

# 2020/21 REVENUE AND CAPITAL BUDGET APPROVAL

## AGENDA ITEM No. 11

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**MEETING:** POLICY AND RESOURCES

**DATE:** 22<sup>ND</sup> JANUARY 2020

**REPORT BY:** FINANCE MANAGER

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### **1.0 Purpose of the Report**

- 1.1 The purpose of this report is to seek approval from Members for the Council's 2020/21 Revenue and Capital Budget.
- 1.2 The approval of the 2020/21 Revenue and Capital Budget at this meeting will enable the 2020/21 Precept and Town Council Tax to be set at the Council meeting next week.

### **2.0 Background to the Report**

- 2.1 Members considered and approved the draft Revenue and Capital Budget at the meetings of the Recreation and Environment Committees on 16<sup>th</sup> October 2019 and the Policy and Resources Committee on 23<sup>rd</sup> October 2019.
- 2.2 These reports provided the background to and the detail behind the initial development of the 2020/21 Revenue and Capital Budget.
- 2.3 A reminder of the key issues from the consideration and approval of the draft 2020/21 Revenue and Capital Budget is set out in the following section of the report for Members' information.

### **3.0 2020/21 Draft Revenue and Capital Budget**

- 3.1 The draft 2020/21 Revenue and Capital Budget was developed against the backdrop of an improvement in the Council's financial situation..
- 3.2 Whilst in the medium term the Council faces some difficult budget challenges, including potentially significant increases in staff pay costs linked to the National Living Wage, and potentially substantial capital investment commitments, it is currently in a strong financial position with a balanced Revenue Budget, delivery of savings in the current financial year, increasing levels of balances and reserves, and council tax base growth from new housing development in the Parish.
- 3.3 As such, the Council will not need to make any reductions to services next year, and the draft 2020/21 Revenue Budget was developed in a way that will ensure all services can continue to be provided to current standards next year.

- 3.4 The budget also made provision for additional investment in new and improved community events next year, and the required changes to the Council's staffing structure to help facilitate this, whilst maintaining surplus resources within the budget to support the ongoing replenishment of balances and reserves.
- 3.5 A 2.25% increase to the Town Council Tax was provisionally agreed by the Council in approving the draft 2020/21 Revenue Budget. This would increase the Town Council Tax at Valuation Band A by £3.67 per year from £163.06 to £166.73.
- 3.6 With regards to the draft 2020/21 Capital Programme Budget, it was agreed that capital investment would continue to be closely scrutinised and controlled to protect the Council's balances and reserves moving forward, and as such only essential capital investment linked to the Asset Management Plan, was included.
- 3.7 A draft 2020/21 Capital Programme Budget totalling £269,500 was subsequently approved.
- 3.8 Members will recall that it was stressed at the time the draft budget was approved, that the budget proposals were subject to change in relation to a number of ongoing issues and possible future developments.
- 3.9 These issues included the outcome of the General Election, the final notification of the Council Tax Support Grant and Council Tax Base figures by Durham County Council, and the outcome of the local government pay negotiations.
- 3.10 It was highlighted that the Council would need to respond to the latest situation in relation to these issues, as well as any other unforeseen developments, prior to the final budgets being approved and the Precept being set in January.
- 3.11 The following sections of this report will therefore concentrate upon the outcome or latest situation in relation to these outstanding issues and any other new developments since the draft budgets were approved and highlight how these have impacted upon the final 2020/21 Revenue and Capital Budget proposals and the required increase in the Town Council Tax for next year.

#### **4.0 Final 2020/21 Revenue Budget Proposals**

- 4.1 The draft 2020/21 Revenue Budget proposals, as reported to the October cycle of Committee meetings, included detailed commentary on the key budget changes relating to each individual service revenue budget, and it is not intended to repeat any of this information.
- 4.2 This report will concentrate instead on the outcome of the various outstanding issues, as well as any new developments since the draft budget was approved, and the changes that have subsequently needed to be made to the draft Revenue Budget.

