

FULL COUNCIL

24 January 2022

Matter: Proposed Budget 2022-23

Purpose of Report:

To consider and ratify the Proposed Budget and Council Tax Precept for 2022/23, Service Development Proposals and the Proposed Medium Term Financial Plan.

Item no: 12d

Author: Jack Jones, RFO

Supporting Member: Cllr Roger Burgin, Finance Committee Chair

Recommendations

Council is recommended to:

- a) Approve the Forecast Outturn expenditure for 2021/22 of £439,504.
- b) Approve the Proposed Budget 2022/23 with total expenditure of £529,484.
- c) Approve the salaries payable to Council staff in 2022/23, as detailed in the supporting confidential report. PINK CONFIDENTIAL PAPER
(NOTE – this matter may remain in PART1 providing salary scale grades are not discussed in the public domain.)
- d) Confirm the allocation of the amount of £25,000 available for financial growth in 2022/23 to the two service development proposals set out in the report.
- e) Agree the budgeted transfers to and from financial reserves and the proposed level of those reserves.
- f) Approve the parameters and forecasts in the Proposed Medium Term Financial Plan.
- g) Have regard to the advice of the Responsible Finance Officer in relation to the robustness of estimates and the adequacy of reserves.
- h) Request Eden District Council to pay the sum of £455,209 to Penrith Town Council as its precept for the year 2022/23, representing a nil increase in Council Tax.

Law and legal implications

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.

Link to Council Priorities

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

1. Report Details

A. Introduction

Draft estimates for 2022/23 were considered by the Budget Working Group on 6 December 2021. The Working Group proposed a nil increase in Council Tax for next year in view of the strength of the Council's reserves and the current circumstances, suggesting that a rise next year would be inappropriate. The comparatively high level of reserves was due to underspendings in 2020/21 and 2021/22, which would give scope for a release of resources to the annual budget over a period of years to fund new initiatives.

Proposed estimates were presented to Finance Committee on 10 January 2022, which determined to forward them to this meeting for approval. Since then, Eden District Council has confirmed the Council Taxbase, enabling firm proposals to be considered by Full Council.

This report presents the Proposed Budget for 2022/23 (**Appendix A**), including an allowance of £25,000 for growth items (**Appendix C**), which can be financed by a nil increase in Council Tax.

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:

- A nil increase in Council Tax for 2022/23, with 2.0% rises thereafter.
- Small annual increases in the Council Taxbase
- Pay inflation of 2.5% for 2022/23 and 2.0% pa thereafter
- Average price inflation of 0.5% pa (which would imply a real terms reduction in several budgets, justified by the propensity for underspending)
- Achievement of a General Reserve equivalent to 35% of net expenditure by 31 March 2025, to be maintained thereafter
- Allowance for service development proposals totalling £100,000 over the life of the Plan, including the £25,000 proposed for 2022/23
- Contributions to the Devolution Reserve until expenditure on existing devolved assets reaches the agreed target figure of £46,344.

Based on these parameters, 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.

B. Proposed Budget 2022/23

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 2020/21, for comparison purposes.
- b) The Approved Budget for 2021/22, as agreed by Council on 25 January 2021.

- c) The Forecast Outturn for the current year, with the projected full year's expenditure based on trends identified from budget monitoring statements and including the effect of decisions made by Council to date and proposals for the redirection of estimates, notably the requested creation of the new Grants scheme and an Arts and Culture Development budget.

Total outturn expenditure for 2021/22 of £439,504 is forecast to decrease by £75,710 from the Approved Budget of £515,214. The major differences can be summarised in the following table:

