

2023/24 DRAFT ENVIRONMENT REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 10

MEETING: ENVIRONMENT COMMITTEE

DATE: 19TH OCTOBER 2022

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 2023/24 Revenue and Capital Budgets for the Environment Committee.

2.0 Background to the Report

2.1 The Council approved the 2022/23 to 2026/27 Medium Term Financial Plan (MTFP) in July. The MTFP sets the scene for and provides the overriding strategy and principles for the setting of the Council's 2023/24 Revenue and Capital Budgets.

2.2 The Budget Framework and Timetable for the setting of the Council's 2023/24 Revenue and Capital Budgets were subsequently 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 2023/24 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 Briefings have been held on the Medium-Term Financial Plan and 2023/24 budget setting process with the three political groups.

2.6 The draft 2023/24 Revenue and Capital Budgets have subsequently been developed and agreed by senior officers.

2.7 The draft 2023/24 Environment Revenue and Capital Budgets are set out in this report and the attached appendices for Members' consideration.

3.0 Current Financial Situation / Medium-Term Financial Plan

3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in July and reviewed the 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 2023/24 budget setting process are set out in this section of the report.

- 3.3 The MTFP highlighted that the Council is facing a very challenging financial situation both at the present time and looking ahead to next year and the medium-term.
- 3.4 These are extraordinary times and the adverse impacts on the Council's Revenue and Capital Budgets will be severe both in the current year and moving forward, and unlike anything seen in recent times.
- 3.5 This difficult and volatile financial situation, linked to the war in Ukraine, economic difficulties and cost of living crisis, has created a number of substantial unbudgeted financial pressures and this has meant that the setting of the draft 2023/24 Revenue Budget will be extremely challenging for a number of reasons including:
- The substantial pressures on expenditure budgets from the very high rates of inflation, in particular on gas, electricity, fuel, and insurance costs, but also more generally on the cost of goods and services and capital works;
 - The proposed 2022/23 Local Government Pay Award put forward by the National Employers which, if agreed, will mean in the Council needing to find in the region of an additional £100,000 in unbudgeted staffing costs in 2022/23;
 - The further financial impact of the 2023/24 Local Government Pay Settlement, which is currently unknown, and which will be influenced by any Government action on the National Living Wage in response to the cost-of-living difficulties;
 - 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.
- 3.6 The draft 2023/24 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 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 historically healthy financial position of the Council means that it is starting from a relatively strong foundation and is better placed than many other town councils in dealing with these substantial financial challenges.

- 3.8 However, despite this, there is very unlikely to be any savings on the 2022/23 Revenue Budget at the end of this year as a result of some of the above factors, and therefore no money going into balances and reserves at the end of the year as is usually the case.
- 3.9 The Council is therefore already working from a position of an unbalanced Revenue Budget going into 2023/24 budget setting.
- 3.10 The MTFP highlighted a possible need to increase the Council Tax by up to 10% next year, if current services are to be maintained and if no efficiency savings or additional income generation could be identified, and the financial situation has worsened significantly since then.
- 3.11 As a result, Budget Managers were set an initial 5% savings target in preparing the service revenue budgets to assist in setting a balanced draft 2023/24 Revenue Budget and restricting the need to increase the Town Council Tax by as much as possible.
- 3.12 In relation to the 2023/24 Capital Programme Budget, the Medium-Term Financial Plan highlights a risk that the Council faces some potentially significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's balances and reserves.
- 3.13 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances.
- 3.14 The 2023/24 Capital Programme Budget has therefore been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 3.15 A review of the 2022/23 Capital Budget has already taken place at the previous Policy and Resources Committee Meeting, with a view to reducing capital spending and protecting balances, and a similar review of the 2023/24 Capital Budget will need to be undertaken as part of the 2023/24 budget setting process.

4.0 Draft 2023/24 Environment Revenue Budgets

- 4.1 The detailed draft 2023/24 Environment Revenue Budgets are attached at **Appendix 1** for Members' consideration.
- 4.2 Members will note that the attached draft budget figures include the actual outturn figures for the last two financial years; 2020/21 and 2021/22.
- 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 2023/24 budget proposals.