- 4.3 The final 2020/21 Revenue Budget has been updated to take into account the financial impact of the following issues:-
- Final notification of the Council Tax Support Grant figure for 2020/21 from Durham County Council;
  - Final notification of the 2020/21 Council Tax Base figure from Durham County Council;
  - The latest situation in the relation to the local government pay negotiations for 2020/21, incorporating the increases announced by the government in relation to the National Living Wage;
  - The outcome of the triennial County Durham Local Government Pension Fund valuation and its impact on employers' pension contributions rates for 2020/21 onwards;
  - Further staffing structure changes within the central establishment linked to the future management of leisure and events;
  - The approved decision by the Council to defer any decision on the implementation of a system of paper light meetings until after the next Town Council Elections;
  - Any other approved changes agreed by the Council following the consideration of the draft budgets at the October meetings;
  - Consideration of any feedback received from individual Members following those meetings;
  - Consideration of feedback from the local community in response to Town Council Satisfaction Survey and budget consultation;
  - Adjustments to the budget figures to take account of the latest income and expenditure projections for the current financial year;
  - Adjustments to budget figures to take account of any other new developments; and
  - Any new or changed capital programme budget proposals.
- 4.4 The outcome and final impact of each of the above issues is provided in the following section of the report.

#### **Council Tax Support Grant and Council Tax Base**

- 4.5 The final Council Tax Support Grant and Council Tax Base figures were confirmed by Durham County Council in November. A copy of the letter received from the County Council is attached at **Appendix 1**.
- 4.6 The Council Tax Support Grant figure is better than originally notified at £165,036, an additional £6,692 when compared to the provisional figure included in the draft Revenue Budget.
- 4.7 This actually represents a year on year increase to the Council Tax Support Grant allocation, bringing an end to seven years of cuts to this funding, which have amounted to nearly £190,000 over this period.
- 4.8 The Council Tax Base figure has also increased, when compared to the provisionally notified figure, at 6,868 properties. This is an increase of 77 properties on last year, driven by new housing development.
- 4.9 Taken together, the better than expected Council Tax Support Grant settlement and increased Council Tax Base have generated an additional £13,250 in revenue. These resources have been utilised in balancing the final 2020/21 Revenue Budget.

## **2020/21 Local Government Pay Award and National Living Wage Increase**

- 4.10 The Local Government Pay Award has unfortunately yet to be agreed between the National Joint Council for Local Government Services (NJC) and the local government unions.
- 4.11 The 2019/20 pay agreement implemented a new Local Government Pay Scale with a starting hourly rate of £9.00 per hour and equal increments of 2% between pay grades. Now that this pay scale is established, it is likely that pay increases moving forward will be at a flat rate across the board rather than 'bottom loaded' as they have been in recent years.
- 4.12 The unions have made a claim for a 10% increase in pay for all local government staff.
- 4.13 However, this level of increase is very unlikely to be affordable for councils and an increase more in line with the 2% pay award last year is considered the most likely outcome.
- 4.14 A 2% increase has been provided for in the 2020/21 staffing budgets pending confirmation of the 2020/21 Local Government Pay Award.
- 4.15 If a higher pay award was subsequently agreed this would be funded via use of the contingency sum. Additional resources have been added to the contingency sum budget to provide for this possibility, and the proposed 2020/21 contingency sum of £16,250 would fund a pay increase next year of up to 3%.
- 4.16 The recent announcement by the Government that it will increase the National Living Wage to £8.72 in April 2020 will not have any impact on the final outcome of the 2020/21 pay negotiations as the lowest local government pay rate is currently higher than the increased National Living Wage rate at £9.00 per hour, and this is before any increase for 2020/21 is taken into account.
- 4.17 Looking further ahead, the new Conservative Government's manifesto commitment to increase the National Living Wage to £10.50 by 2024 is likely to result in significant compaction at the bottom end of the Local Government Pay Scale and erosion of differentials between the salary grades of jobs with differing levels of responsibility in the longer term.
- 4.18 This may well lead to a further review of the local government pay scale during the coming years and the possible need for individual councils to undertake job evaluation exercises to re-establish appropriate levels of remuneration and differentials between jobs of differing levels of responsibility, at a local level.
- 4.19 This is something that will need to be considered and factored in to the forthcoming update of the Council's Medium-Term Financial Plan, if and when further information is available from the National Joint Council for Local Government Services on the future of local government pay.