	£	£
Expenditure per Approved Budget 2021/22		515,214
Climate Change Initiative delayed one year	(13,300)	
Town Projects budget transferred to Arts & Culture Development	(13,200)	
Reduced expenditure on Covid-19 Response	(2,500)	
Increased Officer Support to CCEG services	2,500	
Arts & Cultural Strategy budget transferred to Arts & Culture Development	(6,300)	
New Arts & Culture Development budget	22,500	
Events budget transferred in full to new Grants scheme	(29,000)	
Net reduction in Greening expenditure following transfer to Grants	(6,500)	
Community Grants budget transferred in full to new Grants scheme	(31,000)	
Forecast expenditure on new Grants scheme	31,000	
Reduced activity on Community Engagement	(4,500)	
Staffing:		
• Provision for April 2021 pay award transferred to Contingency (£2,440)		
• Community Engagement Officer vacancy (£16,550)	(23,110)	
• Sickness absence (£8,140)		
• Acting up and sick cover arrangements £5,670		
• Reduced Training, Conference and Expenses costs (£1,650)		
Reduced IT and Website expenditure	(3,050)	
Devolved Assets:		
• Brackenber Allotments drainage work £10,000		
• Bus shelter slipped to 2022/23 (£5,000)		
• Play Areas expenditure not undertaken (£1,500)	9,200	
• Additional expenditure on Thacka Beck £5,700		
• Reduction in contribution to Devolution Reserve	(9,200)	
Lower Repairs & Renewals costs	(2,500)	
Contingency provision: estimated costs of April 2021 pay award £3,930 less general reduction (£500)	3,430	
Other minor variations (net)	(180)	
		(75,710)
Forecast Outturn Expenditure 2021/22		439,504

d) The Proposed Budget for 2022/23, 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. The proposed budget is modelled to provide an allowance of £25,000 to fund service development proposals (growth items) in 2022/23, as detailed below.

Based on these estimates, the proposed precept for 2022/23 will be £455,209; the increase of £5,140 from the 2021/22 figure of £450,069 is due to a higher Council Taxbase and can be explained as follows:

	£	£
2021/22 Precept		450,069
Removal of Covid-19 Response budget	(5,000)	
Creation of new Grants budgets and support:		
• Officer Support £2,500		
• Events (£29,000)		
• Greening (£9,500)	0	
• Community Grants (£31,000)		
• Grants budget £67,000		
Removal of one-off Arts & Cultural Strategy budget	(7,500)	
Cessation of Community Engagement software	(5,000)	
Staffing:		
• Provision for April 2021 pay award (£2,440), offset by increase in NI rate £2,460		
• Replacement Community Engagement Officer £2,260	8,580	
• FYE of Sustainability Officer post £7,780		
• Lower Training, Conference and Expenses (£1,480)		
Increase in Room Hire/Meetings budget	1,500	
Reduction in IT budget	(1,000)	
Devolved Assets:		
• Cessation of grants from Eden DC £4,860 and Bring Site income £1,400		
• Removal of Play Areas (£1,500) and LGR Project (£3,000) budgets	460	
• Review of operating costs (net) (£1,300)		
• Reduction in contribution to Devolution Reserve	(460)	
Removal of one-off Project budget	(8,000)	
Cessation of benches programme	(5,000)	
Contingency provision: estimated costs of April 2021 pay award £4,480 and 2022 pay award £6,520	11,000	
Allowance for Growth Items	25,000	
Increase in contribution from General Reserve	(9,860)	
Other minor variations (net)	420	
	<hr/>	5,140
Proposed Precept 2022/23		455,209

- 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 2022/23.

C. Proposed Medium Term Financial Plan (MTFP)

Appendix B

For planning purposes, **Appendix B** shows a summary of projected income and expenditure for the years 2022/23 to 2026/27, based on the figures in the 2022/23 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 2022/23 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 existing budgets.

D. Service Development Proposals (Growth Items)

Appendix C

During the budget process, Committees, individual Councillors and Officers were asked to propose growth bids, which would improve services, for inclusion in the 2022/23 Budget. Two growth items were proposed:

- Creation of a £10,000 Participatory Budget, to be supplemented by in-year underspendings in the CCEG Committee budget for 2022/23; and
- Resources, legal and professional advice, consultation and marketing, totalling £15,000 in support of the Local Government Review (LGR) project.

The Medium Term Plan assumes that the Participatory Budget will continue at £10,000 pa and that there will be residual costs of £5,000 in 2023/24 relating to the LGR project.

Appendix C shows that the MTFP parameters would allow for these two proposals plus a further £30,000 of new financial growth over the next five years; the total growth of £100,000 is largely dependent on the phased use of reserves.

E. 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 2022/23 is based on a 0.0% increase in Council Tax. The parameters in the Medium Term Plan project tax income which will allow sustainable budgets and maintain the General Reserve above its target level. The investment income budget has been reduced to a modest amount until there is a return to higher interest rates.

b) Planning Committee

Planning Services are expected to continue at their current level of £10,000 pa; however the inability to progress expenditure on Climate Change initiatives has delayed the full programme by one year, so as to start in 2022/23.

c) CCEG Committee

The Forecast Outturn reflects the approved transfer of budgets to accommodate the new Grants scheme and its continuation into subsequent years. A further requested transfer to create an Arts & Culture Development budget for 2021/22 only is subject to approval by Council but is assumed in the Forecast Outturn.

