2017 the council considered a report entitled, 'Abolition of Special Expenses and Funding of Devolved services.' The council made a number of resolutions. Council resolved that;

- I. *The Council agree in principle to increase its 2018/19 precept by £45,594, in addition to any changes proposed through the normal budgeting process.*
- II. *Subject to recommendation (i) above being confirmed by the Council in its 2018/19 budget, the Council uses this additional precept income to contribute to the full on-going revenue costs of additional devolved services, known as 'tranche 2'.*
- III. *Where this Council agrees to take on any additional services devolved from Eden District Council, the four-year funding offer must start at the date of transfer not from 1 April 2018.*
- IV. *To the extent that this increase of £45,594 is greater, in any one year, than the net cost of all devolved services in the difference be put in to a 'devolution reserve' and used to support devolved services in the future.*
- V. *The Council agrees in principle not to take on any further services not funded by the additional precept income noted in (i), unless the on-going revenue cost is offset by an accompanying income source.*

Resolutions I, II, and IV impact directly on the 2018/19 budget and precept. In consequence;

- The finance committee's budget for devolved services is set in total as £45,594. This is made up of a net cost of running the services in 2018/19 of £3,655 and a contribution to the devolution reserve of £41,939. It should be noted that the net cost of running the services is so low in 2018/19 because EDC is paying grants of 75% (second year of sliding scale) for all Tranche 1 services and grants of 100% (first year of sliding scale) for all Tranche 2 services and Fairhill.
- The increase in the precept for 2018/19 has been limited to £45,594. As noted above this has required a number of budgets to be reduced from their 2017/18 levels to stay within this cap whilst also accommodating the level of proposed growth in staff costs

Section 5.4.2 considers the level of Council Tax being charged by the town council and Eden DC. As per the proposal agreed by Council in relation to Special Expenses, the intention is that the increase in the town council's 2017/18 precept (expressed as Band D Council Tax) is balanced by an equivalent reduction in Eden DC's Band D Council Tax charged to Penrith residents.

5.3 **Budgeting for transferred services**

The budgets for transferred services have been moved from the CCEG budget to the finance budget and are shown under the 'services' budget heading. It should be noted that the total budget for services will be used in part to fund a handyman/ caretaker function to deal with day-to day maintenance of transferred assets. It is estimated this will cost in the region of £8,000.

5.4 **Precept per Band D property**

5.4.1 **Town Council only**

Council Tax is normally expressed as an amount per Band D dwelling, which is an approximate average. Band D is one of the middle Council Tax bands.

If the proposed precept of £417,739 is agreed, then the Band D Council Tax for Penrith Town Council will be as follows:

	2017/18	2018/19
Precept	£372,145	£417,739
Taxbase as number of Band D dwellings	5,123	5,215
Cost per Band D dwelling		
Per year	£72.64	£80.10
Per week	£1.40	£1.54

The precept per Band D amount shows an increase of 10.3% from 2017/18 to 2018/19.

5.4.2 Town Council and Eden DC

The amount of Council Tax charged by Eden DC and the town council is shown below (the total Council Tax bill also includes the elements relating to Cumbria County Council and the Police and crime Commissioner: see 5.5 below).

	Band D Council Tax	
	2017/18	2018/19
	£	£
Penrith Town Council	72.64	80.10
Eden District Council (Penrith residents)	199.65	190.75 <i>Agreed</i>
Total PTC and EDC	272.298	270.85

The total amount has reduced slightly from 2017/18 to 2018/19: the reduction is because there has been an increase in the taxbase in Penrith. If the taxbase had remained the same for 2018/19 as for 2017/18 then the total would not have changed.

Whilst making comparisons with other local councils should be treated with some caution it can be useful background information. Comparative Precept levels are shown at appendix C.

5.5 Total Council Tax bill in Penrith

The total Band D Council Tax paid by the residents of Penrith is made up as follows. This shows both the current amount for 2017/18 and the proposed amount for 2018/19. The proposed amount is based on the draft proposals of each body for 2018/19 (Eden DC amount is agreed).