## **County Durham Local Government Pension Fund Valuation**

- 4.20 The 2019 actuarial valuation of the Durham County Pension Fund has recently been published and has set employers' pension contributions for the three years 2020/21 to 2022/23.
- 4.21 The Council's employers' pension contribution rate for this three-year period has reduced marginally from 19.1% to 18.9%, as a result of an improvement in fund performance and demographic factors.
- 4.22 The draft 2020/21 Revenue Budget had assumed an increase in the employers' pension contribution rate from 19.1% to 20.5% and the confirmation that rates will actually reduce marginally has freed up approximately £17,000 in the budget.

## **Staffing Structure Changes**

- 4.23 The recent resignation of the Events Officer and the lack of an appropriate reserve candidate due to the poor response to the job advertisement, has led the Council to undertake a further review of the staffing arrangements for leisure and events management.
- 4.24 A report to the Personnel Sub Committee on 14<sup>th</sup> January included a number of possible options, with the recommended course of action to appoint a Head of Leisure and Events, who would organise and manage all events in addition to overseeing the sports and golf complex facilities.
- 4.25 If agreed, the current Events Officer post would be deleted, and the savings used to part fund the additional costs of adding a new Head of Leisure and Events.
- 4.26 The net additional cost of £7,250 has been included in final 2020/21 Revenue Budget, pending agreement by the Council of the preferred course of action.

## **Paper Light Office and Governance**

- 4.27 The Council has recently agreed that the consideration of the feasibility of moving the Council to a 'paper light' system of governance and meetings should be deferred until after the next Town Council Elections.
- 4.28 The additional budget provision included within the information technology revenue budget for new software licences and staff and member training has therefore been removed. The capital budget provision for software and hardware requirements has been retained but will be put back until 2021/22 in the Medium-Term Financial Plan.
- 4.29 There have been some further savings in printing and stationery costs as the Council continues to move towards a more paper light office, and these reductions have been reflected in the Administration Section Revenue Budget.

## **Other Revenue Budget Changes**

- 4.30 There have been a number of other issues either considered or due to be considered by the Personnel Sub Committee since the draft budget was approved in October, some of which have an impact on the final Revenue Budget proposals.
- 4.31 These include the removal of salary bars for two officers, two requests for salary regrades, the employment of temporary summer staff in the Works Department to alleviate staff absence issues and work pressures, and the requested employment of an additional pre-school assistant (part-funded by Durham County Council) to assist in providing one to one support to children with special educational needs. The draft budgets have been adjusted, as necessary, to account for these changes.
- 4.32 There have been no other approved Committee decisions affecting the Revenue Budget and there have been no proposed amendments from Members of the Council following their consideration of the draft revenue budgets in October.
- 4.33 In relation to the Council Satisfaction Survey and the specific questions relating to the Council finances and 2020/21 budget setting within it, a large majority of respondents were in support of the Council's draft 2020/21 budget proposals. A number of comments and suggestions have been received, whilst there is also some useful feedback on priorities for investment and disinvestment which Members may wish to take into account in considering the final 2020/21 Revenue and Capital Budget proposals. Further details are set out in Section 8 of the report.
- 4.34 Finally, there were a number of amendments required to the draft 2020/21 Revenue Budget to take account of the latest income and expenditure projections for the current financial year, as reported in the 2019/20 Expected Outturn Report.
- 4.35 Budget changes include:-
- provision for staff joining the pension scheme;
  - increases to various budgets including service agreements, machine rentals, bar supplies, vehicle repairs, golf equipment maintenance, protective clothing and tree works in line with increased actual spending this year;
  - reductions to various budgets including members mileage claims, water and sewerage costs, cleaning materials and vehicle fuel in line with reduced actual spending this year;
  - an increase to the community enhancement awards budget to provide for prizes and an annual presentation evening;
  - an increase to the pre-school funding budget in line with improved attendance numbers and special educational needs funding;
  - an increase to the investment income budget in line with the increase in the Council's balances and reserves;
  - Adjustments to income budgets in line with actual income in the current year including sports complex bar and driving range takings which are up, and sports complex catering income, which is down.

### **Revenue Budget Contingency Sum**

- 4.36 In light of the savings freed up from the increases to the Council Tax Support Grant and Council Tax Base and the cut to the employers' pension contribution rate, and in order to provide for the possibility of a higher than budgeted local government pay award, an additional £6,250 has been added to the contingency sum budget.
- 4.37 There is now a total of £16,250 set aside in the contingency sum, which would provide sufficient resources to fund a pay award of up to 3%.