CCEG Committee was also to be asked to consider changes to its 2022/23 budget at its meeting on 13 December; that meeting was cancelled, however the amendments have been included in the Proposed Budget so that its planned initiatives can proceed.

Based on previous years' outturns and budget monitoring in the current year, a significant underspending of £37,000 is forecast for the Committee's overall 2021/22 expenditure; it is important to note that this does not reduce the CCEG budget; in particular, the Committee will not be constrained by the forecast if it is able to encourage the take up of Grants.

Town Projects

Most of the Town Projects budget, £13,200, has been transferred to the new Arts & Culture Development budget for 2021/22 only. CCEG Committee is being requested to consider transferring a further £5,000 in 2022/23 to a new Marketing Penrith budget.

Covid-19 Response

Expenditure on Covid-19 Response has (up to now) been lower than budgeted, so the forecast shows a £2,500 underspend. The full budget of £5,000 is removed in 2022/23, although £1,000 has been transferred to the Finance Committee Room Hire/Meetings budget to allow for extra costs and/or Zoom meetings recommencing.

Arts & Entertainment

Officer Support is increased by £2,500 for the Forecast Outturn and subsequent years, connected to the operation of the new Grants scheme. The Arts & Cultural Budget of £7,500 was for a single year only; the Forecast Outturn transfers £6,300 of this sum to part fund the Arts & Culture Development budget of £22,500. For 2022/23, CCEG Committee is being asked to transfer £10,000 from Large Grants to the Development budget.

The Events budget has been transferred to the new Grants scheme budget.

Environment

The Greening budget was reduced by £9,500 on a continuing basis towards the new Grants scheme. The current year's £3,000 overspend of the resulting £5,000 budget is shown in the Forecast Outturn.

Community Grants

The £30,000 budget has been transferred to the new Grants scheme on a permanent basis.

Grants

The new Grants scheme budgets agreed by Council in April 2021 total £67,000 on an ongoing basis. In the current year, £3,000 has been transferred to Greening to meet its overspend and £3,000 to the Arts & Culture Development budget. The Forecast Outturn reflects these changes and a further £30,000 in potential underspending. For 2022/23, CCEG is to consider a transfer of £10,000 from Large Grants to the Arts & Culture Development budget.

Corporate Communications

The Community Engagement Officer vacancy has resulted in fewer initiatives, reducing 2021/22 expenditure by £4,500. The 2022/23 Budget assumes the discontinuation of the licence for Dialogue software as its functions can be provided by other means.

d) Finance Committee

Staffing

The 2021/22 Forecast Outturn and 2022/23 Proposed Budget estimate the costs of the existing approved staff establishment. After adjusting for pay awards, the 2021/22 Forecast is £23,110 lower than the approved budget for the year. The main reasons for this are the vacant Community Engagement Officer post and two sickness absences, offset by cover arrangements.

The 2022/23 Proposed Budget assumes a full establishment and the forthcoming 1.25% increase in National Insurance contributions. Based on staff appraisals this year, each Officer will be due incremental progression on 1 April 2022, where appropriate. The supporting Part 2 confidential report shows the recommended salary points for each member of staff.

The staff pay award for 2021/22 has not yet been agreed so salary costs are effectively at March 2021 rates; allowance has been made in the Contingency budget for pay awards effective from April 2021 and April 2022. Future years' forecast 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 all show reductions to reflect this.

Accommodation

Expenditure for Room Hire has been increased to cover the cost of hiring premises because of the Covid pandemic; a further increase of £1,000 in 2022/23 provides for the possible continuation of Zoom for meetings.

Civic Functions

The Forecast Outturn includes £700 for the purchase of a Council press and seal.

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 a decrease of £2,000 due to a planned replacement computer which has not proved necessary and a further small reduction in demand.

Website

Budgetary control statements suggest that the Forecast Outturn will be £1,050 below budget.

