

2024/25 DRAFT RECREATION REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 13

MEETING: RECREATION 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 Recreation 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 Recreation 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 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 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 In relation to staffing costs, the events, sports and golf complex 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 Recreation Revenue Budgets

4.1 The detailed draft 2023/24 Recreation 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 Recreation Revenue Budgets is shown below:-

Budget 2023/24 £	Recreation Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2024/25 £
217,050	Community Events	6,200	-	(250)	223,000
411,950	Sports Complex	95,450	-	(140,400)	367,000
16,250	Sports Pitches	450	-	(2,550)	14,150
72,200	Golf Course	28,450	-	(650)	100,000
4,100	Driving Range	11,550	-	(27,800)	(12,150)
214,050	Parks and Play Areas	950	-	(1,400)	213,600
935,600	Total Budget	143,050	-	(173,050)	905,600

4.5 The draft 2024/25 Recreation Committee Revenue Budget shows a reduction of £30,000 or 3.2% to £905,600.

4.6 Pay awards, inflation, unavoidable increases in costs, and falls in income have added £143,050 or 15% to the budget. However, these budget increases have been more than offset by reductions in gas and electricity costs and increased income which total £173,050 or 18%.

4.7 In relation to events, sports and golf complex staffing costs provision has been made for the unbudgeted costs of the higher-than-expected 2023/24 pay offer, a further forecast 5% staff pay award in 2024/25 and a number of eligible staff joining the pension scheme, offset partially by the lower than anticipated increase in employers pension contributions. This has added in the region of £56,400 to the events, sports complex and golf complex staffing budgets.

4.8 Provision has also been made, only where absolutely unavoidable, for a number of inflationary increases in 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.

- 4.9 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%.
- 4.10 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. Gas and electricity costs reductions across the Recreation Committee Revenue Budgets amount to around £49,300. 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.
- 4.11 Increases in income at the sports complex, sports pitches and driving range have been included in the draft budget in line with current year trends, and have resulted in a substantial increase in these income budgets the region of £120,500. Associated expenditure budgets at the sports complex (bar and catering stocks) have been increased in line with the projected increases in income. The income budgets at the Sports Complex and Golf Complex also take into account the changes in VAT on leisure services.
- 4.12 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.
- 4.13 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.
- 4.14 A summary of the main changes in respect of each individual budget is detailed on the following pages.

4.15 **Events**

The Events Budget shows an increase of £5,950 to £223,000.

This increase provides for the unbudgeted costs of the higher-than-expected 2023/24 pay offer, as well as an assumed 5% staff pay award in 2023/24, although these costs have been offset partly from the saving in employers pension contributions.

Whilst the provision for most events have been frozen at existing levels, the Fun in the Parks and Fireworks Display Budgets have been increased in line with inflation to ensure the Council is able to continue to provide these valued events

at current levels, while there have also been increases in events insurance costs.

A small PPE budget has also been established to enable the purchase of appropriate PPE for staff working on the events.

4.16 Sports Complex

In overall terms, the Sports Complex Budget shows a reduction of £44,950 or 11% to a net running cost of £367,000.

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 2023/24, partly offset from a small saving in employers pension contributions.

There have also been some unavoidable inflationary increases in running costs, including business rates, service agreements, machine rentals, water and insurance costs, but these have been more than offset by substantial projected reductions in gas and electricity costs.

Other increases include higher spending on bar and catering supplies, vending stocks and gaming machine rentals in line with the projected increases in sales and income.

The sports complex income budgets have increased significantly by £92,000 to £554,400. This is due to a number of reasons including:-

- Increased sports income due to the change in VAT rules;
- Significant increases in bar and catering income linked to the increased footfall and price increases;
- Significant increases in gaming machine income linked to the increased footfall;
- Increases in confectionary and hot beverages income;
- Increases in function room and sports hall hire income due to increased usage and a number of new events.

This has all combined to result in a reduction in the overall net running cost of the facility of 11%, which is a very positive achievement in these challenging times.

4.17 Sports Pitches

This budget shows a reduction of £2,100 to a net running cost of £14,150.

This is largely as a result of reduced electricity costs and increased pitch hire income as a result of an increased number of teams using the pitches and an assumed 5% increase in fees.

4.18 Golf Course

This budget shows an increase £27,800 or 38.5% to a net running cost of £100,000.

Additional budget provision has been made for increases in staffing costs including the unbudgeted costs of the higher-than-expected 2022/23 pay offer,

as well as an assumed 5% staff pay award in 2023/24, partly offset from a small saving in employers pension contributions.

There have also been some unavoidable inflationary increases in running costs, including, water, insurance, subcontractor fees and business rates.

Income budgets have also been reduced reflecting the falls in membership numbers over the last couple of years and the reduction in green fee and buggy hire income in the current year.

