

# **FULL COUNCIL**

**23 January 2023**

**Matter:** Proposed Budget 2023-24

**Purpose of Report:**

Consider and approve the Proposed Budget and Council Tax Precept for 2023/24, service development proposals and the proposed Medium Term Financial Plan.

**Item no:** 9

**Author:** John Kemp, RFO

**Supporting Member:** Cllr David Knaggs, Committee Chair

**This is a public report**

**Recommendations:**

- i) Approve the Forecast Outturn expenditure for 2022/23 of £417,092.
- ii) Approve the maximum grant for the Signature Events Grant Fund be £5,000 per event per annum and the Signature Events Grant Fund Scheme be updated accordingly with an annual budget of £20,000 be established for 2023/24 as included in the proposed budget.
- iii) Approve the Proposed Budget 2023/24 with total expenditure of £575,665 which includes:
  - a. Salaries payable to Council staff in 2023/24, as detailed in the supporting confidential report.
  - b. The inclusion of Christmas lighting, Town Greening and Town Dressing into the schedule of work for 2023/24 with costs met from the Town Projects budget.
  - c. The creation of an Elections Reserve of £30,000 met from underspending from the current year budget and thereafter a contribution of £5,000 per annum is made over the full term of the Medium-Term Financial Plan.
  - d. The budgeted transfers to and from financial reserves and the proposed level of those reserves.
  - e. The parameters and forecasts in the Proposed Medium Term Financial Plan.
- iv) A formal written request be made to Eden District Council to pay the sum of £468,295 to Penrith Town Council as its precept for the year 2023/24, 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.

### **1. Report Details**

#### **A. Introduction**

Draft estimates for 2023/24 were considered by the Budget Working Group on 13 December 2022. The Budget Working Group proposed a nil increase in Council Tax for next year in view of the current circumstances, the cost of living and that reserves were at a comparatively high level, giving scope for a release of resources to the annual budget over a period of years to fund new initiatives.

The Council Taxbase figure for next year has been provided by Eden DC. The figure is 5,636 representing a 2.87% increase on the previous year. Eden DC has confirmed the CTRS grant to be paid which will be £7,642.

Proposed estimates were presented to Finance Committee on the 16 January 2023, which determined to forward them to this meeting for approval.

This report presents the Proposed Budget for 2023/24 (Appendix A), including a position on growth items (Appendix C), and budget adjustments 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 the parameters set out in this report at item C.

This report presents a Proposed Budget for 2023/24 and Medium-Term Financial Plan, which indicate that the Council will be able to set sustainable budgets for subsequent years that will incorporate further financial growth in services and meet its target reserve level, with modest annual tax increases.

## **B. Proposed Budget 2023/24**

## **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 2021/22, for comparison purposes.
- b) The Approved Budget for 2022/23.
- 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. Total outturn expenditure for 2022/23 of £417,092 is forecast to decrease by £112,392 from the Approved Budget of £529,484.
- d) The Proposed Budget for 2023/24, 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.

Based on these estimates, the proposed precept for 2023/24 will be £468,295 the increase of £13,086 from the 2022/23 figure of £455,209 is due to a higher Council Taxbase.

- e) The position on the Council's three reserves over the two financial years.
- f) The resulting Council Tax based on the budgets representing a nil increase in the Council Tax for 2023/24.

## **C. Proposed Medium Term Financial Plan (MTFP)**

## **Appendix B**

**Appendix B** shows a forecast of income and expenditure for the years 2023/24 to 2027/28, based on the figures in the 2023/24 Draft Budget, again showing only continuation budgets. These are adjusted for planned variations, together with a modest provision for growth in subsequent years; basic figures are at April 2023 prices and future inflation has been allowed for as a global figure on staffing and running costs.

Except for a standstill Council Tax and allowance for a 4% pay award for 2023/24, the parameters adopted in the Plan are largely those in the current MTFP approved in January 2022 and updated as part of this budget review process:

- A nil Council Tax increase for 2023/24 followed by 3.0% in each of the years 2024/25 to 2027/28.
- Pay inflation of 4% in 2023/24 and 2.0% thereafter.
- Average price inflation of 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 and reducing to 30% from 01 April 2026 onwards.
- 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 can demonstrate that it has a viable and sustainable financial plan for the next five years.

#### **D. Service Development Proposals (Growth Items)**

#### **Appendix C**

Planning Committee proposed no Growth bids be considered for 2023/24, following their meeting in November.

