

Penrith Town Council

Budget 2021-22 Report

ITEM 10 Consider and ratify the proposed budget, precept, reserves and investment policies for the financial year commencing 1st April 2021

RECOMMENDATIONS

Council is recommended to ratify the proposed budget, Reserves and Investments Policies and the Precept for the financial year commencing 1st April 2021:

- i. Approve the Forecast Outturn expenditure for 2020/21 of £422,574.
- ii. Approve the Proposed Budget 2021/22 with total expenditure of £515,214.
- iii. Approve Staff salary payments for 2021/22. PINK CONFIDENTIAL PAPER- (NOTE – this matter may remain in PART1 providing salary scale grades are not discussed in the public domain.)
- iv. Confirm the allocation of the amount of £53,800 available for financial growth in 2021/22 to the items set out in the report.
- v. Approve the addition to the establishment of a part time officer on scale SCP3 at 21 hours per week on a five-year fixed term from 1 April 2021, with the post being filled as soon as possible after that date.
- vi. Agree the budgeted transfers to and from financial reserves and the level of financial reserves.
- vii. Agree the annually reviewed Reserves Policy and Investment Strategy for 2021/22.
- viii. Have regard to the advice of the Responsible Finance Officer in relation to the robustness of estimates and the adequacy of reserves.
- ix. Approve the Medium-Term Financial Plan.
- x. Request Eden District Council to pay the sum of £450,069 to Penrith Town Council as its precept for the year 2021/22, representing a nil increase in Council Tax.

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1. LAW

Sections 41 and 50 of the Local Government Finance Act 1992 require the Council to calculate its annual budget requirement and its resulting precept by 28 February. The precept is issued to the billing authority, Eden District Council, to collect the income on behalf of the Town Council.

2. LINKS TO COUNCIL PRIORITIES

The annual budget should reflect and support the Council's priorities for the financial year ahead.

3. REPORT DETAILS

3.1 Introduction

Draft estimates for 2021/22 were considered by the Budget Working Group on 7 December 2020. The Working Group proposed a nil increase in Council Tax for next year, in view of the current circumstances and the relatively low rate of inflation (September's CPI was 0.5%), suggesting that a rise next year would be inappropriate. It also acknowledged that reserves would be at a comparatively high level due to underspendings in 2019/20 and 2020/21, giving scope for a release of resources to the annual budget over a period of years to fund new initiatives, notably the implementation of the Climate Change Strategy. It was further recognised that the Strategy would involve a substantial medium term financial investment which would require a sustainable plan to identify the necessary resources.

Proposed estimates were presented to Finance Committee on 11 January 2021; several amendments were made to these figures to reflect the latest estimate of the Council Taxbase notified by Eden District Council. The resulting proposals have been forwarded to this meeting for approval.

This report presents the Proposed Budget for 2021/22 (**Appendix A**) which includes an allowance of £53,800 for growth items (**Appendices C & D**), which can be financed by a nil increase in Council Tax.

The 2021/22 precept requirement of £450,069 is based on a provisional Council Taxbase obtained from Eden DC. There is a small possibility that the actual figure may differ when it is formally notified by the District Council; if this happens, the precept will alter and the budget will have to absorb the resulting changes.

A Medium-Term Financial Plan (MTFP) has been produced alongside the Proposed Budget to demonstrate that budgets can be affordable in the longer term. The Plan summarised at **Appendix B** is based on the following parameters, several of which differ from those in the existing medium-term forecast:

- A nil increase in Council Tax for 2021/22, with 2.0% rises thereafter.
- A reduction in the target percentage for the General Reserve from 50% to 35% as the Council is now a mature organisation with a better appreciation of its financial risks.
- Reductions in the assumed inflation rates for future years.
- Achievement of the Council's target level for its General Reserve by 31 March 2025, a year later than previously assumed. It is considered that the existence of the Devolution and Acquisitions Reserves provide a sufficient "buffer" for the delay in reaching the target not to be detrimental to the Council's finances.

Adoption of these parameters indicates that the Council will be able to set sustainable budgets for subsequent years, which will incorporate further financial growth in services and meet its target reserve level, with modest annual tax increases.

3.2 Proposed Budget 2021/22

Appendix A

The statement at **Appendix A** shows the following detailed information for the Council's Committees and services:

- a) The Actual Outturn income and expenditure for 2019/20, for comparison purposes.
- b) The Approved Budget for 2020/21, as agreed by Council on 27 January 2020.
- c) The Forecast Outturn for the current year, which includes the effect of decisions made by Council to date, proposals for redirection of estimates and budget reductions. Members will appreciate that 2020/21 has been a difficult year with the budget having to respond to the Covid-19 pandemic while, at the same time, spending on many regular services has been curtailed. The forecast takes account of the revised budget adopted in September 2020 but is not bound by its amendments: the forecast is some £19,000 lower than the revised budget, principal reductions being in Planning £2,000, Covid-19 Response £5,000, Corporate Communications £5,000, and Finance Committee £7,000.

