

2024/25 BUDGET SETTING FRAMEWORK AND TIMETABLE

AGENDA ITEM NO. 10

MEETING: POLICY AND RESOURCES

DATE: 13TH SEPTEMBER 2023

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to seek approval from Members of the proposed framework and timetable for the setting of the Council's 2024/25 Revenue and Capital Programme Budgets.

2.0 Background to the Report

2.1 The Council's Medium-Term Financial Plan, reported to this meeting, provides the background to the setting of the 2024/25 Revenue and Capital Budgets.

2.2 A reminder of the key issues, as they are relevant to the 2024/25 budget setting process, is set out in the following section of the report.

3.0 Key Issues from the Medium-Term Financial Plan

3.1 The Council's annual update of its Medium-Term Financial Plan (MTFP) is reported to this meeting following a delay due to the late notice from Durham County Council of the proposed reduction to the Local Council Tax Reduction Scheme (LCTRS) Grant.

3.2 The Plan covers the five-year period 2023/24 to 2027/28 and reviewed the impact of the ongoing economic difficulties and cost-of-living crisis on the Council's finances.

3.3 The MTFP puts in place the principles and framework for the planning of the Council's revenue and capital spending each year via the annual Budget and is therefore the main reference point for the setting of the 2024/25 Revenue and Capital Budgets

3.4 The current MTFP was prepared on the basis of the following key principles:-

1. Continuing to provide all Council services, facilities and events and maintaining current standards of service;
2. Identifying and delivering efficiency savings wherever possible;
3. Ensuring continued delivery of the Asset Management Plan via the Capital Programme Budgets;
4. Safeguarding a prudent level of balances and reserves; and
5. Implementing an increase in council that finds a balance between recognising the 'cost of living' difficulties being faced by local taxpayers and dealing with the budget pressures being faced by the Council in terms of pay awards and inflation, and the need to maintain the services valued by the local community.

- 3.5 The MTFP concluded that the Council remains in good financial health at the present time with a balanced Revenue Budget in place for the 2023/24 financial year and healthy level of balances and reserves, although the current economic difficulties, cost-of-living crisis and the proposed reduction of the LCTRS continue to have an adverse impact on the Revenue and Capital Budgets.
- 3.6 The difficult financial situation continues to create unbudgeted financial pressures, and this will mean that the setting of the 2024/25 Revenue Budget will be challenging for a number of reasons including:-
- The ongoing cost-of-living crisis and its impact on the economy and Government spending and taxation;
 - The continuing pressures on expenditure budgets from the high rates of inflation, particularly insurance costs but also generally on goods and services and capital works;
 - The proposed 2023/24 Local Government Pay Award put forward by the National Employers which, if agreed, will mean in the region of an additional £45,000 unbudgeted staffing costs in 2023/24;
 - The further impact of the 2024/25 Local Government Pay Settlement, which is currently unknown.
 - The proposed the proposed reduction to the Local Council Tax Reduction Scheme (LCTRS) Grant.
- 3.7 However some of these financial challenges will be offset by the reductions in gas and electricity costs, increases in investment income and the changes in VAT rules in relation to Leisure Activities.
- 3.8 Looking ahead, the medium-term outlook for the Councils Revenue Budget over the next five years continues to be challenging.
- 3.9 The strong current financial position of the Council means that it is starting from a strong foundation, and is better placed than many other town councils in dealing with the financial challenges it faces linked to the ongoing economic difficulties and cost-of-living crisis.
- 3.10 The 2023/24 Revenue Budget continued to maintain surplus revenue budget resources via the contingency budget and a contribution to capital reserves, to help offset any unforeseen financial pressures and facilitate the replenishment of the Council's balances at a time when the Council is facing significant capital investment commitments over the medium-term.
- 3.11 In overall terms, the MTFP Revenue Budget Forecast, reported at this Committee, delivered a balanced budget in line with the key principles of maintaining services and ensuring a balanced Revenue Budget and safeguarding a prudent level of balances and reserves.
- 3.12 However, in order to deliver this, the MTFP highlighted that higher-than-expected annual council tax increases, particularly in the 2024/25 and 2025/26 financial years, were likely to be required if no efficiency savings are identified or budget reductions made.
- 3.13 Options for identifying additional efficiency saving were fully explored during the 2023/24 budget setting process with the current year budget being very tight. With any further efficiency savings potentially impacting on service delivery and current standards.