### **Council Tax Referendum Limit**

- 4.38 As Members are aware, the Government previously confirmed in the 2018/19 Local Government Finance Settlement that any consideration of the extension of council tax referendum principles to higher spending parish and town councils would be deferred for three years i.e. until the end of the 2020/21 year.
- 4.39 This decision is conditional upon *“the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for ‘invest to save’ projects which will lower ongoing costs”*, and the Government *“seeing clear evidence of restraint in the increases set by the sector as a whole”*.
- 4.40 Therefore, while the Council needs to be aware of the Government's call for restraint, it is free to increase the Town Council Tax, without any limit, in the 2020/21 financial year.

### **Overall Summary of the 2020/21 Revenue Budget**

- 4.41 **A full copy of the final 2020/21 Revenue Budget** broken down by each committee, and showing the individual budgets for each service area, **is attached at Appendix 2.**
- 4.42 In addition, **a detailed breakdown and explanation of the changes made to the Revenue Budget**, since the consideration and approval of the draft budgets in October, **is attached at Appendix 3.**
- 4.43 The final 2020/21 Revenue Budget set out in this report and the attached appendices is largely based on the previously approved draft 2020/21 Revenue Budget and the 2.25% increase in the Town Council Tax that was provisionally agreed by the Council in approving that budget, updated to take into account the various changes referred to in this section of the report.

4.44 A summary of the overall 2020/21 Revenue Budget is set out below:-

Budget 2019/20 £	Budget Description	Inflation and Committed Growth £	Investment in Services £	Savings and Increased Income £	Budget 2020/21 £
797,350	Policy and Resources	76,800	-	(77,900)	796,250
759,550	Recreation	49,100	68,250	(67,250)	809,650
178,500	Environment	4,250	-	(9,900)	172,850
12,500	Contingency Sum	3,750	-	-	16,250
75,000	Contribution to Reserves	-	-	-	75,000
(161,850)	Less Council Tax Grant	-	-	(3,150)	(165,000)
<b>1,661,050</b>	<b>Council Precept</b>	<b>126,400</b>	<b>68,250</b>	<b>(150,700)</b>	<b>1,705,000</b>
<b>6,791.1</b>	<b>Council Tax Base</b>	-	-	-	<b>6,867.8</b>
<b>244.59</b>	<b>Band D Council Tax</b>	-	-	-	<b>248.26</b>
<b>163.06</b>	<b>Band A Council Tax</b>	-	-	-	<b>165.51</b>
<b>4.99%</b>	<b>% Increase / (Decrease)</b>	-	-	-	<b>1.50%</b>

4.45 **In overall terms, agreement of the final 2020/21 Revenue Budget** as set out above and attached in detail at Appendix 2, **would result in a 2020/21 Council Precept of £1,705,000**, which is an increase of £43,950 or 2.65% on the 2019/20 Precept.

4.46 Members will note that the level of Precept and Council Tax increase indicated above is less than that in the draft 2020/21 Revenue Budget.

4.47 This is due to the savings freed up from the employers' pension contribution reduction, additional Council Tax Support Grant and Council Tax Base increase.

4.48 Even after offsetting the additional costs and increase to the contingency sum referred to earlier, the additional revenue resources raised would enable a lower level of Precept to be set, opening up the possibility of a smaller level of increase to the Town Council Tax.

4.49 The final 2020/21 Revenue Budget includes an unchanged contribution to capital reserves of £75,000 which will enable the ongoing replenishment of the Council's earmarked capital reserves.

4.50 As highlighted earlier, the increased contingency sum of £16,250 would provide additional resources to fund any unforeseen budget issues such as a higher than budgeted pay award.

4.51 The Council in considering and approving the final 2020/21 Revenue Budget, could decide to make further amendments to the budget.