Total outturn expenditure for 2020/21 of £422,574 is forecast to decrease by £68,880 from the Approved Budget, mainly due to the inability to deliver services due to the Covid-19 pandemic. The major differences can be summarised as follows:

| | £ | £ |
|--|----------|----------------|
| Expenditure per Approved Budget 2020/21 | | 491,454 |
| Net reduction in Planning Committee expenditure | (7,000) | |
| Underspending on Town Projects growth item | (15,000) | |
| Creation of Covid-19 Response budget | 20,000 | |
| Reduced take up of Events Grants | (20,000) | |
| Return of 2019/20 Greening grant from Penrith BID | (6,300) | |
| Underspending of Community Grants budget | (22,000) | |
| Reduced expenditure on Community Engagement | (14,330) | |
| Creation of interim Climate Change budget | 6,500 | |
| April 2020 staff pay award lower than budgeted | (2,520) | |
| Reduced Member and Officer Training and Conference costs | (4,670) | |
| Additional net IT costs, including replacement printer/photocopier | 2,000 | |
| Amendments to Website for cookie consents | 1,450 | |
| Net decrease in Other Overheads | (1,320) | |
| Reduction of Contingency budget to part-year provision. | (3,500) | |
| Other minor variations (net) | (2,190) | |
| | | (68,880) |
| Forecast Outturn Expenditure 2020/21 | | 422,574 |

d) The Proposed Budget for 2021/22, which allows for a continuation (standstill) budget that identifies and provides for the current committed level of service to be maintained. This involves the current year's budget being adjusted to remove any one-off items and to include the estimated costs of contractually committed changes to expenditure or income; inflationary increases have only been allowed where necessary. Growth items (service development proposals) are identified separately from the continuation service budgets. The proposed budget provides an allowance of £53,800 to fund growth items; the items proposed to utilise this funding are described in **section 3.6**. The proposed precept for 2021/22 is £450,069; the decrease of £4,164 from the 2020/21 figure can be explained as follows:

| | £ | £ |
|---|----------|----------------|
| 2020/21 Precept | | 454,233 |
| Net reductions in Planning Committee (£5,000) and CCEG (£3,000) expenditure | (8,000) | |
| Removal of one-off addition to Town Projects budget | (15,000) | |
| Ongoing budget for Covid-19 Response | 5,000 | |
| Removal of one-off budget for preparation of Arts & Cultural Strategy | (7,500) | |
| Re-assessment of Corporate Communications budget | (1,830) | |
| Staffing: | | |
| • Over-provision for April 2020 pay award (£2,660) | | |
| • Anticipated 1.0% pay award April 2021 £2,380 | 3,400 | |
| • Incremental advances £5,180 | | |
| • Re-assessment of Conference costs (£1,500) | | |
| Reduced Members' Training costs | (1,020) | |
| Reduction in Contingency provision | (3,500) | |
| 2021/22 Allowance for Growth Items | 53,800 | |
| Increase in contribution from General Reserve | (27,883) | |
| Other minor variations (net) | (1,631) | |
| | | (4,164) |
| Proposed Precept 2021/22 (provisional)* | | 450,069 |

*The precept for 2021/22 is dependent on the Council Taxbase, which has not yet been confirmed by Eden DC.

- e) The position on the Council's three reserves over the two financial years.
- f) The resulting Council Tax based on the budgets for the two financial years, representing a nil increase in the Council Tax for 2021/22.

3.3 Medium Term Financial Plan (MTFP)

Appendix B

For planning purposes, **Appendix B** shows a summary of projected income and expenditure for the years 2021/22 to 2025/26, based on the figures in the 2021/22 Proposed Budget. These have been adjusted for planned variations, with pay and price inflation being allowed for as global figures. The Plan includes the ongoing effect of 2021/22 growth items and an allowance for further developments in subsequent years; aspirations beyond this allowance would have to be funded by larger Council Tax increases or by the reduction or redirection of budgets.