3.14 These indicative increases are summarised below:

Year	% increase
2024/25	6.47%
2025/26	6.78%
2026/27	4.08%
2027/28	3.53%

- 3.15 As previously reported, Durham County Council (DCC) have advised that there are proposals to reduce the Local Council Tax Support Grant (LCTSG) by 50%, phased over 2 years. Worst case scenario if this proposal is agreed, it will result in a reduction in the region of £56,250 in each of the two years. However final confirmation of this will not be received until later in the year.
- 3.16 In relation to the Capital Programme Budget, the Plan highlighted that the Council is still facing potentially significant commitments over the medium term of up to £1.595 million in planned future capital budget expenditure.
- 3.17 The funding of this capital investment will undoubtedly see the Council's balances and reserves fall back significantly over the five years, although this will be partly mitigated by the contribution to capital reserves if this can be maintained in the Revenue Budget.
- 3.18 A review of capital expenditure priorities was undertaken and reported to Asset Management Member Working Group on 28th June with a view to restricting and controlling expenditure in the current year, while the development of future year's capital budgets will continue to be closely scrutinised.
- 3.19 In line with the approved principles of the MTFP, the 2024/25 Revenue Budget will be prepared on the principle of maintaining existing services and staffing levels, with additional provision being made for all unavoidable increases in costs such as pay awards and inflation.
- 3.20 However, as already identified the need to identify any efficiency savings in the 2024/25 budget will be difficult as the 2023/24 budget identified significant savings to enable the precept to be kept as low as possible. Any additional savings may potentially affect service delivery and standards as budgets are currently very lean with minimal scope for any additional efficiency savings.
- 3.21 The 2024/25 Capital Programme Budget will be prepared with key reference to the Council's Asset Management Plan, and it is likely that only essential capital investment will be included in order to continue to safeguard Council balances and reserves.

4.0 2024/25 Budget Setting Framework and Process

- 4.1 The Budget Framework provides the means by which the Council's Medium-Term Financial Plan will be delivered, setting out the overall principles and assumptions for the development of the annual Revenue and Capital Budgets.
- 4.2 The 2024/25 Revenue and Capital Budget will be developed in accordance with the key principles set out in the current Medium-Term Financial Plan as highlighted in paragraph 3.4
- 4.3 The purpose of the budget setting process is to clearly identify and estimate, in a prudent, transparent, and realistic way, the revenue costs and income associated with running the various services of the Council, and the capital investment that needs to be undertaken in order to deliver the Council's Asset Management Plan.
- 4.4 The aim is to ensure that sufficient budgetary provision is put in place in 2024/25 to ensure that all services can continue to be delivered effectively, that the Council's strategic aims and targets, as set out in the Service Delivery Plan, can be achieved, and that the Council can proactively respond to community needs and priorities.
- 4.5 This needs to be balanced against the financial resources that are likely to be available, bearing in mind the financial challenges being faced by the Council, including cuts to the Council Tax Support Grant funding, the cost-of-living crisis and spending pressures including pay awards, significant inflationary increases in running costs and in particular insurance costs, capital investment commitments, and the significant forecast fall in the Council's balances and reserves over the medium term.
- 4.6 The 2024/25 Revenue Budget will be prepared on the principle of maintaining existing services and staffing levels.
- 4.7 Additional budget provision will be automatically made for unavoidable inflation, pay awards, pension increases and any other unavoidable or committed increases in costs or falls in income.
- 4.8 An incremental budgeting process will be used in setting the 2024/25 Revenue Budget which will use the 2023/24 Revenue Budget as the starting point, and make adjustments to take account of the following changes in costs and income between the two years:-
 - Unavoidable inflationary increases in running costs;
 - Officer pay awards, salary increments, and pension increases;
 - Any other unavoidable budget growth e.g. new legislative requirements, increased demand for services, contractual increases in costs;
 - Any committed budget growth arising from previously approved Council decisions;
 - Any approved additional revenue budget requests from service managers or Members, although these have been discouraged due to the current financial situation;
 - Efficiency savings or budget reductions that have already been achieved and that can be removed from the budget;

- Any new efficiency savings that have been identified; and
 - Changes in income such as increases in fees and charges for services, cuts to grant funding and increased or decreased demand for services.
- 4.9 The principles of zero-based budgeting will also be applied in setting the 2024/25 Revenue Budget, in order to help identify possible efficiency savings and help demonstrate the achievement of value for money to local council tax payers.
- 4.10 In practice this means in that expenditure budgets and income targets in respect of all service areas will be reviewed and service managers will be expected to justify and provide evidence for existing budget provision, whilst key regard will also be given to actual spending and income in the current year as well as previous years, with a view to identifying under-utilised budgets and possible opportunities for savings and budget reductions, although as identified these will be difficult in relation to the 2024/25 budget as the current budget is very lean.
- 4.11 There is currently no indication of the Government's intentions with regard to town and parish council referendum limits for the period 2024/25 onwards.
- 4.12 It will be assumed for the purpose of the 2024/25 budget setting process that referendum principles will *not* be applied to town and parish councils, and that the Council will be free to increase the Town Council Tax by as much as it considers prudent and appropriate to help offset the financial pressures created by the cost-of-living crisis and the proposed reduction in LCTRS.
- 4.13 Once the initial draft budget is finalised it will be reported to the various committees, sub-committees and working groups of the Council as set out in the timetable attached at Appendix 1.
- 4.14 In relation to the 2024/25 Capital Programme Budget, the Council's Medium-Term Financial Plan highlights that the Council continues to face some quite significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a significant deterioration in the level of the Council's Balances and Reserves.
- 4.15 In light of this, it is recommended that capital investment continues to be closely monitored and controlled in order to protect and preserve Council balances moving forward, and that the 2024/25 Capital Programme Budget is focussed on essential investment only, mainly on capital projects already identified in the Asset Management Plan.
- 4.16 The Medium-Term Financial Plan currently identifies a Capital Programme Budget for 2024/25 of £331,450 and projects include building works, roofing surveys, replacement works machinery, computer hardware, Woodland Burial site progression, continued works in relation to Ash Tree Dieback Disease and footpath and safety surface repairs.