Devolved Services

The Forecast Outturn for 2021/22 and the Proposed Budget 2022/23 include the latest estimated costs and income for assets already transferred from Eden DC. The Medium Term Plan no longer provides for the transfer of Play Areas and Toilets as these will be part of the larger discussion on Local Government Review. Service expenditure forecasts have been reviewed in the light of operating experience and are continued into future years; 2021/22 is the final year of the phased grants from Eden DC.

○ Bring Site

Council has decided that the arrangement with Eden DC will not be renewed past 31 March 2022. This will mean a loss of income of £1,400 pa. It is expected that offsetting savings will be made in terms of expenditure on the Community Caretaker and in staff time, however it is too early for these to be quantified.

○ Allotments

The ongoing budget includes the cost of asset maintenance, boundary repairs and hedge cutting. For 2021/22, there is an additional cost of £10,000 for the major drainage repairs at the Brackenber site. As these have now been completed, the 2022/23 Budget is reduced by £750.

○ Benches & Bus Shelters

A one-off provision of £5,000 was made in the 2021/22 Budget for the installation of one shelter; it has not been possible to proceed with this scheme, so it has been slipped into 2022/23 and planned for Scaws.

○ Bandstand

The 2021/22 Forecast Outturn includes income of £500 from the Board & Elbow public house for use of the area; in 2022/23, income of £750 has been agreed, while grant from Eden DC reduces by £800. No income is included in subsequent years.

- Musgrave Monument:

From 2022/23 onwards, costs are increased by £200 for a latchway inspection, clock inspection & survey, while grant of £180 is terminated.

- Fairhill Park

Grounds maintenance costs of £700 are transferred to Thacka Beck for its share of the new contract. The 2022/23 budget provides for £3,300 expenditure and the loss of the same amount of grant income.

- Play Areas & Fairhill Site Improvements

No expenditure is planned; these headings are shown because of earlier expenditure in the comparatives for 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 annual instalments to meet the estimated £650 expenditure.

- Thacka Beck

The 2021/22 Budget comprised a "starter" estimate of £3,000 for grounds maintenance, gates and fences. Since then, a further estimate of £2,000 has been approved and £3,000 is being requested; together with £700 transferred from Fairhill for grounds maintenance costs, this gives a Forecast Outturn of £8,700. The ongoing budget is £3,700.

- Local Government Review

The Forecast Outturn repeats the approved £3,000 budget for the initial costs of the LGR plan.

- 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. Since the MTFP no longer includes the potential transfer of Toilets and Play Areas, it is now forecast that the total cost of services will be permanently lower than £46,344 so that the difference is contributed to the Devolution Reserve, which will accumulate until decisions are made on its use.

Members will appreciate that the services transferred from Eden DC are forecast to cost £23,500 in the longer term, so that Penrith residents will be charged only around half of the corresponding cost that applied when they were in Eden's ownership.

Council Projects

The project budget of £8,000 applies to 2021/22 only; it is planned to spend this on a speed indicator device and support to Eden DC's improvement scheme at Castle Park.

Other Overheads

A review of expenditure on these budgets has resulted in several minor variations. Although the Subscriptions budget has been increased, this is offset by a rationalisation of costs previously charged to other headings.

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. There has been little expenditure on routine items, so the Forecast Outturn is reduced to £5,500 and the 2022/23 Budget reverts to £3,000.

e) Contingency

The general contingency provision is reduced to £500 for the remainder of 2021/22, then reverts to £1,000 for subsequent years. Because of the uncertainty regarding pay awards, in a change to previous practice, the anticipated costs of the April 2021 award (£3,930 in 2021/22 and £4,480 in 2022/23) are budgeted in Contingencies, representing the national employers' final offer of a 1.75% award. Similarly, the 2022/23 Contingency allows for a possible 2.5% increase in pay, amounting to £6,520.

f) Inflation

Anticipated pay and price inflation has been included in the detailed budgets for 2022/23. For 2023/24 onwards, the MTFP allows for compound pay inflation of 2.0% pa and price inflation at an average rate of 0.5% pa as a global figure.

g) Allowance for Growth Items

Largely due to the forecast level of reserves at 31 March 2021, the parameters adopted for the preparation of the 2021/22 Budget and the Medium Term Financial Plan suggest that there will be approximately £100,000 available over the life of the Plan to fund new service development proposals. After allowing for the ongoing costs of Participatory Budgeting and the Local Government Review project, £30,000 could be available over the life of the Plan for new initiatives. Members should note that the phasing shown in Appendix C is illustrative and has been chosen to fit the Plan.

