

2024/25 DRAFT POLICY AND RESOURCES BUDGETS

AGENDA ITEM NO. 12

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 25TH 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 Policy and Resources 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 Policy and Resources 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, and 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 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 and dealing with the budget pressures faced by the Council in terms of pay awards, inflation, 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 continue to have an adverse impact on the Revenue and Capital Budgets.
- 3.8 In relation to staffing costs, the administration, finance, corporate, pre-school and works staffing budgets have been based on the latest approved staffing structure of the Council, with the assumption of the local government pay award in the current year will increase each spinal point by £1,925 (pro rata for part time employees). This is based on this final pay offer from the Local Government Employers. A further 5% local government pay increase has been assumed for the 2024/25 financial year. Any specific requirements identified by service managers e.g. changes to staff cover requirements and overtime provision, have also been incorporated in the budgets
- 3.9 In relation to energy costs, 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.
- 3.10 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.
- 3.11 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.
- 3.12 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.
- 3.13 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.
- 3.14 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.
- 3.15 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.

3.16 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 Policy and Resources Revenue Budgets

4.1 The detailed draft 2024/25 Policy and Resources 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 Policy and Resources Revenue Budgets is shown below:-

Budget 2023/24 £	Policy and Resources Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2024/25 £
69,550	Members and Civic	650	-	(50)	70,150
101,550	Finance Section	7,650	-	(5,600)	103,600
76,600	Administration Section	11,650	-	(3,950)	84,300
271,750	Corporate Services	22,000	-	(2,300)	291,450
64,800	Pre Schools	29,350	-	(35,350)	58,800
292,650	Works Department	65,600	-	(16,700)	341,550
36,300	Depot	3,100	-	(2,050)	37,350
3,050	Capital Financing	950	-	(13,550)	(9,550)
916,250	Total Budget	140,950	-	(79,550)	977,650

4.5 The draft 2024/25 Policy and Resources Committee Revenue Budget shows an increase £61,400 or 6.7% to £977,650.

4.6 Pay awards, inflation, and unavoidable increases in costs have added £140,950 or 15.4% to the budget. This has been partially offset by £79,550 or 8.7% from reductions in expenditure and increased pre-school income.

4.7 The largest increases have been in relation to staffing costs as a significant proportion of the staff of the Council are accounted for under the Policy and Resources Committee Revenue Budgets. Staffing costs are due to increase by around £101,000.

- 4.8 This includes provision for the unbudgeted costs of the higher-than-expected 2023/24 pay offer, provision for a forecast 5% staff pay award in 2024/25, salary increments, and staff joining the pension scheme, offset partially by the lower than anticipated increase in employer's pension contributions.
- 4.9 Provision has also been made, only where absolutely unavoidable, for a number of inflationary increases on running costs. A general inflationary increase of 7% has also been included in the draft budget for those areas where increases in costs cannot be avoided. These include service agreements, business rates, water and machine rentals. All other budgets have been frozen at existing levels with an expectation that inflationary increases will be absorbed, although this is becoming more difficult with budgets now being so stripped back.
- 4.10 One area of expenditure where there has been continued high inflationary pressure is insurance premiums. The Council is in the second year of a three-year long-term insurance arrangement which limits the increases in insurance premiums. However, due to the continuing volatility in the market and the impact of the economic difficulties, officers have been advised that insurance premiums are still likely to increase above inflation next year. The revenue budgets provide for increases in the region of 11%.
- 4.11 In relation to gas and electricity costs, prices have significantly reduced compared to the highs of 2022/23 and the budgeted cost in the current year. Officers are working closely with colleagues from Durham County Council to monitor the reduction in gas and electricity budgets, 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.
- 4.12 Increases in pre-school income have been included in the draft budget in line with increased funding rates and attendance levels.
- 4.13 The impact of the national economic situation 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.
- 4.14 No discretionary additional or new investment in services in the Recreation Budgets has been provided for in light of the current financial situation being faced by the Council. This is in order to help balance the 2024/25 Revenue Budget and restrict the Council Tax.
- 4.15 A summary of the main changes in respect of each individual budget is detailed on the following pages.