5.0 2024/25 Budget Setting Timetable

5.1 A detailed copy of the 2024/25 Budget Setting Timetable is attached in Appendix 1 to this report. The timetable is summarised below:-

- **Early to Mid-September:** Development of the draft Revenue and Capital Budget proposals by Service Managers and the Finance Manager.
- **Late September and Early October:** Performance Management Group and Chairmen and Vice Chairmen Group to review the draft budgets.
- **18th October:** Draft Environment and Recreation Budgets reported to Environment and Recreation Committees and draft Capital Programme Budgets reported to the Asset Management Working Group;
- **25th October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **Mid to late October:** Special Policy and Resources Committee to consider proposed fees and charges increases for 2024/25.
- **Mid November:** Issue of the online budget survey;
- **November and December:** Consideration of feedback from the October committee meetings and the budget consultation, and development of the final budget proposals, following the final notification of the Council Tax Support Grant and Council Tax Base figures;
- **6th December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **24th January:** Final 2024/25 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **31st January:** 2024/25 Precept to be approved by Full Council and Council Tax increase to be declared.

6.0 2024/25 Budget Consultation

6.1 It is important that the Council consults with local taxpayers on its future spending plans and takes those views into account when making spending decisions and setting the annual budgets.

6.2 In previous years, the Council has sought the views of local taxpayers via an online budget survey, promoted via the Council website, local press, social media, and Council newsletter. Prior to the Coronavirus pandemic budget consultation events were held with the Council's Customer Panel group and via public drop in events.

6.3 As reported previously, in reality, public engagement with the Customer Panel budget consultation meetings and drop in events have been very poorly attended, whilst engagement with the online survey has been much better. The consultation meeting and drop in events are also very time intensive in relation to officer input.

- 6.4 In light of the very limited resident attendance, in previous years, Members agreed again last year for these events not to go ahead.
- 6.5 It is therefore proposed that these events do not go ahead again this year.
- 6.6 It is proposed that an online budget survey will be published in mid-November, and widely publicised on the Council website, in the local press, and on the Council's social media channels (Facebook and Twitter) as well as hard copies being made available at the library, community centres, the two secondary schools and other community venues in the town.
- 6.7 Feedback from the budget consultation would then be reported back to members to inform the final decisions regarding the setting of the Council Budget in January.

7.0 Progress on Budget Setting Process to Date

- 7.1 The deadline for service managers to finalise and submit their draft budgets for 2024/25 is the 15th September.
- 7.2 The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group are due to meet in late September and early October to review the draft budget proposals, before the draft 2024/25 Revenue and Capital Budgets are presented to Environment, Recreation and Policy and Resources Committees on 18th and 25th October respectively.
- 7.3 Good progress has been made to date in the preparation of the draft budget submissions, and no problems are anticipated in meeting the deadlines set out in the budget timetable.
- 7.4 A draft 2024/25 Capital Programme of Budget of £331,450 has currently been identified and this will be reviewed with budget managers.

8.0 Policy Implications

- 8.1 The Budget Framework and Timetable conforms to Strategic Aim 2 in the Council's Service Delivery Plan:
"To manage the Council's finances and assets in a responsible manner".

9.0 Staffing Implications

- 9.1 Service managers are responsible for the development of the budgets for their areas of responsibility.
- 9.2 All service managers have been issued with a copy of the Budget Framework and Timetable as well as detailed guidance notes for setting of the 2024/25 Revenue and Capital Budgets.
- 9.3 Managers will be fully supported by the Finance Manager in the preparation of their draft budget submissions.
- 9.4 The Finance Manager is managing and co-ordinating the budget setting process and the draft budgets will be agreed by the senior officer Performance Management Group before being reported to Members.

10.0 Financial Implications

10.1 The financial implications for the Council are fully set out in the report.

11.0 Crime and Disorder Implications

11.1 None.

12.0 Equal Opportunities Implications

12.1 None.

13.0 Environment, Biodiversity and Climate Change Implications

13.1 None.

14.0 Risk Assessment

14.1 A risk assessment is not necessary at this early stage of the budget setting process.

14.2 A full risk assessment was included in the Medium-Term Financial Plan and a further risk assessment will be included prior to the setting of the 2024/25 Precept in January, confirming the robustness of the budget estimates and the adequacy of the proposed levels of balances and contingencies.

15.0 General Data Protection Regulations (GDPR)

15.1 There is not any personal or sensitive data required for this proposal which may have any implications for GDPR.

16.0 Recommendations

16.1 It is recommended that:-

- (i) the budget framework and timetable for the setting of the Council's 2024/25 Revenue and Capital Budgets is approved;
- (ii) The proposal that in person budget consultation meetings are not held as part of the 2024/25 budget process is agreed.