Finance Committee proposed no Growth Bids be considered for 2023/24 following their meeting in November.

It has been confirmed to the Council that the Penrith BID revote returned a no vote and the organisation will cease as of 31 March 2023. This change in Town circumstances means that it is anticipated that there be an expectation that some of the BID'S schemes of work may fall to the Council. This budget review has taken such factors in to account and proposes an amendment to established budgets to allow the Council to meet the costs of Greening, Xmas Lights and Town Dressing under the Town Projects budget line.

As some of these schemes of work are new the narrative is included within the Service Development section of the report, although strictly the items are being budgeted for by an adjustment in existing budget lines as follows:

Town Projects is being increased from £10,000 to £47,000 by the following means:

- i. £10,000 retained as per the current year
- ii. A virement of £10,000 from the Participatory Budget to Town Projects.
- iii. A virement of £5,000 from the Town Greening Budget to Town Projects.
- iv. A virement of £22,000 from Grants Budget to Town Projects.

Each of the budgets from where the virement is being proposed is underspent in the current year.

Going Paperless is considered to be unaffordable at this moment, allowing budget to be available to meet schemes of work which Penrith BID would have been responsible for. It is proposed that the Council considers efficiency measures to reduce its use of paper and printing costs and that other measures such as the provision of Committee administration software and the purchase of tablet devices is reviewed at a later time.

## **E. Detailed Budgets**

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

### **a) Income**

The precept income for 2023/24 is based on a 0.0% increase in Council Tax and a small increase in the Council Taxbase. The parameters in the Medium-Term Plan project tax income which will allow sustainable budgets and reducing the General Reserve towards its target level. The investment income budget has been increased due 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 majority of the programme by a further year, so as to start in 2023/24. The proposed budget includes the removal of the Climate Community Consultation budget of £5,000 which has been added to the Corporate Communications budget allowing a more varied range of uses on a Council wide level.

### **c) CCEG Committee**

This report is written on the understanding that Members are in the future going to consider whether the CCEG Committee is reinstated.

Based on budget monitoring in the current year, a significant underspending of £58,100 is forecast for the Committee's budget lines overall in 2022/23 expenditure.

#### Town Projects

The budget for 2022/23 is £10,000 for Town Projects and £5,000 for Marketing Penrith. The proposed budget for 2023/24 removes in full the Marketing Penrith budget as this was a one-off external grant. The Town Projects budget is proposed to be increased from £10,000 to £47,000 to support the cost of initiatives arising from the demise of Penrith BID. This includes the virements as set out in Section D to support the costs for the provision of Greening, Xmas Lights and Town Dressing.

#### Arts & Entertainment

The proposed budget for 2023/24 includes £10,000 for Arts and Cultural Development and enabling the delivery of the actions contained within the Priorities Plan.

#### Environment

Town Greening is an area of work that the Penrith BID progressed. The budget in 2022/23 is underspent. The budget for 2023/24 proposes the virement of the Greening Budget (£5k) to Town Projects.

## Corporate Communications

The Corporate Communications budget is proposed to increase to £15,000 which includes the £10,000 budgeted in the current year and supplemented by a £5,000 virement from the Climate Community Consultation budget allowing a more varied range of uses on a Council wide level.

## Participatory Budget

The Participatory Budget of £10,000 is to be reallocated in full to the Town Projects budget to assist with the delivery of schemes of work arising from the demise of Penrith BID. The Forecast Outturn shows no expenditure in the current year. Whilst a Participatory Budget Policy is scheduled to be developed in the new year any budgetary implications can be considered at the time of considering the draft policy.

## **d) Council**

### Grants

The forecast outturn for the current year is £19,000. The budget for 2022/23 was £57,000. Grants have historically been underspent. A review of the Grants Budget has been undertaken as part of the budget preparation.

The proposed budget 2023/24 allows for £15,000 to be retained in the Grants budget and replaces the current separate Grow Nature, Small Grants and Large Grants scheme in to one single budget. The grant schemes will still operate under the current Grant Scheme Policy.

Council approved the Signature Grants Scheme Policy 10 October 2022, however resolved that the maximum grant and budget be recommended for approval as part of the budget setting process. Members are recommended to approve a maximum grant of £5,000 per Signature Fund event per annum and the budget for 2023/24 is £20,000 and is met from a revision to the existing grants budget.