3.4 Detailed Budgets

The following commentary provides details of the individual estimates within the Proposed Budget and the Medium-Term Financial Plan.

a) Income

The precept income for 2021/22 is based on a 0.0% increase in Council Tax and the provisional Council Taxbase of 5,416.64 obtained from Eden DC; the actual taxbase is not expected to change from this figure. The MTFP projects tax income which will allow sustainable budgets, based on 2.0% increases in subsequent years; this will be sufficient to provide for the General Reserve to maintain its target. The investment income budget has been increased from its previous value, however there is some uncertainty about the forecast level being achieved.

b) Planning Committee

The 2020/21 Forecast Outturn reflects Officers' estimate of the reduced spend of £8,000 this year, while the Proposed Budget and longer-term commitment is expected to be £10,000 pa. The budget is recorded in a single line, Planning Consultancy, although expenditure may be analysed in more detail.

c) CCEG Committee

Reductions of £1,000 have been made in each of the 2021/22 budgets for Events, Greening and Community Grants.

Town Projects

The Approved Budget for 2020/21 included a one-off amount of £15,000 for Town Projects; it has not been possible to progress this expenditure, so the Forecast Outturn and subsequent years' estimates maintain the basic budget of £15,000.

Covid-19 Response

Council has approved a 2020/21 budget of £20,000 for its response to the pandemic; this amount is repeated in the Forecast Outturn with a £5,000 provision for next year.

Arts & Entertainment

The Forecast Outturn includes an additional £2,500 to increase the funds to complete the Arts and Cultural Strategy; this is offset by a reduction in Officer Support.

The pandemic has severely limited the Events which could be held; as a result, the Forecast for this year is a reduction of £20,000.

Environment: Greening

Despite the pandemic, Officers believe that the full £15,500 budget can be spent this year; the Forecast shows a reduction of £6,300 due to a grant returned from Penrith BID.

Community Grants

Applications and approvals have been scaled back because of the pandemic; the Forecast assumes expenditure of £10,000 after receipt of a £1,429 grant from Penrith BID.

Corporate Communications

2020/21 expenditure has been significantly affected by the pandemic, with only £2,500 of this year's £16,830 budget expected to be spent by year-end. A net reduction of £1,830 is planned for 2021/22 onwards.

d) Climate Change

Pending the establishment of governance arrangements for Climate Change initiatives, a separate budget heading records the Forecast Outturn of £6,500 which repeats the revised budget for 2020/21. The 2021/22 Budget and Medium-Term Plan currently contain a nil estimate as aspirations are the subject of a growth bid; once agreed, the budget heading will be amended to record the approved budget.

e) Finance Committee

Staffing

The 2021/22 Forecast Outturn for Staff costs follows the budget other than the April 2020 pay award being lower than expected, saving £2,520. All staff appraisals this year have been satisfactory and so Officers will be due incremental progression on 1 April 2021, where appropriate. The accompanying Part 2 confidential report shows the recommended salary points for each member of staff. The Proposed Budget includes increments, £5,180, and an allowance of 1.0% for the April 2021 pay award.

This percentage acknowledges the recent spending review decision to freeze most public sector pay; although local government salaries are not directly set by central government, it has an influence on pay settlements. Future years' pay awards are provided as a global sum alongside price inflation.

The pandemic has prevented face to face training so that events have either been cancelled or provided virtually at a lower cost. Training, conferences, and staff expenses have been reduced in both years to reflect this.

Accommodation

The office accommodation rental has been fixed at its existing level, removing the need for an anticipated £750 increase in 2020/21 onwards.

Cost of Democracy

Training and expenses show a reduction as events have been cancelled or provided virtually at a lower cost. The MTFP includes £6,000 in 2023/24 for the next election.

IT

The Forecast Outturn shows an increase of £2,000; although underlying expenditure has reduced, allowance has been made for the purchase of a new printer/photocopier and improved remote connectivity.

Website

An increase of £1,450 in the Forecast Outturn relates to the need to add cookie consent statements to web pages.

Devolved Services

The Forecast Outturn for 2020/21 and the Proposed Budget 2021/22 provide for the latest estimated costs and grant income for assets already transferred from Eden DC, while the Medium-Term Plan also includes those which could reasonably be transferred in the period. Coronation Gardens will not now transfer, while the earliest that Play Areas and Toilets could come across is 2022/23. Service expenditure forecasts have been reviewed in the light of operating experience and are continued into future years, with grant tapering out on a phased basis.

- Allotments
The budget includes the cost of asset maintenance, boundary repairs and hedge cutting.
- War Memorial
The area is now turfed, reducing maintenance expenditure by around £600 from 2021/22 onwards.