4.4 A summary of the draft 2023/24 Environment Revenue Budgets is shown below:-

Budget 2022/23 £	Environment Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2023/24 £
101,500	Environment	750	-	(1,050)	101,200
7,600	Street Equipment	2,850	-	(150)	10,300
40,550	Cemeteries	4,000	-	(3,600)	40,950
23,300	Allotments	100	-	(400)	23,000
11,850	Church Works	-	-	-	11,850
184,800	Total Budget	7,700	-	(5,200)	187,300

4.5 The draft 2023/24 Environment Committee Revenue Budget shows a small increase of £2,500 or 1.35% to £187,300.

4.6 Pay awards, inflation, unavoidable increases in costs, and falls in income would add £7,700 or 4.2% to the budget.

4.7 These increases are almost entirely due to inflationary increases in running costs and in particular gas and electricity costs and insurance premiums.

4.8 Officers are working closely with colleagues from Durham County Council in relation to understanding the possible increases in the gas and electricity budgets. The latest advice is that gas budgets could increase by 190% on expenditure in 2021/22 with electricity budgets increasing by 116% on 2021/22. The impact of the recent government announcement on the cap on utility costs has not yet been factored into the budgets as Durham County Council officers are working with the utility suppliers to understand the implications of the cap. Further updates will be sought prior to the final 2023/24 Revenue Budget being finalised and presented to Council for approval in January.

4.9 Another area of expenditure where there has been substantial inflationary pressure is insurance premiums. The Council has recently entered into a three-year long-term insurance arrangement which will limit the increases in insurance premiums. However, due to the volatility in the market and the impact of the economic difficulties, officers have been advised that insurance premiums are still likely to increase significantly next year. The revenue budgets provide for increases of between 10% and 20% depending upon the policy area.

4.10 The impact of national economic situation may result in further inflationary increases to expenditure budgets, and these will need to be monitored and factored into the final 2023/24 Revenue Budget ahead of the setting of the Precept in January.

- 4.11 The other main reason for the increase in the Environment Revenue Budgets a fall in income from advance purchases of grave plots at the cemeteries.
- 4.12 Efficiency savings, budget reductions and increased income totalling £5,200 or 2.8% have been identified which has mostly offset the additional budget provision made in the Environment Revenue Budget.
- 4.13 As highlighted earlier, all Budget Managers were set an initial 5% savings target in preparing the service revenue budgets to assist in setting a balanced draft 2023/24 Revenue Budget and restricting the need to increase the Town Council Tax by as much as possible.
- 4.14 All savings proposals identified by service managers have been fed into the draft revenue budgets where possible.
- 4.15 Savings already incorporated into the draft Environment Revenue Budgets include reduction of the environment projects and events budgets, reductions to maintenance and equipment budgets, increased income from burials at the cemeteries, an increase to the rental for the lease of the building to a funeral director at Stephenson Way Cemetery, and a previously agreed increase in allotments rents.
- 4.16 However, a number of further savings identified have political implications or would result in changes to Council policy or service delivery, and as such require a decision from the Council before they can be incorporated into the draft 2023/24 Revenue Budget.
- 4.17 Where this is the case, these savings have been identified on a separate schedule attached at Appendix 2 for Members to consider and advise officers as to whether or not the additional saving proposals can be incorporated into the draft budget. The budget lines to which these savings proposals relate have been highlighted in grey on the Revenue Budgets attached in Appendix 1.
- 4.18 These savings proposals include increases in cemeteries fees, introducing a charge for dog bags, and only cutting and baling wildflower meadows on town council owned land. Agreement of these savings proposals would save up to £6,950 per year.
- 4.19 Two further possible savings options identified are to consider encouraging Durham County Council and Livin to more effectively litter pick their areas thereby reducing the litter picked and disposed of by Town Council operatives at a cost to the Town Council, and to seek advertising opportunities on Council bus shelters.
- 4.20 It is important in the context of the setting of the overall 2023/24 Revenue Budget that all of these savings' proposals are considered in order to help keep the required increase in the 2023/24 Town Council Tax as low as possible and Members are encouraged to put forward any further savings ideas or proposals.
- 4.21 As highlighted earlier, the MTFP indicated a possible need to increase the Town Council Tax by as much as 10% next year.

- 4.22 There will be a reduction in the required Council Tax increase of approximately 0.29% for every £5,000 from the additional saving proposals set out in in Appendix 2 that are approved.
- 4.23 No discretionary additional or new investment in services in the Environment Budgets has been provided for in light of the current financial situation of the Council and the requirement to identify savings to balance the 2023/24 Revenue Budget and restrict the Council Tax increase.
- 4.24 A summary of the main changes in respect of each individual environment budget area is detailed on the following page.