4.16 **Members and Civic**

This budget has remained largely unchanged at £70,150.

All budgets have been frozen at current levels with the exception of member related insurances and the Remembrance Day Budget which forms part of the Civic Functions Budget. This has been increased by £500 to reflect the additional costs associated with traffic management at this event.

4.17 **Finance Service**

This budget shows an increase of £2,050 to a net running cost of £103,600.

Additional budget provision has been made for increases in staffing costs including the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2024/25 and an increase in staff related insurances. These increases have been partly offset by the reduction in internal audit costs following the change in internal audit arrangements and from the saving in employer's pension contributions.

4.18 **Administration Section and Council Offices**

This budget shows an increase of £7,700 to a net running cost of £84,300.

Additional budget provision has been made for increases in staffing costs including the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2024/25 offset partly from the saving in employer's pension contributions.

Provision has also been made for increases in premises running costs including water, business rates and insurance. As well as increases in service agreements, equipment rental and maintenance costs and subscriptions.

These increases have been partly offset by the projected reductions in gas and electricity costs.

4.19 **Corporate Services**

This budget shows an increase of £19,700 to a net running cost of £291,450.

Additional budget provision has been made for increases in staffing costs including the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2024/25, offset partly from the saving in employer's pension contributions.

Provision has also been made for increases in running costs including business rates, insurances, consultancy fees, CCTV running costs, external audit fees, and increased information technology costs following the installation of the replacement server and move to the cloud.

4.20 **St Oswald's Pre Schools**

This budget shows a reduction of £6,000 to a net running cost of £58,800.

Additional budget provision has been made for increases in staffing costs including the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2024/25, salary increments, and additional holiday entitlement, offset partly from the saving in employer's pension contributions.

Provision has also been made for inflationary increases in premises running costs including water and insurance. Other unavoidable increases include service agreements, cleaning materials and food and sundries.

These increases have been partly offset by the reduction in gas and electricity costs.

There has also been a significant increase to the pre-school income budgets as a result of increased funding rates.

Attendance rates have remained at 75% which is in line with the projected attendance figures by the Pre-School Manager based on current age profile and attendance. This target represents 30 children at the main setting and 9 children at the two-year-old setting.

The fees and charges budget has also been increased in line with actual income.

4.21 **Works Department**

This budget has increased by £48,900 to a net running cost of £341,550.

Additional budget provision has been made for an increase in staffing costs of £62,800 including the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2024/25, and staff increments, although these costs have been partially offset by savings of £14,700 from adjustments to the staffing structure following the retirement of the tractor driver, and from the saving in employer's pension contributions.

Provision has also been made for increases in vehicle repair costs, protective clothing and insurance costs

These increases have been partly offset by reductions in vehicle fuel costs from the highs seen last year.

4.22 **Depot**

This budget has increased by £1,050 to a net running cost of £37,350. This increase is almost entirely due to inflationary increases in premises running costs including, business rates and insurance, as well as an increase in service agreement costs. These have been partly offset by the projected reduction in electricity costs.

4.23 Capital Financing Charges

This budget has reduced significantly by £12,600 to net surplus of £9,550 as a result of the substantial increase in investment income following the continued increases to the Bank of England base rate. This has been offset slightly by increases in card charges due to increased payments being made by card at the Sports and Golf Complex.

4.24 Policy and Resources Fees and Charges

The Policy and Resources Revenue Budget does not, as yet provide for any increases in the fees and charges for the pre-school in 2024/25.