- 4.52 For example, it could choose to implement the previously agreed 2.25% increase in Council Tax and use the additional resources to put in place an even higher level of contingency sum.
- 4.53 If so, a total of £12,500 could be added to the Revenue Budget contingency sum, resulting in a revised 2020/21 Precept of £1,717,500. This issue is discussed in more detail in Section 5 of the Report.
- 4.54 In overall terms, regardless of the final decision in relation to the level of Precept and the Town Council Tax increase, the proposed 2020/21 Revenue Budget is considered to be a robust and prudently set budget, that will ensure all services can continue to be provided to the standard expected by the residents of Great Aycliffe next year, continue to provide a firm foundation and some surplus resources to meet the increases in running costs that lie further ahead, and allow the Council to continue to replenish its balances and reserves moving forward.
- 4.55 In light of the medium-term challenges faced in relation to local government pay and the need replenish council balances and reserves, no additional budget has been put in place for further investment in existing services (other than that already added for increased community events), provision for new services, or for possible devolvement of services from Durham County Council in the future.
- 4.56 Any additional investment, if this was agreed by the Council, would need to be funded from the contingency sum, reducing the contribution to capital reserves, the implementation of a higher council tax increase, or by identifying savings in existing budgets.

## **5.0 2020/21 Town Council Tax**

- 5.1 The Town Council Tax is calculated using the Tax Base figure for the Great Aycliffe Parish.
- 5.2 The Tax Base is calculated by Durham County Council, as the Council Tax Billing Authority, for every Parish in the County, and is an assessment of the number of 'chargeable' properties in the Great Aycliffe Parish for council tax calculation purposes.
- 5.3 The total number of properties in the Parish is adjusted to take account of the numbers of households in receipt of council tax benefits, discounts and exemptions, as well as any empty properties, and the council tax collection rate.
- 5.4 The Town Council Tax is calculated by dividing the Council Precept by the Tax Base figure. This provides the statutorily reported Band D Council Tax figure.
- 5.5 The **Council's final 2020/21 Tax Base figure** has been notified by Durham County Council at **6,867.8 properties**, which is an increase of 77 properties on the 2019/20 Tax Base figure. This increase has been driven by new housing development in the Parish.
- 5.6 The Council's **2020/21 Precept**, as based on the 2020/21 Revenue Budget attached at Appendix 1, would need to be set at **£1,705,000**.

- 5.7 **Based on the final 2020/21 Tax Base figure of 6,867.8 properties, setting the Council Precept at £1,705,000 would result in a Band D Town Council Tax of £248.26. This is an increase of £3.67 per year, 31p per month or 7p per week.**
- 5.8 **This represents a 1.5% year on year increase**, which is less than the 2.25% increase agreed when the draft 2020/21 Revenue Budget was approved in October.
- 5.9 The **Town Council Tax at Valuation Band A**, which is the valuation band within which nearly 60% of the properties in the Parish are currently valued, **would increase by £2.45 per year to £165.51. This is an increase of 20p per month or 5p per week.**
- 5.10 The Council could still choose to implement a higher or lower increase in the Town Council Tax next year.
- 5.11 As highlighted in paragraphs 4.52 to 4.53, the Council could choose to implement the previously agreed 2.25% increase in Council Tax and use the additional resources to instead put in place a higher contingency sum, setting aside a higher level of surplus resources for the likely future increases in staffing costs.
- 5.12 This would enable an additional £12,500 to be added to the Revenue Budget contingency sum and would result in a revised 2020/21 Precept of £1,717,500.
- 5.13 Alternatively, the Council may wish to deliver a Council Tax freeze. This would require further savings of £25,250 to be identified and would require a 2020/21 Precept of £1,679,750. Delivering a council tax freeze would leave the Council with a much lower level of contingency and top up to reserves within the Revenue Budget.
- 5.14 Ultimately, the Council needs to try and achieve a balance between its own financial needs, both now and in the future, and those of its local taxpayers.
- 5.15 **All things considered**, bearing in mind the improvement in the Council's financial situation, and in particular the higher than expected savings on the Revenue Budget in the current year, the increase in the Council's balances and reserves, the growth in the Council Tax Base and the increase to the Council Tax Support Grant, **a 1.5% increase to the Town Council Tax would be recommended.**
- 5.16 **It is requested that Members consider and agree the preferred level of 2020/21 Precept and increase in the Town Council Tax at tonight's meeting.**
- 5.17 This will enable the Precept and Council Tax to be formally set at the Council Meeting next week.