The difference of £22,000 between the current year (£57,000) and proposed budget in 2023/24 (£35,000) is to be vired to the Town Projects budget.

## **e) Finance Committee**

### Staffing

The 2022/23 Forecast Outturn and 2023/24 Proposed Budget estimate the costs of the existing approved staff establishment. After adjusting for pay awards and recruiting for the RFO and CSO post the overall staff cost budget is £67,000 higher than in the previous budget year. Future years' forecast pay awards are provided as a global sum alongside price inflation. The 2023/24 Draft Budget assumes a full establishment. The supporting Part 2 confidential report shows the recommended salary points for each member of staff, effective from 01 April 2023. Future years' forecast pay awards are provided as 4% in 2023/24 and 2.0% thereafter.

## Accommodation

The principal changes in accommodation budgets for 2023/24 relates to heat, lighting and water to reflect the increase in utility charges.

## Civic Functions

There are no proposed changes to these budgets.

## Cost of Democracy

The Forecast Outturn for 2022/23 is in line with the approved budget. Members are advised that the Council has been notified that Election costs for May 2023 elections are going to be met by the new Westmorland and Furness Council on a one-off arrangement. This implies that future election costs will be recharged to the Council. As such it is recommended as part of the budget process to consider an Election Reserve. It is proposed that this be in the form of £30,000 met from underspends from the current year's budget, and thereafter a contribution of £5,000 per annum over the full term of the Medium-Term Financial Plan. This budget would also be available to meet the costs of one off by elections and ensure the Council has funds to meet election costs in 2027.

## IT

The expenditure for IT is in line with budget. The same budget is proposed in 2023/24.

## Website

The expenditure for Website is in line with budget. The same budget is proposed in 2023/24.

## Devolved Services

The Forecast Outturn for 2022/23 and the Draft Budget 2023/24 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 (LGR). Service expenditure forecasts have been reviewed in the light of operating experience and are continued into future years.

### ○ Allotments

The ongoing budget includes the cost of asset maintenance, boundary repairs and hedge cutting. The 2023/24 Budget is £800.

### ○ Benches & Bus Shelters

There is the need for some minor refurbishment of the bus shelter on Bridge Lane which can be met from the proposed budget of £3,000. Should a new scheme come forward for a new bus shelter on the Scaws Estate the costs may be met from the Devolution Reserve once the scheme is further developed.

The budget of £1,500 for benches is intended to meet the costs of refurbishment or replacement of existing benches as required.

- Bandstand

The 2022/23 Forecast Outturn includes income of £750 from the Board & Elbow public house for use of the area; in 2023/24, income of £825 has been agreed.

- Musgrave Monument:

The 2023/24 budget of £800 meets the costs of clock inspection and survey and the maintenance inspection of the latchway inspection.

- Fairhill Park

The 2023/24 budget provides for £5,500 expenditure including costs in relation to grounds maintenance, play area inspection, tree works and other adhoc expense.

- 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 £475 expenditure.

- Thacka Beck

The Council approved an additional budget of £25,500 from the Devolution Reserve to implement enhancements during 2022/23. The approved enhancements have been implemented in full during the current year. The ongoing budget is £3,700.

- Local Government Review

The 2023/24 budget proposes a £5,000 budget for the initial costs any works associated with LGR.

### 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. It is forecast that the total cost of services will be permanently lower than £46,344 so the difference is contributed to the Devolution Reserve, which will accumulate until decisions are made on its use. In the light of LGR it is recommended as prudent to continue the contribution to the Devolution Reserve in line with current arrangements.

### Other Overheads

A review of expenditure on these budgets has resulted in several minor variations.



## Repairs & Renewals

For 2023/24 the budget is being reduced from £3,000 to £2,000.

## **f) Contingency**

The general contingency provision is set at £3,000. It is considered that the main unforeseen areas of expenditure have been adjusted for as part of the proposed budget i.e., salaries.

## **g) Inflation**

Anticipated pay and price inflation has been included in the detailed budgets for 2023/24. For 2024/25 onwards, the MTFP allows for compound pay inflation of 2.0% pa and price inflation at an average rate of 5% pa as a global figure.

## **F. Reserves**

The Draft Budget and Medium-Term Plan assume a continuation of existing plans for reserves but with the introduction of a new Elections Reserve.