Band D Council Tax			
	17/18	18/19	Change
	£	£	%
Penrith TC	72.64	80.10	10.27%
Eden DC	199.48*	190.75	-4.38%
Cumbria CC	1,293.46	1345.07	3.99 %
Police	220.96	232.87	5.39%
Total	1,786.54	1,848.79	3.48%

*includes Special Expenses: not in 2018/19

5.6 Possible restriction on precept increases

The government continues to have the ability to 'cap' the level of Council Tax increase for local Councils. Following intense lobbying by the National Association of Local Councils the government has decided as part of the Local Government Finance Settlement (whilst this is the provisional settlement it is expected the final settlement will be the same) that it would, '*defer the setting of referendum principles for town and parish councils for three years.*'

6 LEVEL OF GENERAL RESERVES

6.1 Based on the draft budgets the Council's unearmarked general reserves are expected to be:

	£
Actual at 1 April 2017	113,246
Less: Contribution to reserves	<u>12,289</u>
Estimated Balance at 31 March 2018	125,535
Plus, Contribution to reserves	<u>0</u>
Estimated Balance at 31 March 2019	<u>125,535</u>

6.2 The Council's Reserves strategy (approved at this committee's meeting in July 2017) sets a target level of half of annual net expenditure. The budgeted net expenditure in 2022/23 of just over £420,000 indicates a target level of £210,000 for reserves. Current reserves are below this target level, however reserves have increased considerably over the last year (during 2016/17 reserves increased from £37,725 to £113,246). As noted in section 5.1 (note 3) a contributions 'holiday' is proposed in 2018/19. However, annual contributions to reserves of £23,872 are planned for each of the four years, from 2019/20 to 2022/23. By March 2023 this should bring reserves up to just over £221,000.

6.3 Whilst the current level of general reserves is below the target level it is considered that the Council has set out a sustainable plan in its medium term financial projection (see appendix B) to build reserves up to the target level.

7 MEDIUM TERM FINANCIAL PROJECTION 2018-23

7.1 The medium term financial projection for the five-year period 2018-23 is set out at appendix B.

7.2 The budgets shown for 2019-23 are indicative only. The Council is only approving and committing to the 2018-19 budgets. However, there is value in the Council looking at its financial position in the longer term. So, for example the projection demonstrates how the Council will build its reserves up to the target level.

7.3 The indicative precept, per Band D property is shown as increasing from £80.11 in 2018/19 to £85.05 in 2022/23. This is an average rise of about 1.5% per annum which is below the projected level of inflation (2.5%).

8 RISK MANAGEMENT IMPLICATIONS

8.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council.

8.2 Two risks have already been flagged up in the body of this report, which are;

- The possibility of the government introducing a cap on local Council increases in Band D precept for 2018/19: the government has confirmed that this will not be applied
- Council reserves are currently below target levels- this is being addressed by planning for annual contributions to reserves over the four years 2019/20 to 2022/23. The proposed contributions 'holiday' in 2018/19 is justified as reserves increased considerably more than planned during 2016/17.

One additional risk is that at some point Eden DC stops paying the Council Tax Reduction Scheme Grant to town and parish councils in Eden. A grant of £8,058 will be received in 2018/19. It is considered that attempts may be made to withdraw the grant in the medium term: this should be actively contested

Background Papers:

- Budget spreadsheets
- Reserves Strategy 2017-18
- Various e-mails with Eden DC, Cumbria constabulary and Cumbria County Council

Officer Contact:

Viv Tunnadine: *townclerk@penrithtowncouncil.co.uk*

David Rawsthorn: *assetofficer@penrithtowncouncil.co.u*

Appendix A

Budget Detail

Intentionally Blank

Budget 2018-2019

Summary

	2017-18 Original Budget £	2017-18 Revised Budget £	2018-19 Budget £	Note
Committees				
Planning	30,000	25,000	30,000	
Communities, Culture and Economic Growth	133,500	123,500	98,500	
Finance	186,126	218,387	292,501	
Committees' Net Requirement	349,626	366,887	421,001	
Contingency	5,183	0	4,796	1
Council Tax Reduction Grant	-7,031	-7,031	-8,058	2
Net Expenditure	347,778	359,856	417,739	
Less:				
Precept	-372,145	-372,145	-417,739	
Use of/Contribution to (-) reserves	-24,367	-12,289	0	

NB minus figures are income

Notes

1 The budgets are stated at cash prices. The contingency provides for estimated price inflation.

2 This grant is determined by the district Council. It part compensates the Council for reduced Council Tax income arising from the Council Tax Reduction Scheme.

