

2024/25 DRAFT ENVIRONMENT REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 12

MEETING: ENVIRONMENT COMMITTEE

DATE: 18TH OCTOBER 2023

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to present for Members' consideration, comments, and approval the draft 2024/25 Revenue and Capital Budgets for the Environment Committee.

2.0 Background to the Report

2.1 The Council approved the 2023/24 to 2027/28 Medium Term Financial Plan (MTFP) in September. The MTFP sets the scene for and provides the overriding strategy and principles for the setting of the Council's 2024/25 Revenue and Capital Budgets.

2.2 The Budget Framework and Timetable for the setting of the Council's 2024/25 Revenue and Capital Budgets were approved at the September meeting of the Policy and Resources Committee.

2.3 The Budget Framework provided details of the background to the budget setting process, linked to the MTFP, and set out the key principles to be applied and the budget setting methodology that would be used for the setting of the 2024/25 Revenue and Capital Budgets.

2.4 The Budget Timetable provided the timeframe for the setting of the budgets and the reporting of the draft budget to the various Committees and Working Groups of the Council.

2.5 Officers have subsequently been working on the development of the draft 2024/25 Revenue and Capital Budgets for each Committee and the draft budgets have now been agreed by senior officers at a Performance Management Group Meeting, and at a meeting of the Chairmen and Vice Chairmen of the Committees and political group spokespeople, the papers for which were distributed to all Council Members for information.

2.6 The draft 2024/25 Capital Programme Budgets have also been reported to and agreed at the meeting of the Asset Management Member Working Group.

2.7 The draft 2024/25 Environment Revenue and Capital Budgets are set out in this report and the attached appendices for Members' consideration.

3.0 Current Financial Situation / Medium-Term Financial Plan

- 3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in September and reviewed the ongoing impact of the current economic difficulties and cost of living crisis on the Council's finances and budgets.
- 3.2 A reminder of the key issues relating to the 2024/25 budget setting process are set out in this section of the report.
- 3.3 The MTFP highlighted that the Council continues to face a challenging financial situation both at the present time and looking ahead to next year and the medium-term.
- 3.4 The difficult financial situation continues to create unbudgeted financial pressures, and this will mean that the setting of the 2024/25 Revenue and Capital Budgets 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 £50,000 unbudgeted staffing costs in 2023/24;
 - The further impact of the 2024/25 Local Government Pay Settlement, which is currently unknown.
 - The proposed reduction to the Local Council Tax Reduction Scheme (LCTRS) Grant by Durham County Council.
 - Significant capital investment commitments linked to the Council's many assets which will mean that balances and reserves will fall significantly over the next few years if and when these commitments are funded.
- 3.5 However, there have been some positive budget developments and some of these financial challenges will be offset by the reductions in gas and electricity costs, increases in investment income, the changes in VAT rules in relation to leisure services and increases in income at both the sports complex and pre-school.
- 3.6 The draft 2024/25 Revenue and Capital Budgets have been developed in line with the five key principles from the Medium-Term Financial Plan which are:-
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service.
 2. Identifying and delivering efficiency savings where possible.
 3. Delivery of the Asset Management Plan via the Capital Programme Budgets.
 4. Safeguarding a prudent level of balances and reserves.
 5. Implementing an increase in council tax that finds a balance between the cost-of-living difficulties being faced by local taxpayers, dealing with the budget pressures faced by the Council in terms of pay awards, inflation and capital investment requirements, and the need to maintain services valued by the local community.