- **Benches & Bus Shelters**
A one-off provision of £5,000 was made in the 2020/21 Budget for a shelter at Sandgate taxi rank; it has not been possible to proceed with this scheme, which has been re-programmed for 2021/22, replacing an agreed £3,500 for a second shelter.
- **Bandstand**
The 2021/22 Proposed Budget increases expenditure by £600 for street cleaning costs, while grant from EDC reduces by £800.
- **Fairhill Park**
For 2021/22, grant income reduces by £3,310, while it is expected that the costs of a renewed grass cutting contract can be met from the existing budget.
- **Toilets & Play Areas**
The 2020/21 Budgets for Toilets and Play Areas included £1,200 for step counters and software and £1,500 towards Eden DC's inspections respectively, in advance of the potential transfer of these assets. The former was obtained early, in 2019/20, while the latter is shown as slipping to 2021/22.
- **Fairhill UU Planting Maintenance**
Although the net budget is shown as £nil, the Council has received £4,000 income from United Utilities, which it is assumed will be used in instalments to meet the estimated £650 annual expenditure.
- **Fairhill Site Improvements**
The 2020/21 Budget included grant income of £62,190 to part fund the scheme costs of £71,690. This has been completed successfully within budget.
- **Thacka Beck**
The transfer of this asset has recently been completed, with legal fees charged to that budget. The Forecast Outturn provides for £1,250 survey and signage costs, with income of £4,420 easement and £200 legal fees from Northern Gas Networks. The Proposed Budget introduces a "starter" estimate of £3,000 for grounds maintenance, gates, and fences.
- **Signage**
The Forecast Outturn includes £1,000 for a new notice board.
- **Contribution to Devolution Reserve**
The 2018/19 Approved Budget set a target of £45,594 for Devolved Services, being the reduction in Special Expenses charged by Eden DC. This target was increased to £46,344 because of the Signage budget being added to the Devolved Services heading. In each of the years to 2024/25, it is forecast that the total cost of services will be lower than £46,344 and that the difference is contributed

to the Devolution Reserve. From 2025/26, the reducing grants from Eden DC mean that the total costs will exceed the £46,344 target and so no contribution will be made to the Reserve.

Other Overheads

Printing, Postage and Stationery budgets are reduced to reflect current operation. The Insurance budget rose in 2020/21 due to new assets being covered; the contract is due for renewal in 2021 when savings should be possible. Accountancy and Legal Fees budgets both show reductions although expenditure is subject to demand. There is a net increase in the Licences and Subscriptions budgets to reflect current trends.

Repairs & Renewals

For three years from 2019/20, the normal £3,000 budget has been enhanced by £5,000 pa for a programme of bench replacements.

f. Inflation

Anticipated pay and price inflation has been included in the detailed budgets for 2021/22. The Medium-Term Plan allows for simple inflation as a global figure from 2022/23 onwards: pay awards on staff costs at 2.0% pa and other expenditure at an average 0.5% pa. The latter projection is lower than previously adopted and reflects the reality that inflationary increases will not be necessary on all budget headings, particularly if the recent trend for substantial underspendings continues.

g. Contingency

The contingency provision is reduced to £1,000 for the remainder of 2020/21 and subsequent years.

h. Allowance for Growth Items

The forecast level of reserves on 31 March 2021 and the parameters adopted for the preparation of the Proposed Budget and the Medium-Term Financial Plan have freed up £53,800 of resources in 2021/22 to fund new service development proposals; further discussion on this is contained in Section 3.6 below.

3.5 Reserves

General Reserve

The Council has worked to a target of increasing the Reserve to a balance equivalent to 50% of its forecast net expenditure for 2023/24. This target has been reset in two ways: the Proposed Budget and Medium-Term Plan now assume that the target is reduced to 35% and achieved by 31 March 2025. This change can be justified in that the Council is now a mature organisation and more aware of its risks. A fuller rationale for the changes is given in the draft Reserves Policy.

The 35% target for 31 March 2025 of £176,900 can be met, as shown in Appendix B; the 2025/26 projection assumes that the target is revised to 35% of that year's expenditure, i.e., £182,700.

Devolution Reserve

As noted above, the Reserve is being built up from contributions from the Devolved Services budget heading until the total annual cost of those services reaches £46,344, which is projected to be in 2025/26. Appendix B shows that the final contribution will be in 2024/25, when the Reserve will have a balance of £187,194. Given the uncertainties and risks involved in taking over responsibility for devolved assets, at this stage no decision should be made on the use of the reserve, which could be to meet unexpected expenditure, improve assets or mitigate rises in Council Tax.

Acquisitions Reserve

The reserve was established in 2018/19 with a contribution of £50,000. No use of this money has been budgeted or predicted, however it will be available when required for expenditure associated with acquisitions.