## **6.0 Final 2020/21 Capital Programme Budget**

6.1 As highlighted earlier, in line with the recommendations made in the Council's Medium-Term Financial Plan, planned capital investment continues to be closely scrutinised and controlled in order to help protect and sustain the Council's balances and reserves moving forward.

6.2 As such, only essential capital investment mainly linked to the Asset Management Plan, was included in the draft 2020/21 Capital Programme and a budget totalling £269,500 was subsequently approved.

6.3 The draft 2020/21 Capital Programme Budget included provision for the following projects:-

- Replacement of the flat roof, insulation improvements, installation of LED lighting and internal redecoration at the Council Offices;
- Separation tank cleaning at the depot;
- Internal and external redecoration at St Oswald's Pre-School;
- A replacement mini-excavator machine;
- A replacement ride-on mower machine;
- Replacement tyres for the works tractor;
- Electrical alternatives for petrol powered works machinery;
- Computer and server replacement and website development;
- The ongoing programme of replacement festive lighting;
- External repainting at Moore Lane Pavilion;
- The ongoing programme of play area surfacing replacement;
- Possible refurbishment of Woodham Park play area;
- External metalwork painting at the driving range;
- Replacement tee mats for the driving range and golf course;
- Ongoing provision for drainage repairs at the sports complex;
- Replacement of the squash courts flooring at the sports complex;
- Replacement fencing at St Oswald's Allotments;
- Removal and replanting of trees affected by Ash dieback disease;
- The ongoing programme of footpath repairs.

6.4 Detailed information on each of above projects included within the draft 2020/21 Capital Programme Budget was set out in the Committee Budget Reports and has not therefore been repeated in this report.

6.5 There have been four amendments made to the draft 2020/21 Capital Programme Budget since the draft budget was approved, as follows:-

- additional provision having been made for electrical alternatives for works machinery following demonstrations of relevant machines;
- the upgrade of the depot alarm system;
- safety shutter safety works at Moore Lane pavilion; and
- additional provision for Ash Dieback Disease tree removal and replanting.

**6.6 The final proposed 2020/21 Capital Programme Budget now totals £287,250, and a full breakdown is attached at Appendix 4.**

**6.7 The budget will be funded from the Council's Earmarked Capital Reserves, which are set aside for this purpose.**

- 6.8 The proposed capital investment will ensure the continued delivery of the Council's Asset Management Plan and will keep all major building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment on schedule.
- 6.9 Any external grants and contributions that can be secured next year would provide resources over and above those set aside in the 2020/21 Capital Programme Budget.
- 6.10 The Council does not currently need to consider any further borrowing in light of the Earmarked Capital Reserves currently available, although the option of leasing capital assets will be considered where relevant.
- 6.11 In accordance with the Council's Standing Orders for Contracts and Procurement, all capital projects identified in the 2020/21 Capital Programme over the value of £5,000, will be subject to the obtaining of competitive quotes, and approval by the appropriate spending Committee and Council, before going ahead.

## **7.0 Council Balances and Earmarked Reserves**

- 7.1 **The Council's Balances and Earmarked Reserves are expected to stand at around £1.254 million at the end of March 2020.**
- 7.2 This level of balances is nearly £300,000 better than anticipated in the Medium-Term Financial Plan and is because of higher than expected savings on the 2019/20 Revenue Budget, and the lower than expected outturn on the 2019/20 Capital Programme Budget.
- 7.3 The actions taken in boosting the contribution to capital reserves in the 2019/20 Revenue Budget and restricting the Capital Programme Budget to essential investment only, have definitely contributed towards this improved financial position.
- 7.4 After accounting for the funding of the 2020/21 Capital Programme Budget of £287,250, as well as the ongoing capital projects expected to be carried forward from 2019/20 totalling £90,500, from the Council's Earmarked Reserves, the £75,000 top up of balances via the contribution to capital reserves, assuming no use of the £16,250 Revenue Budget contingency sum, and assumed savings of 5% on the 2020/21 Revenue Budget, **Council Balances and Earmarked Reserves would fall to around £1.04 million by the end of 2020/21.**
- 7.5 These balances would be higher if additional savings are achieved on the Revenue Budget next year, as they have been this year, although it must be borne in mind that the Council's Medium-Term Financial Plan concluded that savings on the Revenue Budget are likely to diminish significantly over the next few years.
- 7.6 The projected total of Council Balances and Earmarked Reserves is considered a prudent level to fund future capital spending commitments as set out in the Council's Medium-Term Financial Plan and Asset Management Plan over the medium term, and the actions taken last year to boost the contribution to capital reserves and restrict capital expenditure will also help to maintain balances moving forward.