### 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, reducing to 30% from 01 April 2026. Underspending in previous years, and a forecasted underspend of £112,000 this financial year, mean that this target is not yet met. As a result, there are resources in the Reserve which can be used to fund service delivery over the life of the Plan.

### 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 £17,944 in 2025/26, leading to a balance of £255,369 on 31 March 2028. 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 and any expectations arising from LGR.

### Acquisitions Reserve

This reserve will be removed in March 2023.

### Elections Reserve

This report proposes as part of the budget process to consider the creation of an Election Reserve. It is proposed that this be in the form of £30,000 met from underspends from the current year's budget, and thereafter a contribution of £5,000 per annum over the full term of the Medium-Term Financial Plan. This budget would also be available to meet the costs of one off by elections and ensure the Council has funds to meet election costs in 2027.

## **G. Council Tax**

The current year's Band D Council Tax is £83.09 per property. Adoption of the Proposed Budget for 2023/24 would result in a nil increase. The proposed budget is based on a confirmed Council Taxbase of 5636 (2.87% increase), resulting in a precept of £468,295.

The Medium-Term Plan at Appendix B indicates that a 3.0% 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. Observations**

- i) This will be the third year in a row that a nil increase is proposed. While there is no need in the short term for an increase, the medium-term forecasts allow for only modest financial growth over the life of the MTFP. All other things being equal, the introduction of more ambitious new spending programmes in future years would require tax increases beyond the 3.0% factored into the Plan. If this were the case, a nil increase now would represent a lost opportunity to secure a higher base income: a 1.0% rise in 2023/24 would represent around £24,000 additional income over the five years of the Plan.
- ii) The latest rate of inflation as measured by the Consumer Price Index is 11.1% (October 2022), much higher than the Bank of England's 2.0% target and the highest in a long time. The main reason is higher energy and fuel costs, which are not a large component of the Council's expenditure.
- iii) The Medium-Term Financial Plan assumes average inflationary price increases of 5% pa. This may appear to be low, particularly when CPI is expected to be above this until well into 2023. In reality, the Council has not automatically inflated budgets each year recently, only where contractually committed, yet there has been no pressure on budgets and significant overall underspending. At the present time, while acknowledging that a 5% increase may suggest real terms cut in budgets, this is not considered to be a problem.
- iv) We do not know the outcome of the negotiations for the April 2023 staff pay round. The trade unions are suggesting inflation linked pay rises; however, this is considered unlikely given the settlement this year and examples in the media of other public sector pay disputes. The Draft Budget allows for 4% wage inflation and MTFP assumes 2% from 2024/25 thereafter and appears reasonable.
- v) Superannuation contributions are assessed triennially; and will increase from 19.9% this year to 21.5% from April 2023. 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 the increase in contributions from April 2023 will be £3,960 next year (£19,300 over the next 5 years).

- vi) Setting a precept based on a fixed or nil increase in Council Tax means that it is dependent on knowledge of the actual Council Taxbase determined by Eden DC. This figure has been confirmed by Eden DC at 5636 properties representing a 2.87%. The MTFP assume 1.0% pa rises after 2023/24. Standstill Taxbases throughout the five years of the Plan would result in £90,000 less income, demonstrating how spending plans are dependent on regular healthy increases in the Taxbase.
- vii) Appendix B shows that the MTFP forecast predicts that the Devolution Reserve will continue to grow, with expenditure on the assets never reaching the target £46,344 figure and annual contributions levelling out at £17,944. By 31 March 2028, the Reserve will have a balance of £255,369, which is beyond any day to day demands. Although this is an unlikely scenario as there is bound to be the need for major repairs, improvements or upgrades which would reduce the balance, the Council may need to reconsider the purpose of the Reserve, its accumulation of resources and its potential use. It would be appropriate to conduct this review over the next twelve months when LGR has been implemented.
- viii) 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. This assumption may be unlikely, with the Council potentially 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 Devolution Reserve. 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.

## **I. NEXT STEPS**

The Committee is asked to consider this report in conjunction with the draft Reserves and Investment Policies elsewhere on the agenda. Firm budget proposals will then be submitted for decision by Full Council on 23 January 2023.

## **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.

An expectation to undertake schemes of work previously undertaken by others.

### **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**

2023/24 Draft Budget:

- Budget Summary
- Summary Medium Term Financial Plan
- Service Development Proposals (Growth Items)

#### **Background Papers**

2023/24 Budget Working Papers