3.6 Service Development Proposals (Growth Items) Appendices C & D

During the budget process, Committees, individual Councillors and Officers were asked to propose growth bids, which would improve services, for inclusion in the 2021/22 Budget. The most significant proposal is for a major initiative to tackle Climate Change, which involves a five-year commitment. The Medium-Term Plan projections have been formulated to ensure that this initiative can be sustained with modest increases in Council Tax over the life of the Plan.

The Proposed Budget provides for £53,800 of financial growth in 2021/22, including £35,300 for the Climate Change Strategy; full details of the individual items are shown at **Appendix C (i)**.

The Climate Change proposal includes the proposed employment of a part-time officer on a fixed term contract. The business case to support the establishment of this post is provided at **Appendix D**.

The table in **Appendix C (ii)** projects the costs of the 2021/22 growth proposals forward (using illustrative figures where necessary) and makes a further modest allowance for new growth introduced in each budget year. This projected expenditure, which totals £236,900 over five years, has been made possible by a combination of the high level of reserves on 31 March 2021, due to previous underspendings, and the adoption of changed parameters for the Medium-Term Financial Plan. It should be noted that these parameters are not set in stone and could be varied in future by the Council, provided that its forward plans remain affordable.

If agreed by Council, the 2021/22 proposals will be incorporated into the approved budget.

3.7 Council Tax

The tax calculations in the proposed budget are based on a provisional Council Taxbase of 5,416.64 for 2021/22 obtained from Eden DC. This represents a decrease of around 1% from the 2020/21 figure, understood to be due to more households being entitled to reductions (“rebates”) in their Council Tax bills as a result of the pandemic.

The current year’s Band D Council Tax is £83.09 per property, which would remain unchanged under the budget proposals, although the lower taxbase will reduce the overall income and the Council’s precept.

The Medium-Term Plan indicates that tax increases of 2.0% pa in subsequent years, similar to forecast inflation, would produce sustainable budgets which would allow significant financial growth (or a reduction in the tax if the growth were to be foregone).

3.8 Robustness of Estimates and Adequacy of Reserves

Legislation requires major precepting and billing authorities to “have regard” to the advice of their chief finance officer relating to the robustness of estimates and the adequacy of financial reserves when setting its budget requirement. Although this duty is not extended to local councils, it represents good practice which should be followed and it has been incorporated in the draft Reserves Policy.

The RFO’s advice is that the Council’s estimates contained in the Proposed 2021/22 Budget are sufficiently robust to enable the Council to set its precept for the year. In particular:

- The estimates provide for existing committed levels of service, based on known expenditure and trends, and for agreed growth items;
- A prudent allowance has been made for inflationary pay scale increases and incremental advances effective from 1 April 2021;
- Appropriate allowance has been made for potential future non-pay inflation;
- A small contingency provision has been made for unforeseen expenditure;

- Operational risks are identified, assessed and managed, with appropriate insurance cover obtained where required;
- A prudent approach has been taken to the generation of income; and
- In financial terms, the Council has matured since its creation and has a good record of sound budget and financial management.

Councillors' attention is drawn to the following risk factors:

- Although the proposed salaries budget allows for the forecast effects of the 2021 pay award, additional demands made on staff which cannot be accommodated within their contractual working week are from existing budgets as officer support.
- The risk of transferring assets from Eden DC is mitigated by the availability of devolution grants and the availability of budgeted monies earmarked for the Devolution Reserve.
- In the event of any of these assumptions proving to be inadequate, there is a general contingency budget of £1,000, which would be used before resorting to the re-direction of unspent estimates or a withdrawal of funds from reserves.

Finally, the RFO advises that the Council's budgeted reserves, being consistent with the Reserves Policy, are adequate for the 2021/22 financial year and as the basis for subsequent years, when the Council's target level of reserves can be met by modest increases in Council Tax. The overall picture is therefore one of a sound financial position.

4. FINANCE IMPLICATIONS

This report is concerned solely with financial management.

5. RISK MANAGEMENT

| RISK | CONSEQUENCE | CONTROLS REQUIRED |
|---|--|--|
| The Council sets an invalid or inadequate budget. | An inability to raise a valid precept or insufficient resources to deliver the Council's objectives. Overspendings leading to unwelcome curtailment of other spending programmes; possible unpalatable council tax increase; potential reputational damage. | A sound budget process will address these risks. |

APPENDICES ATTACHED TO THIS REPORT

2021/22 Proposed Budget:

- Budget Summary
- Medium Term Financial Plan
- Service Development Proposals
- Business Case for New Officer Post
- Reserves and Investments Policies
- Staff pay – PINK CONFIDENTIAL SEPARATE PAPER

BACKGROUND PAPERS

- 2021/22 Budget working papers