7.7 The forecast level of balances and reserves over the longer term remains a key financial issue for the Council and will be assessed and reviewed in the forthcoming update of the Medium-Term Financial Plan.

7.8 **A full analysis of the likely movement on the Council's Balances and Reserves** as a result of the proposed 2020/21 Revenue and Capital Budget is attached at **Appendix 5**.

### 8.0 Satisfaction Survey Feedback on the 2020/21 Budget

8.1 Consultation on the Council's draft 2020/21 budget proposals was undertaken this year as part of the Council's 'Your Town, Your Choice, Your Voice' Satisfaction Survey, which is undertaken every five years.

8.2 The wider results of this survey are subject to a separate report on tonight's agenda. This report therefore focusses on the questions specific to the 2020/21 budget setting, overall value for money and priorities for investment and disinvestment.

8.3 The responses to the financial questions along with any specific comments and suggestions received are set out in detail in **Appendix 6**, and a summary of the key feedback is set out below:-

1. Does the Town Council proportion of the Council Tax provide value for money?

Yes	61	87%
No	9	13%

2. All things considered, are you in support of the Council's draft 2020/21 Revenue and Capital Budget and the proposed 2.25% increase in the Town Council Tax?

Yes	56	80%
No	14	20%

3. Thinking about the Council's services, please choose the five most important to you i.e. where budget cuts should not be made and where any future investment should be targeted.

#### Top 10 Most Important Services

Service Area	Votes
Environment and Open Space	48
Parks and Play Areas	43
Senior Citizens' Trips	31
Litter and Dog Bins	31
Sports Complex	30
Cemeteries	26
Flower Beds	24
Park Patrol Service	24
Santa Tours	24
Large Community Events	21

4. Thinking about the Council's services, please choose the five least important to you i.e. where budget cuts, if they are required in the future, should be targeted.

#### **Top 10 Least Important Services**

<b>Service Area</b>	<b>Votes</b>
Civic Events and the Office of Mayor	36
Councillors	30
Golf Complex	27
Fireworks Display	25
Allotments	23
Moore Lane Environment Centre	19
St Oswald's Pre-Schools	18
Corporate Management and Admin	18
Large Community Events	17
Fun in the Parks	15

- 8.4 In overall terms, a large majority of survey respondents (80%) were in support of the draft budget proposals and the need for a small increase in the Town Council Tax next year, while an even greater proportion of respondents (87%) felt that the Council is delivering value for money.
- 8.5 The feedback received in relation to priorities for investment and disinvestment will be useful moving forward, as the Council deals with increasing financial pressures and the possible need to review and prioritise the services that it provides to the community.
- 8.6 In addition to the Satisfaction Survey, the Council held two 'Open Day' events this year, incorporating the consultation on the draft budget that was previously undertaken with the Customer Panel. These events were held at the Youth Centre and St Clare's Church during November.
- 8.7 Unfortunately, attendance at both events, as was the case with the budget consultation events with the Customer Panel in recent years, was very poor with very little feedback received.
- 8.8 It is requested that Members consider the feedback received in the Council Satisfaction Survey and consider what, if any, changes the Council should make to its 2020/21 Revenue and Capital Budget in response to the comments received.

#### **9.0 Policy Implications**

- 9.1 Conforms to Aim 2 of the Council's Strategic Aims and Targets – *"To manage the Council's finances and assets in a responsible manner"*.

#### **10.0 Staffing Implications**

- 10.1 All Revenue and Capital Budgets have been agreed by the relevant Service Managers and the Performance Management Group.

## **11.0 Financial Implications**

11.1 The financial implications for the Council in terms of the setting of the 2020/21 Revenue and Capital Budget are fully set out in the report.

## **12.0. Crime and Disorder Implications**

12.1 None.

## **13.0 Equal Opportunities Implications**

13.1 None.

## **14.0 Environmental Implications**

14.1 None.

## **15.0 Risk Assessment**

15.1 The 2020/21 Revenue Budget has been prepared in accordance with the key financial principle of prudence, and the individual service revenue budgets and level of contingencies included within the overall Revenue Budget are considered adequate.

