

FULL COUNCIL

Date: 29 January 2024

Public Report

Matter: Proposed Budget 2024-25

Item no: 10c

Author: Responsible Finance Officer

Supporting Member: Cllr. Shepherd, Chair of Finance Committee

Purpose of Report:

To consider and approve the Proposed Budget and Council Tax Precept for 2024/25, service development proposals and the proposed Medium Term Financial Plan.

Recommendations:

Council is recommended to:

- i) Approve the Forecast Outturn expenditure for 2023/24 of £522,292.
- ii) Approve the Proposed Budget 2024/25 with total expenditure of £581,932 which includes:
 - a) Salaries payable to Council staff in 2024/25, as detailed in the supporting confidential report.
 - b) Service development proposals totalling £36,700.
 - c) The proposed level of financial reserves.
 - d) The parameters and forecasts in the Proposed Medium Term Financial Plan.
- iii) A formal written request be made to Westmorland and Furness Council to pay the sum of £487,735 to Penrith Town Council as its precept for the year 2024/25 representing a 1% 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, Westmorland and Furness Council, to collect the income on behalf of the Town Council.

1. Report Details

A. Introduction

Draft estimates for 2024/25 were considered by the Budget Working Group on 4 December 2023. The Working Group proposed that a 1% increase in Council Tax for next year would be appropriate, 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 Westmorland and Furness Council. The final figure is 5812 representing a 3.12% increase.

Westmorland and Furness Council has confirmed the CTRS grant to be paid will be £7,642, though they have also confirmed that 2024/25 will be the last year that this will be paid.

Proposed estimates were presented to Finance Committee on the 15 January 2024, which determined to forward them to this meeting for approval.

This report presents the Proposed Budget for 2024/25 (Appendix A), including a position on growth items (Appendix C), and budget adjustments which can be financed by a 1% 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 parameters set out in this report at item C.

This report presents a Proposed Budget for 2024/25 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 2024/25

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 2022/23, for comparison purposes.
- b) The Approved Budget for 2023/24.
- 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 2023/24 of £522,292 is forecast to decrease by £53,373 from the Approved Budget of £575,665.
- d) The Proposed Budget for 2024/25, 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 2024/25 will be £487,735, the increase of £19,440 from the 2023/24 figure of £468,295 is due to a higher Council Taxbase and a 1% increase in Council Tax.

- e) The position on the Council's three reserves.
- f) The resulting Council Tax based on the budgets representing a 1% increase in the Council Tax for 2024/25.

C. Proposed Medium Term Financial Plan (MTFP)

Appendix B

Appendix B shows a forecast of income and expenditure for the years 2024/25 to 2028/29, based on the figures in the 2024/25 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 2024 prices and future inflation has been allowed for as a global figure on staffing and running costs.

Except for a 1% increase Council Tax and allowance for a 4% pay award for 2024/25, the parameters adopted in the Plan are largely those in the current MTFP approved in January 2023 and updated as part of this budget review process:

- A 1% Council Tax increase for 2024/25 followed by 3.0% in each of the years 2025/26 to 2028/29.
- Pay inflation of 4% in 2024/25 and 4.0% thereafter.
- Average price inflation of 4% pa
- Achievement of a General Reserve equivalent to 30% of net expenditure by 31 March 2029.
- 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 a Growth bid of £5,000 to be considered for 2024/25, following their meeting in November. This was to support the engagement of a consultant to develop a plan to identify improvements to enhance the public realm and street scape in a cohesive way, which will act as a catalyst for stakeholder buy in and the ability to draw down external funding.

Communities Committee proposed a growth bid of £5,000 for 2024/25 for grants. This was to reflect the increased interest in Council grants, applications expected in

the new financial year and the intention to continue to increase publicity of the grant scheme.

The Climate Strategy Task and Finish group has proposed an increase in the climate budget from £8,300 to £15,000. This will be to facilitate the delivery of the refreshed Climate Strategy and Action Plan that is currently being finalised.

The Economic Development Officer has submitted a growth bid of £10,000 for associated work that may be required for a new Interpretation and Wayfinding scheme. This work and budget will be classed as matched funding against potential funding from the Borderlands Programme.

The Economic Development Officer also submitted a growth bid of £10,000 to support the marketing programme for Penrith. The development of a brand for Penrith is presently being undertaken via an already approved resolution and budget. This proposed growth bid is required to match fund and develop joint marketing for Penrith. Working with stakeholders the marketing will be aimed at attracting new business, visitors and shoppers which will in turn will provide inclusive community benefit, economic benefit and increase footfall. Through joint marketing the effectiveness will be greater, and all parties will benefit from economies of scale.

Finance Committee proposed no Growth Bids be considered for 2024/25 following their meeting in November.

Service Development Proposals (Growth Bids) for 2024/25 = £36,700.

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 2024/25 is based on a 1.0% 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 which will in the main support the Neighbourhood Plan referendum which is expected in early 2024/25. The planning committee have also submitted a growth bid of £5,000 for improvements in public realm and street scape. The committee also requested that the climate change budget be transferred from them. It was felt that this would sit better in the Communities Committee.

c) Communities Committee

Based on budget monitoring in the current year, an underspending of £27,000 is forecast for the Committee's budget lines overall in 2023/24 expenditure. Town

Projects accounts for £21,000 of this underspend. The increased budget was not required after the successful re-launch of Penrith BID.

Town Projects

The proposed budget for 2024/25 is £10,000 for Town Projects, this reduces it to the previous level after last year's one off increase to cover Christmas lights and greening.