- 3.7 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 a healthy level of balances and reserves, although the current economic difficulties, cost-of-living crisis and the proposed reduction of the LCTRS grant continue to have an adverse impact on the Revenue and Capital Budgets.
- 3.8 Members will be aware that gas and electricity supplies are procured on the Council's behalf by Durham County Council Energy Management Team who have provided projected budget figures for 2024/25. Costs have significantly reduced compared to the highs of 2022/23 and the budgeted cost in the current year. However, it must be stressed that they will not return to the pre-cost-of-living crisis levels.
- 3.9 Despite the fall in the headline rate of inflation, with the Consumer Price Index currently at 6.7%, there continues to be significant increases in some costs incurred by the Council, with insurance premiums anticipated to increase in the region of 11% and some day-to-day supply and service costs and capital works still very high.
- 3.10 A general inflationary increase of 7% has been included in the draft Revenue Budgets but only for those areas where increases in costs cannot be avoided and where costs have increased at a higher level than the prevailing inflationary rate.
- 3.11 The draft Revenue Budgets will be updated to take into account feedback from members at this round of meetings and then later in the year if there are any changes that are required prior to the budget being finalised and approved in January 2024.
- 3.12 In relation to the 2024/25 Capital Programme Budget, the Medium-Term Financial Plan highlights a risk that the Council faces some potentially 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 deterioration in the level of the Council's balances and reserves.
- 3.13 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council reserves.
- 3.14 The 2024/25 Capital Programme Budget has therefore been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 3.15 As part of the 2023/24 budget setting process a review of the Capital Budget took place with a view to reducing capital spending and protecting balances, and a similar review of the 2024/25 Capital Budget will need to be undertaken as part of this budget setting process.

4.0 Draft 2024/25 Environment Revenue Budgets

- 4.1 The detailed draft 2024/25 Environment Revenue Budgets are attached at **Appendix 1** for Members' consideration.
- 4.2 Members will note that the attached draft budget figures include the actual outturn figures for the last two financial years; 2021/22 and 2022/23.
- 4.3 The prior year income and expenditure figures are included in order to enable Members to take actual spending and income figures into account, in their consideration of the draft 2024/25 budget proposals.
- 4.4 A summary of the draft 2024/25 Environment Revenue Budgets is shown below:-

Budget 2023/24 £	Environment Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2024/25 £
99,850	Environment	1,050	-	-	100,900
11,350	Street Equipment	50	-	(700)	10,700
34,950	Cemeteries	200	-	(5,550)	29,600
22,950	Allotments	-	-	(1,250)	21,700
9,700	Church Works	1,100	-	-	10,800
178,800	Total Budget	2,400	-	(7,500)	173,700

- 4.5 The draft 2024/25 Environment Committee Revenue Budget shows a reduction of £5,100 or 2.85% to £173,700.
- 4.6 Unavoidable inflationary increases in costs and lower than expected income from the church for grounds maintenance at St Andrews Church have added £2,400 or 1.3% to the budget. However, these increases have been offset by savings on gas and electricity costs and increased cemeteries and allotments income totalling £7,500 or 4.2%.
- 4.7 In relation to gas and electricity costs, officers are working closely with colleagues from Durham County Council to monitor the reductions in gas and electricity costs, and the draft budget includes the latest projections provided. Further updates will be sought prior to the final 2024/25 Revenue Budget being finalised and presented to Council for approval in January.
- 4.8 The impact of the national economic situation and rate of inflation may result in further changes to expenditure budgets, and these will need to be monitored and factored into the final 2024/25 Revenue Budget ahead of the setting of the Precept in January.

4.9 No discretionary additional or new investment in services in the Environment Budgets has been provided for in light of the current financial situation being faced by the Council. This is in order to balance the 2024/25 Revenue Budget and restrict the Council Tax increase.

4.10 A summary of the main changes in respect of each individual environment budget area is detailed on the following pages.

4.11 **Environment and Open Spaces**

This budget has increased by £1,050 to a net running cost of £100,900. This increase is as a result of inflationary increases in running costs such as business rates, water and insurance.

4.12 **Street Equipment**

This budget has reduced by £650 to a total running cost of £10,700 as a result of reduced electricity costs.

4.13 **Cemeteries**

This budget has reduced by £5,350 to £29,600 largely as a result of reductions in gas and electricity costs and increases in income for burial fees and purchases.

4.14 **Church Works**

This budget reflects the time spent by works staff undertaking grounds maintenance works at St Clare's Church and St Andrew's Church, as well as providing for income from any burials at St Andrew's Church and income from the church for grounds maintenance. The budget has increased by £1,100 to £10,800 to reflect the lower-than-expected income in relation to the recharge to the church.

4.15 **Allotments**

This budget has reduced by £1,250 reflecting in the main the previously agreed increases in allotments rents which will be implemented in January 2024.

4.16 **Environment Fees and Charges**

The Environment Revenue Budget has assumed a 5% increase in fees and charges for cemeteries in 2024/25 and the aforementioned increase in allotments rents which are set a year in advance in accordance with allotments law.