These reductions in income are potentially as a result of the very wet start to the year following on from an extraordinarily wet winter and then an exceptionally wet summer. In addition to this, the cost-of-living crisis and the limitations on consumer spending power may have had an impact.

A Service Review of the Golf Course will take place next year with a view to addressing these falls in income.

4.19 Driving Range and Golf Shop

This budget has reduced by £16,250 to a net surplus of £12,150.

There have been some increases in running costs including water, insurance, service contracts and business rates although these have been offset by reductions in gas and electricity costs and a small saving on the building maintenance budget.

The main reason for the reduction in the overall budget is a significant increase in driving range income and golf shop sales.

The generation of a surplus of income over expenditure is a very positive achievement in these challenging times.

4.20 Parks and Play Areas

This budget has remained largely unchanged at a total running cost of £213,600 with inflationary increases in running costs offset by a reduction in gas and electricity costs.

4.21 Recreation Fees and Charges

The 2024/25 Draft Recreation Revenue Budget has assumed a 5% increase in fees and charges for sports pitches.

No other increases relating to fees and charges are yet built into the other Recreation Budgets, namely the sports complex, golf course and driving range.

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 2024/25 Draft Recreation 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 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 proposed 2024/25 Recreation Capital Programme Budget is attached at **Appendix 2** and currently stands at **£69,700**.

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:-

- Replacement Festive Lighting	£2,500
- Replacement Goal Post	£1,000
- Play Area Surfacing Replacement	£25,000
- Driving Range Bay Dividers	£2,500
- Golf Complex Changing Room Refurbishment and lights	£6,200
- Golf Course Irrigation System Repairs	£2,500
- Golf Course Improvement Works	£2,500
- Replacement Golf Buggies	£15,000
- Sports Complex Drainage Works	£5,500
- Sports Complex Scheduled Bar Lift Works	£1,500
- Sports Complex Replacement CCTV	£5,500
Total 2024/25 Draft Recreation Capital Programme	£69,700

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

Replacement Festive Lighting £2,500

This is an annual budget provision which provides for the replacement of the Council's festive lighting on a rolling programme over the coming years. It has been recommended that this budget is included in the budget as essential to be utilised as required.

Replacement Goal Posts £1,000

This is an ongoing budget every two years which provides for the replacement of the Council's goal posts. It is recommended that this budget is included in the budget as essential to be utilised in 2024/25.

Play Area Surfacing Replacement £25,000

This is an annual budget provision which provides for a rolling programme of replacement of safety surfacing across all of the Council's play areas. It has been recommended that this budget is included as essential to be spent on any required replacements next year.

Driving Range Bay Dividers Replacement £2,500

This provides for the replacement of the driving range bay dividers if considered to be worn and in need of replacement. The replacement of the bay dividers has not been deemed essential at the present time and it has therefore been recommended that this project is deferred to a future year.

Golf Shop Changing Rooms £6,200

A total of £5,000 has been identified for refurbishment of the toilet and showers at the Golf Complex, but the refurbishment has not been deemed as essential at the present time and it has therefore been recommended that this project is deferred to a future year. In addition to this £1,200 has been identified to replace the lighting with LED lights. The majority of the lights have now been replaced, and it is therefore recommended that this budget is deleted as the remaining lighting can be replaced from the revenue maintenance budget.

Golf Irrigation Repairs £2,500

This is an annual budget provision which provides for the ongoing repair of the Golf Course irrigation system on a rolling programme over the coming years. It has been recommended that this budget is included as a provisional sum to be utilised only in the event of a repair being required to the irrigation system.

Golf Course Improvement Works £2,500

This is an ongoing budget every two years which provides for the ongoing ditch clearance works on the golf course to help with drainage, it is therefore recommended that this budget is retained as essential.

Golf Buggy Replacements £15,000

This budget provides for replacement of the remaining three golf buggies. There are currently six buggies available for hire on the golf course. When the buggies are in use, normally there are a maximum of three on the golf course. This budget is therefore not deemed as essential it is therefore recommended that the budget is deferred to a future year.

Sports Complex Drainage Repairs £5,500

This budget provides resources to deal with ongoing repairs and works relating to the drainage system at the sports complex, if required. It has been recommended that this budget is included as a provisional sum to be utilised only in the event of drainage works being required.

Sports Complex Bar Service Lift £1,500

This budget provides for the periodic replacement the ropes on the bar service lift which are due for replacement. It has been recommended that this budget is retained in the budget as an essential sum for the works to be undertaken.

Sports Complex CCTV System £5,500

This budget provides for a replacement internal CCTV system as the existing system is old and dated. Recent visits by the local policing team has reinforced the need for an updated system. It is therefore recommended that this project goes ahead in 2024/25.

- 5.9 Members are asked to consider the proposed 2024/25 Recreation 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 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 Recreation 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 Recreation Revenue Budget and feedback any proposed amendments to officers;
- c) Consider the draft 2024/25 Recreation 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.