15.2 A risk assessment has been undertaken in relation to the setting of the 2020/21 Revenue Budget, and this has identified a number of potential risks that could result in actual costs or income being materially different to those budgeted.

15.3 These risks are as follows:-

- Any issues arising out of the new Government's Election Manifesto;
- The final outcome of 'Brexit' and its impact on the economy e.g. inflation, interest rates, availability of goods etc;
- Further pressure to take on services at risk of being cut or withdrawn by Durham County Council;
- Non-take up of places and falls in attendance levels adversely affecting pre-school funding income;
- Increasing pressures on pre-school staffing as a result of further increases in the number of special educational needs children;
- Poor weather conditions continuing to adversely affect usage of the golf complex; and
- Any other unforeseen budget pressures adding to the running costs or reducing the income of Council services.

15.4 However, having considered the above risk factors, it is considered that the 2020/21 Revenue Budget has been prudently set, and offers sufficient protection against their potential impact.

- 15.5 The budget includes provision for a 2% 2020/21 local government pay award and the grading restructure undertaken last year has mitigated, in the short-term, issues relating to differentials between salary grades and increases in the National Living Wage. The budget also makes prudent provision for inflationary increases in running costs and possible falls in leisure income.
- 15.6 The Revenue Budget includes a contingency sum of £16,250 to protect against any unforeseen spending commitments, such as a higher pay award, and a £75,000 contribution to capital reserves, which provides added protection, as well as a means of replenishing the Council's balances and reserves.
- 15.7 Council Balances and Reserves are projected to stand at £1.254 million at the end of this financial year, and the proposed 2020/21 Revenue and Capital Budget would result in balances of at least £1.043 million being available at the end of 2020/21.
- 15.8 This is considered an adequate level of reserves to support future capital investment, as set out in the Council's Asset Management Plan, at least over the medium term, as well as providing some protection against any unforeseen revenue budget pressures, particularly bearing in mind the £75,000 'top up' to reserves that is now built into the Revenue Budget.
- 15.9 There remains a small medium-term risk that the Council Tax Support Grant will be cut or withdrawn in its entirety. This risk is identified within the Medium-Term Financial Plan and Risk Register and arrangements have been made to continue the Council's programme of service reviews, with a view to identifying possible savings, in the event of this funding being lost in the future.

## **16.0 General Data Protection Regulations (GDPR)**

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

## **17.0 Recommendations**

- 17.1 It is recommended that Members:-
- a) Receive the final 2020/21 Revenue and Capital Budget proposals and note the changes made to the draft budget;
  - b) Receive the feedback from the budget consultation exercise, and consider any proposed changes to the process for future years;
  - c) Approve the Council's 2020/21 Revenue and Capital Budget as set out in the report and the attached appendices;
  - d) Consider the required level of contingency sum and contribution to capital reserves; and
  - e) Agree the required level of 2020/21 Precept and increase to the Town Council Tax.

*A number of options in relation to the final level of 2020/21 Precept are set out in the report and summarised below:-*

- 1. Set the Precept at £1,705,000, which would result in a 1.5% increase in the Town Council Tax, a contingency sum of £16,250 and a contribution to capital reserves of £75,000.*

*This option would see the savings freed up from the employers' pension contribution freeze, Council Tax Base growth and the increase in the Council Tax Support Grant partly used to boost the contingency sum and partly passed on to the local council tax payer via a lower council tax increase.*

- 2. Set the Precept at £1,717,500, which would result in the previously agreed 2.25% increase in the Town Council Tax, a higher contingency sum at £28,750 and a contribution to capital reserves of £75,000;*

*This option would see all of the savings freed up from the employers' pension contribution freeze, Council Tax Base growth and the increase in the Council Tax Support Grant added to the contingency sum to provide additional resources to help fund future increases in staffing costs.*

- 3. Remove the contingency sum and reduce the contribution to capital reserves to £66,000 and set the Precept at £1,679,750, which would result in a freeze in the Town Council Tax.*

*This option would require the removal of the contingency sum and a reduced contribution to capital reserves.*