Fees and charges will be considered separately at a Special Meeting of the Policy and Resources Committee, and, if any increases are agreed, 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 Policy and Resources Capital 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 2023/24 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 be undertaken as part of the 2024/25 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 Policy and Resources Capital Programme Budget is attached at **Appendix 2** and currently stands at **£204,750**.
- 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 The budget includes provision for the following projects:-

Council Offices Building Works	£41,000
Depot Tank Cleaning	£1,250
Pre-Schools Window, Doors and Decoration	£13,000
Council Buildings Roofing Surveys	£10,000
Council Buildings Felt Roof Surveys	£1,000
Park Patrol Vehicle	£18,000
Works Machinery Electrical Alternatives	£5,000
Works Ride on Mower	£45,000
Works Tractor Replacement	£57,000
Computer Replacements	£5,500
Website Development	£2,500
Photocopier Replacement	£5,500
Total Policy and Resources Capital Programme	£204,750

5.8 A list and description of the projects making up the draft 2024/25 Policy and Resources Committee Capital Budget is detailed below, including the officers' recommendations:-

Council Offices Building Works £41,000

This budget provides for a number of building related works to the Council Offices including replacement windows, carpet and blind replacement, redecoration, alarms, and installation of electric vehicle charging points. It has been recommended that the budget for the carpet and blind replacement is retained as essential work, the budget for alarms works is retained as a provisional sum, the redecoration and windows are deferred to a future year as non-essential works, and the installation of electric vehicle charging points is deleted with any installation undertaken via external funding streams.

Depot Separation Tank Cleaning £1,250

This budget provides for the cleaning of the separation tanks. It has been recommended that the budget is retained as an essential sum as it was deferred during the 2023/24 budget setting process.

Pre-School Windows, Doors and Redecoration £13,000

This budget provides for a number of building related works to the pre-schools including replacement windows and doors and redecoration. It has been recommended that these projects are included as essential works as they were deferred during the 2023/24 budget setting process.

Roofing Surveys £10,000

This budget provides for the periodic survey of the council building roofs to inform the Asset Management Plan of any roofing work that is required. This was last undertaken ten years ago. It is recommended that this budget is included as essential work.

Felt Roof Inspections £1,000

This is a new annual budget allocation to enable an inspection of those council buildings with felt roofs as required by the Council's insurer. It is recommended that this budget is included as essential work.

Park Patrol Vehicle £18,000

This budget provides for the replacement of a park patrol vehicle. It has been recommended that this budget is included as essential investment as the vehicle is coming to the end of its useful life.

Replacement Works Electrical Machinery £5,000

This budget provides for the ongoing replacement of works machinery with electrical alternatives. This would include small petrol and diesel-powered hand mowers, strimmers and chainsaws. It has been recommended that the budget is included as essential to be used when it is necessary to replace machines at the end of their useful life.

Replacement Works Ride on Mower £45,000

This budget provides for the replacement of a works ride on mower. It is recommended that this is deferred to 2025/26 as replacement is not considered essential at this stage.

Replacement Tractor £57,000

This budget provides for the replacement of a works tractor. It has been recommended that this project is deferred to 2025/26 as replacement is not considered essential at this stage.

Computer Replacements £5,500

This budget provides for the replacement of computers and laptops as part of the Council's rolling programme of computer upgrades. It has been recommended that this budget is included as essential investment to be spent on upgrades and replacements as required.

Website Development £2,500

This annual budget provides for the on-going development of the Council website, including accessibility improvements. It has been recommended that this budget is included as essential investment to be spent on any required updates next year.

Photocopier Replacement £5,500

This budget provides for the replacement of the second office photocopier. It is recommended that it is retained as a provisional sum to be spent only if required as the other photocopier is due to be replaced this year.

- 5.9 Members are asked to consider the proposed 2024/25 Policy and Resources Capital Programme Budget and confirm which projects should go ahead as essential or 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 Budgets is summarised below:-

- **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 Policy and Resources 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 Policy and Resources Committee Revenue Budget and feedback any proposed amendments to officers;
 - c) Consider the draft 2024/25 Policy and Resources 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.