Budget 2018-2019

Planning Committee

Summary

	Original Budget 2017-18	Revised Budget 2017-18	Budget 2018-19	Notes
Budget Heading	£	£	£	
Officer support	6,000	6,000	6,000	2
Planning consultants	7,000	7,000	7,000	3
Specialist Consultants	5,000		5,000	4
Consultation events	7,000	7,000	7,000	6
Printing and stationery	5,000	5,000	5,000	
Grants	0		0	5
Total net expenditure	<u>30,000</u>	<u>25,000</u>	<u>30,000</u>	1

Notes

- 1 This budget is provided so that the committee can deliver the Neighbourhood Plan for Penrith. It is intended that the plan will be agreed in 2019/20. The estimated cost in future years is £20,000 in 2019/20. This is a revision from the original budget plan as the full costs of the referendum are borne by the District Council
- 2 Staff resource will be required to undertake research and support the specialist consultants.
- 3 Planning consultants have been appointed following a competitive procurement exercise.
- 4 Specialist Consultants will be required as part of the consultation for the draft plan
- 5 It is hoped to apply for another grant for 2017/18 from the Department of Communities and Local Government under its Community Rights Programme grant. The amount awarded in a second grant would be lower than the original grant. There is no certainty of receiving a grant and it is therefore not shown in the budget.
- 6 The Consultation on the draft Neighbourhood Plan will be costly as it will need to be posted to all households within the parish area.

Budget 2018-2019

Communities, Culture and Economic Growth Committee

Summary

	Original Budget 2017- 18	Revised Budget 2017- 18	Budget 2018- 19	Notes
	£	£	£	
Budget Heading				
Sport and recreation	17,500	20,000	15,000	1
Arts and entertainment	39,000	34,000	22,000	2
Environment	15,000	18,200	24,000	3
Tourism and inward investment	30,000	23,800	10,000	4
Grants and sponsorship	32,000	27,500	27,500	5
Total net expenditure	133,500	123,500	98,500	

Notes

1 The revised 2017/18 budget and the 2018/19 budget both include funding of £15,000 towards the Castle Park development group. The revised 2017/18 budget includes a £5,000 contribution towards play equipment at Fairhill: this includes the budget of £2,500 from 2016/17 which was unspent.

2 The 2018/19 budget is made up of an events programme of £22,000 (total cost of £45,000 less Eden DC funding of £23,000).

3 The 2018/19 budget is made up of £8,000 for Penrith in Bloom, £15,000 for Britain in Bloom (assumes the council is invited to participate) and £1,000 to support various 'greening' initiatives. Funding to help support the transfer of services and assets from Eden DC is now shown (from revised 2017/18 estimate onwards) in the finance committee.

4 The 2017/18 budget is made up of £10,000 towards the cost of developing an inward investment strategy.

5 This budget covers a range of grants and sponsorship such as the Schools Festival, heritage institutions, remembrance events, shop fronts etc.

Budget 2018-2019

Finance Committee

Summary

	Original Budget 2017- 18	Revised Budget 2017-18	Budget 2018-19	Notes
	£	£	£	
Budget Heading				
Accommodation	6,810	30,897	10,410	1
Staff costs	136,416	131,464	188,367	2
Civic costs	6,250	3,300	3,300	
Cost of democracy	3,000	1,704	1,000	1
IT	8,000	14,728	14,280	3
Communications	3,000	4,200	4,500	
Services	0	-1,068	45,594	4
Data Protection	0	2,000	2,000	5
Other overheads	17,650	17,427	18,050	6
Repairs and renewals	5,000	12,660	5,000	1
Total net expenditure	<u>186,126</u>	<u>217,312</u>	<u>292,501</u>	

For notes see overleaf

Notes

1 The council moved in to new premises in August. As agreed by council the cost of the relocation was borne by reserves through the revenue charge to the accommodation and the repairs and renewals budgets.