Arts & Entertainment

The proposed budget for 2024/25 includes £10,000 for Arts and Cultural Development and enabling the delivery of the actions contained within the Priorities Plan.

Corporate Communications

The Corporate Communications budget is proposed to remain at £15,000.

Grants

The forecast outturn for the current year is £30,000. The budget for 2023/24 was £35,000 which included £20,000 for Signature Grants and £15,000 for Grants. There is a predicted underspend of £5,000 on the Signature grant fund, there have been 3 signature grants of £5,000, there is enough budget for one more grant of that size. It is anticipated that the Grants budget will be close to being fully committed by year end. Grants have historically been underspent so the change of policy and increased promotion is showing to have an effect on the uptake of the budget. Communities Committee has proposed a £5,000 increase in the Grants budget for 2024/25 to reflect the increase in demand for grants in the current year.

d) Finance Committee

Staffing

The 2023/24 Forecast Outturn and 2024/25 Proposed Budget estimate the costs of the existing approved staff establishment. After adjusting for pay awards and the removal of the Sustainability Officer post the overall staff cost budget is £7,568 higher than in the previous budget year. Future years' forecast pay awards are provided as a global sum alongside price inflation.

The 2024/25 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 2024. Future years' forecast pay awards are provided as 4%.

Accommodation

The principal changes in accommodation budgets for 2024/25 relates to heat, lighting and water to reflect the increase in utility charges.

Cost of Democracy

The budget is similar to last years except there are no expected election costs. The Elections reserve would be expected to be used to meet the costs of one-off by-elections.

IT

The expenditure for IT is in line with budget. The same budget is proposed in 2024/25, but it is felt that the website budget should now sit within IT and not as a separate line.

Devolved Services

The Forecast Outturn for 2023/24 and the Draft Budget 2024/25 include the latest estimated costs and income for assets already transferred. Service expenditure forecasts have been reviewed in the light of operating experience and are continued into future years. The Council will continue to liaise with Westmorland and Furness Council about future asset transfers which would be subject to further reports resolutions including budget implications.

Contribution to Devolution Reserve

A target of £46,344 has been set for Devolved Services. 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

This budget is being retained at £2,000 and is used to fund repairs and one-off expenditure that does not align with another budget.

e) 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.

f) Inflation

Anticipated pay and price inflation has been included in the detailed budgets for 2024/25. For 2025/26 onwards, the MTFP allows for compound pay inflation of 4.0% pa and price inflation at an average rate of 4% pa as a global figure.

F. Reserves

The Draft 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, reducing to 30% from 01 April 2026. Underspending in previous years, and a forecasted underspend of £53,000 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 £16,944 in 2025/26, leading to a balance of £260,258 on 31 March 2029. 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.

Elections Reserve

The Elections Reserve will have a balance of £35,000 at the end of 2023/24, this will increase by £5,000 per annum. This budget would 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 Draft Budget for 2024/25 would result in an increase to £83.92. The proposed budget is based on a confirmed Council Taxbase of 5812 (3.12% increase), resulting in a precept of £487,735.

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, subject to the annual budget process.

H. Observations

- i) This will be the first increase in Council Tax in four years. While there is no need in the short term for a larger 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 2024/25 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 3.9% (November 2023), higher than the Bank of England's 2.0% target. There are a number of reasons for this level of inflation, many of which will be included in the Council's expenditure.
- iii) The Medium-Term Financial Plan assumes average inflationary price increases of 4% pa. 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.
- iv) We do not know the outcome of the negotiations for the April 2024 staff pay round. The Draft Budget allows for 4% wage inflation and MTFP assumes 4% from 2025/26 thereafter and appears reasonable.
- v) Superannuation contributions are assessed triennially; and were increased from 19.9% to 21.5% in 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 are £3,960 per annum (£19,800 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 Westmorland and Furness Council. This figure has been confirmed at 5812 properties representing a 3.12% increase. The MTFP assume 1.0% pa rises after 2024/25. Standstill Taxbases throughout the five years of the Plan would result in £80,000 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 £16,944. By 31 March 2029, the Reserve will have a balance of £260,258, 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 continue to review this budget annually and with regard to any progress on Asset transfer work with Westmorland and Furness Council.
- viii) By far the biggest unknown in the Medium-Term Plan is the implication of Asset Transfer. The Plan assumes business as usual, with no increased responsibilities taken over by the Council. This assumption may be unlikely, with the Council having expressed an interest in the transfer of assets, however without a known methodology assets 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 should new responsibilities be considered, to ensure that the Council's longer-term budgets remain viable.
- ix) Council is asked to consider this report in conjunction with the draft Reserves and Investment Policies elsewhere on the agenda.

I. NEXT STEPS

A formal written request be made to Westmorland and Furness Council by the 31 January 2024 to pay the approved precept.

2. Options Analysis including risk assessment

a) Risk

The Council sets an invalid or inadequate budget.

An inability to raise a valid precept or insufficient resources to deliver the Council's objectives.

b) Consequence

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.

c) Controls Required

A sound budget process will address these risks.

3. Financial and Resource Implications

This report is concerned solely with financial management.

4. Equalities Implications

There are no equalities implications associated with this report.

5. Climate Change and Environmental Implications

There are no climate and environmental implications associated with this report.

Appendices

2024/25 Draft Budget:

Appendix A – Proposed Budget 2024/25

Appendix B - Proposed Medium Term Financial Plan 2024/25 to 2028/29

Appendix C – Proposed MTFP Service Developments 2024/25 to 2028/29

Background Papers

2024/25 Budget Working Papers