4.25 Environment and Open Spaces

This budget shows a small reduction of £300 to a net running cost of £101,200.

This saving reflects reductions in the budget provision for environment projects and events and building maintenance which has more than offset the inflationary increases in building running costs such as electricity and insurance.

4.26 Street Equipment

This budget shows a significant increase of £2,700 to a total running cost of £10,300 as a result of a substantial increase in parish lighting electricity costs.

4.27 Cemeteries

This budget shows a marginal increase of £400 to a net running cost of £40,950. Inflationary increases in cemetery building running costs and a fall in income from advance purchases of plots have been offset by reductions in the budgets for equipment and maintenance, increased income from burials at the cemeteries, and an increase to the rental for the lease of the building at Stephenson Way Cemetery to a funeral director.

4.28 Church Works

This budget reflects the time spent by works staff undertaking grounds maintenance works at St Clare's Church and St Andrew's Church, as well as providing for income from any burials at St Andrew's Church and has remained unchanged at £11,850.

4.29 Allotments

This budget shows a marginal reduction of £300 to a net running cost of £23,000 with inflationary increases in running costs more than offset by the previously agreed increase in allotments rents for 2023.

4.30 Environment Fees and Charges

The Environment Revenue Budget does not, as yet, provide for any changes to the fees and charges for the cemeteries in 2023/24 (allotments rents are set a year in advance in accordance with the law).

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 to help balance the Revenue Budget.

The indicative increases in fees and charges are referenced on the savings schedule attached in Appendix 2 for Member's information.

5.0 Draft 2023/24 Environment Capital Programme Budgets

- 5.1 In relation to the 2023/24 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 2023/24 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 A review of the 2022/23 Capital Budget has already taken place at the previous Policy and Resources Committee Meeting with a view to reducing capital spending and protecting balances, and a similar review of the 2023/24 Capital Budget will be undertaken as part of the 2023/24 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 2023/24 Environment Capital Programme Budget is attached at **Appendix 3** and currently stands at **£41,500**.
- 5.6 The budget includes all of the capital projects included in the Medium-Term Financial Plan and Asset Management Plan. Officers have undertaken a review of the projects and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.

- 5.7 A list and description of the projects making up the draft 2023/24 Environment Capital Budget is detailed below, including the officers' recommendations:-

Woodland Burial Site £11,500

This budget provides for the first phase of the development of the woodland burial site including planning approval and drawings at £1,500 and fencing at £10,000. It has been recommended that this project is deferred to a future year.

Aycliffe Village Allotments Fence £10,000

This budget provides for the replacement of the fencing at Aycliffe Village allotments site. The replacement of the fence is not deemed to be essential and it has therefore been recommended that this project is deferred to a future year.

Public Seating £2,500

This budget provides for the replenishment of the Council's public seating stocks which are used to replace seating around the town as and when required. It has been recommended that this budget is included as a provisional sum to be utilised only when seating stocks need to be replenished.

Footpath Repairs £15,000

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

Bus Shelter Repairs £2,500

This new annual budget provision provides for the ongoing repair of the Council's bus shelters, on a prioritised programme of works, in line with the recent report to this Committee. and it has therefore been recommended that this budget be retained.

- 5.8 Members are asked to consider the proposed 2023/24 Environment 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 2023/24 Revenue and Capital Budgets is summarised below:-

- **26th October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **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;
- **7th December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **18th January:** Final 2023/24 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **25th January:** 2023/24 Precept to be approved by Full Council and Council Tax increase to be declared.

7.0 Policy Implications

7.1 The consideration of the 2023/24 draft Environment Revenue and Capital Budgets contributes towards the achievement of Strategic Aim 2 in the Council's Service Delivery Plan:

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

8.0 Staffing Implications

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

9.0 Financial Implications

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

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental and Climate Change Implications

12.1 None.

13.0 Risk Assessment

13.1 A full risk assessment will be included in respect of the setting of the Council's 2023/24 Revenue and Capital Budget, at the final stage of the budget setting process, when the Council determines and approves the 2023/24 Precept in January 2023.

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 2023/24 Environment Revenue Budget;
- c) Consider the savings proposals set out in Appendix 2 and agree which proposals are to go ahead.
- d) Advise officers of any further savings proposals that they wish to be investigated ahead of the final setting of the 2023/24 Revenue Budget in January;
- e) Consider the draft 2023/24 Environment 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.