F. Reserves

The Proposed Budget and Medium Term Plan assume a continuation of existing plans for reserves.

General Reserve

The Council has a policy of reaching a target balance in the Reserve equivalent to 35% of its forecast net expenditure by 31 March 2025. Underspendings in previous years, notably £64,000 in 2020/21, coupled with £75,000 this year, mean that this target has already been exceeded. As a result, there are resources in the Reserve which can be used to fund financial growth over the life of the Plan.

Based on the Plan's parameters, the 35% target for 31 March 2025 of £179,900 can also be exceeded, as shown in Appendix B, and maintained in subsequent years. The illustrative phased use to fund growth results in the balance at 31 March 2027 being slightly above its target.

Devolution Reserve

As noted above, the Reserve is being built up from contributions from the Devolved Services budget heading until the total cost of those services reaches £46,344. Appendix B shows that the MTFP projections forecast that this target figure will not be reached and that contributions will stabilise at £22,839 in 2025/26, leading to a balance of £258,752 at 31 March 2027. The reserve is intended to act as a cushion against the longer-term full costs of devolved assets being higher than expected, necessary renovation and/or improvements.

Acquisitions Reserve

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

G. Council Tax

The current year's Band D Council Tax is £83.09 per property. Adoption of the Proposed Budget for 2022/23 would result in a nil increase. The Medium Term Plan indicates that a 2.0% increase in Council Tax in each of the following four years would fund sustainable base budgets with an allowance for growth and meet the Council's target reserve.

H. 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 2022/23 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 incremental advances in staff pay and inflationary pay awards effective from both April 2021 and April 2022;
- 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:

- The Medium Term Financial Plan assumes average inflationary price increases of 0.5% pa. This may appear to be low, particularly when CPI is expected to peak at 6.0% in early 2022 and to be above the target 2.0% until well into 2023. In reality, the Council has not automatically inflated budgets in recent years, only where contractually committed, yet there has been no pressure on budgets and significant overall outturn underspendings. At the present time, while acknowledging that a 0.5% increase may suggest a real terms cut in budgets, this is not considered to be a problem.
- Unusually for January, we do not know the outcome of the negotiations for the April 2021 staff pay round. The national employers have made a full and final offer of a 1.75% increase and declined to negotiate further; in response, trade unions are balloting their members on taking industrial action, with a result expected in January. The Proposed Budget and MTFP assume settlement at the 1.75% offer; an extra 1.0% would represent a cost of around £12,000 over the life of the Plan. For subsequent years, the MTFP's allowance of a 2.5% pay award in 2022 and 2.0% pa thereafter appears reasonable.
- Superannuation contributions could be a potential risk factor for the Plan. Employer contributions are assessed triennially; we are currently in the final year of three with a contribution rate of 19.9%. Contributions are based on actuarial forecasts such as age of the workforce, working lives and life expectancy, together with economic factors such as inflation and investment returns. The effect of a 1.0% increase in contributions from April 2023 would be around £11,000 over the life of the Plan.
- By far the biggest unknown in the Medium Term Plan is the implication of Local Government Review. The Plan assumes business as usual, with no increased responsibilities taken over by the Council. It appears that this is unlikely, with the Council being expected to adopt services and/or assets which may or may not come across with adequate funding, presenting a potential risk to future Council Tax levels. There is no way to predict the consequences at present but the Council is in a strong financial position, with sustainable standstill budgets and healthy reserves. It will be important to revise the medium term projections when new responsibilities are being considered, to ensure that the Council's longer term budgets remain viable.

Finally, the RFO advises that the Council's budgeted reserves, being consistent with the Reserves Policy, are adequate for the 2022/23 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.

2. Options Analysis including risk assessment

Risk & Consequences

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.

Controls Required

A sound budget process will address these risks.

3. Financial and Resource Implications

This report is concerned solely with financial management. All figures other than the current year's budget and last year's outturn are provisional at this stage.

Appendices

2022/23 Proposed Budget:

- Budget Summary
- Summary Medium Term Financial Plan
- Service Development Proposals (Growth Items)
- Staff Salaries – PINK CONFIDENTIAL SEPARATE PAPER

Background Papers

2022/23 Budget Working Papers