2 The 2018/19 budget includes the following staff (as recommended by the staffing sub-committee and agreed by the finance committee);

- Town clerk- permanent: fulltime
- Deputy Town Clerk- permanent: 18 hours a week
- Economic development officer- permanent: 18 hours a week
- Asset transfer officer- temporary until June 2018: 15 hours a week
- Community Engagement Officer- new permanent post from 1 April 2018: 18 hours a week (replaces the administrative assistant post)
- Operations manager- new permanent post from 1 April 2018: 37 hours a week

3 The IT costs reflect the new configuration required to support the council in its new premises. The revised 2017/18 budget includes a one-off cost of £1,355 for the equipment for the new post of operations manager.

4 The budget for services has been moved from CCEG to this committee. In 2018/19 the budget includes all the tranche 1 and tranche 2 services and the Fairhill recreation grounds. In accordance with the council's commitment a contribution to a devolution reserve (£41,939) is included so that the total cost of the services budget equates to the rise in the precept (£45,594) which is the amount Special Expenses reduces by

5 New data protection legislation requires local councils for the first time to provide a data protection 'officer' function

6 The main overheads included in the 2018/19 budget are accountancy (£7,700), legal fees (£3,000), and insurance (£2,300).

Appendix B

Medium Term Financial Projection 2018-2023

Intentionally Blank

Medium Term Financial Projection

A- Summary Budget

	2018-19	2019-20	2020-21	21/22	22/23
	£	£	£	£	£
Planning committee	30,000	20,000	10,000	10,000	10,000
CCEG committee	98,500	88,500	88,500	88,500	88,500
Finance committee	292,501	298,288	292,288	295,589	306,064
Contingency	4,796	4,796	4,796	4,796	4,796
Price inflation	0	10,102	19,404	29,354	40,186
Council Tax Reduction grant	-8,058	-7,500	-7,500	-7,500	-7,500
Net expenditure to be funded	417,739	414,186	407,488	420,739	442,046
Less: Precept	-417,739	-438,057	-431,360	-444,611	-465,918
Contribution to reserves	0	-23,872	-23,872	-23,872	-23,872

The above are stated at estimated cash prices in the relevant years

The main reasons for variations are;

- Planning Committee- the neighbourhood plan is planned for completion in 2019-20. It will then be extant through the life of the Eden DC Local Plan to 2032. Therefore, reduced expenditure is indicated beyond 2019-20
- CCEG committee- 2018/19 is the last year for the contribution to the Castle Park Development group (£15,000)
- Finance Committee;
 - The two-year funding for the asset transfer support officer ends in June 2018.
 - Annual salary increments are budgeted for
 - There is a budget of £6,000 for elections in May 2019

B- General Reserves

	2018- 2019 £'000	2019- 2020 £'000	2020- 2021 £'000	2021- 2022 £'000	2022 2023 £000
Opening	125	125	149	173	197
Contribution in year	0	24	24	24	24
Closing	125	149	173	197	221

C- Band D Precept

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022 2023
Precept- £'000	418	414	431	445	466
Tax base- number of Band D properties	5,215	5,281	5,346	5,412	5,478
Annual Band D precept- £	80.10	82.96	80.68	82.15	85.05

Appendix C

Comparative Precept levels

Comparative Precept Levels

Whilst making comparisons with other local councils should be treated with some caution it can be useful background information. The table below sets out the **2017/18** precept per Band D property for the larger town Councils in Cumbria:

Town Council	Population	Band D precept £
Kendal	28,000	35.24
Workington	25,400	67.52
Whitehaven	23,800	51.38
Penrith	15,500	72.64
Maryport	12,000	73.19
Ulverston	11,600	47.89