However, fees and charges will be considered separately at a Special Meeting of the Policy and Resources Committee, and, if any increases are agreed over and above 5%, then this would generate additional resources which could then be added to the income budgets, if required later in the year, to help balance the Revenue Budget.

5.0 Draft 2024/25 Environment Capital Programme Budgets

- 5.1 In relation to the 2024/25 Capital Programme Budget, the Medium-Term Financial Plan highlighted a risk that the Council faces some potentially 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 deterioration in the level of the Council's balances and reserves over the medium term.
- 5.2 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances, and the 2024/25 Capital Programme Budget has been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 5.3 As part of the 2023/24 budget setting process a review of the Capital Budget took place with a view to reducing capital spending and protecting balances, and a similar review of the 2024/25 Capital Budget will need to be undertaken as part of this budget setting process.
- 5.4 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those essential projects that contribute towards the delivery of the Asset Management Plan, such as building works, vehicle and machine replacement, footpath repairs and play area safety surfacing replacement.
- 5.5 The draft 2024/25 Environment Capital Programme Budget is attached at **Appendix 2** and currently stands at **£59,000**.
- 5.6 The budget includes all of the capital projects included in the Medium-Term Financial Plan and Asset Management Plan. Officers have undertaken a review of the projects and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.
- 5.7 A list and description of the projects making up the draft 2023/24 Environment Capital Budget is detailed below, including the officers' recommendations:-

Woodland Burial Site £11,500

This budget provides for the first phase of the development of the woodland burial site including planning approval and drawings at £1,500 and fencing at £10,000. Members views on the progress of this project are requested. It is currently shown under the provisional sum heading having previously been deferred in 2023/24.

West Cemetery £10,000

This budget provides £5,000 for replacement shutters in the West Cemetery building. These are currently in good working order and it is therefore the officers recommendation that this element of the budget is deferred to a future year. The remaining £5,000 is identified for the refurbishment of the public toilets which are now required, and it has been recommended that this budget is included as essential work.

Aycliffe Village Allotments Fence £10,000

This budget provides for the replacement of the fencing at Aycliffe Village allotments site. The replacement of the fence is not deemed to be essential and was previously deferred from 2023/24 and is currently shown under the provisional sum heading. Members views on the progression of this project are sought.

Footpath Repairs £15,000

This budget provides for the ongoing programme of repairs to Council owned footpaths, car parks and access roads. This budget is used to fund a prioritised programme of essential repairs and it has therefore been recommended that this budget be included as essential work.

Bus Shelter Repairs £2,500

This is an annual budget provision provides for the ongoing repair of the Council's bus shelters, on a prioritised programme of works, and it is recommended that this budget be included as essential work.

Ash Dieback Disease Works £10,000

This budget provides for the ongoing programme of works to remove and replace trees affected by Ash Dieback Disease across the Parish and it is recommended that this budget be included as essential work.

- 5.8 Members are asked to consider the proposed 2024/25 Environment Capital Programme Budget and confirm which projects should go ahead as essential, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.

6.0 Budget Timetable

- 6.1 The remaining timetable for the setting of the 2024/25 Revenue and Capital Budgets is summarised below:-

- **25th October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **Mid November:** 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.

7.0 Policy Implications

7.1 The consideration of the 2024/25 draft Environment Revenue and Capital Budgets contributes towards the achievement of Strategic Aim 2 in the Council's Service Delivery Plan:

"To manage the Council's finances and assets in a responsible manner".

8.0 Staffing Implications

8.1 The draft budget proposals set out in this report were prepared in consultation with and agreed by the relevant service managers.

9.0 Financial Implications

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

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental, Biodiversity and Climate Change Implications

12.1 No direct implications.

13.0 Risk Assessment

13.1 A full risk assessment will be included in respect of the setting of the Council's 2024/25 Revenue and Capital Budget, at the final stage of the budget setting process, when the Council determines and approves the 2024/25 Precept in January 2024.

14.0 General Data Protection Regulations (GDPR)

14.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

15.0 Recommendations

15.1 It is recommended that Members:-

- a) Receive the report;
- b) Consider and agree the draft 2024/25 Environment Revenue Budget and feedback any proposed amendments to officers;
- c) Consider the draft 2024/25 Environment Capital Programme Budget and confirm which projects should go ahead as essential works, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.