

# 2023/24 REVENUE AND CAPITAL BUDGET SETTING UPDATE

## AGENDA ITEM NO. 10

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**MEETING:** POLICY AND RESOURCES COMMITTEE

**DATE:** 7<sup>TH</sup> DECEMBER 2022

**REPORT BY:** FINANCE MANAGER

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

- 1.1 The purpose of this report is to provide an update to Members on a number of further developments and potential changes impacting upon the draft 2023/24 Revenue Budget and Capital Programme Budget.
- 1.2 The report also asks Members to consider the options available in relation to the proposed level of Precept and Town Council Tax for next year and provisionally advise officers of the preferred option to enable the Finance Manager to finalise the 2023/24 Revenue Budget ahead of the final reporting and approval of the 2023/24 Precept in January 2023.

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

- 2.1 The draft 2023/24 Revenue Budgets and Capital Programme Budgets were reported to each committee during October.
- 2.2 The overall 2023/24 Revenue Budgets and Capital Programme Budget Report reported to the Policy and Resources Committee on 26<sup>th</sup> October 2022 is attached at Appendix 1 for Member's information.
- 2.3 At that time, the draft 2023/24 Revenue Budget indicated a required level of Precept of between £1,877,260 and £1,949,210, with the actual level of Precept dependent upon how many of the savings' proposals put forward for consideration by officers were agreed by the Council.
- 2.4 Based on the draft 2023/24 Revenue Budget and indicative Council Tax Base figure from Durham County Council, the required increase in the Town Council Tax at that time was somewhere between 6.75% and 10.85%, with the actual increase again dependent upon how many of the savings' proposals were agreed.

### **3.0 New Budget Developments**

3.1 Since the last meeting of the Policy and Resources Committee in October there have been a number of further developments which will affect the Revenue Budget and assumptions previously made.

3.2 These are summarised below:

#### **Positive Developments (which may generate additional income or reduce expenditure):**

- Increase in Bank of England Base Rate which will increase the Council's investment income (interest on invested balances);
- Notification from Durham County Council of the final Council Tax Support Grant which represents an increase of £14,500 on the figure previously notified; and
- Additional fees and charges increases agreed at the Special Meeting of the Policy and Resources Committee on 31<sup>st</sup> October.

#### **Negative Developments (which may incur additional costs or reduce income:**

- Freeze in the Employers National Insurance Threshold until April 2028 as announced in the Autumn Statement which will increase the Council's Employers' National Insurance Contributions in relation to its staff;
- Increase in inflation to 11.1% in October, which has resulted in further pressure on expenditure budgets over and above what had previously been provided for in the draft 2023/24 Revenue and Capital Budgets;
- Removal of the Energy Relief Scheme from 1 April 2023 which will result in higher gas and electricity costs next year; and
- Potential reduction in usage of Council facilities as the cost-of-living crisis continues into 2023/24 and potentially beyond.

3.3 The economic situation remains very volatile and constantly changing, and therefore there may be further developments over the next couple of months. The above changes and any others will be incorporated into the final 2023/24 Revenue and Capital Budgets which will be reported to the Council in January for final approval.

3.4 At the last round of committee meetings, the Council approved additional savings from the savings schedules put forward by service managers, and additional increases in fees and charges, totalling £69,700.

3.5 Incorporating these savings into the draft 2023/24 Revenue Budget would reduce the increase in the Town Council Tax as indicated in the draft 2023/24 Revenue Budget from 10.85% to 6.88%.

3.6 Attached at Appendix 2 is a schedule of suggested savings proposals from the Liberal Democrat political group along with responses from officers. Please note that these proposals were prepared by the group prior to the last cycle of meetings and a number have already been presented by officers and subsequently considered by Council.

## 4.0 Precept and Council Tax Setting Options

- 4.1 Attached at Appendix 3 is a schedule highlighting various options in relation to the 2023/24 Precept and Council Tax increase.
- 4.2 The schedule identifies the current (2022/23) Precept amounts and Band A and D Council Tax rates, the potential 2023/24 Precept amounts and Council Tax rates, and the change between the two years for the various options.
- 4.3 The following options are included for Member's consideration:-
1. Precept and Council Tax increase as per the draft 2023/24 Revenue Budget *before* the agreement of any savings options.
  2. Precept and Council Tax increase *after* the removal of approved savings and fees and charges increases.
  3. Precept and Council Tax increase after the removal of approved savings and fees and charges increases and with the Contingency Sum increased to £10,000.
  4. Precept and Council Tax increase after the removal of approved savings and fees and charges increases and with the Contingency Sum increased to £15,000.
  5. Precept and Council Tax increase after the removal of approved savings and fees and charges increases and with the Contingency Sum increased to £25,000 and the Contribution to Capital Reserves increased from £50,000 to £75,000.
- 4.4 As can be seen, Options 3, 4 and 5 include options for increasing the revenue contingency sum, with Option 5 including an illustration of the impact of increasing the contribution to Capital Reserves by £25,000 to £75,000 per year.
- 4.5 As Members are aware, all revenue budgets have been stripped down to the bare minimum, with options for generating further savings whilst adhering to the principle of maintaining current levels of service exhausted.
- 4.6 Any further savings would require the Council to undertake service reviews, reverse previous Council decisions or change Council policy.
- 4.7 There is also very little scope for absorbing further increases in costs if inflation remains high, any falls in income if the cost-of-living crisis worsens, or if there are any further unforeseen budget pressures.
- 4.8 It is unlikely that there will be any savings on the Revenue Budget in 2023/24, to replenish Balances and Reserves, this coming at a time when balances and reserves are diminishing.
- 4.9 This therefore strengthens the need for increasing the Contribution to Capital Reserves whether this is undertaken as part of the setting of the 2023/24 Revenue Budget or addressed in the next Medium-Term Financial Plan.

- 4.10 At this late stage in the 2023/24 budget setting process, it is crucial that the Council advises officers of its preferred option in relation to the level of Precept and Council Tax, and in particular the maximum level of increase that would be acceptable.
- 4.11 This will enable the Finance Manager to update and finalise the 2023/24 Revenue Budget ahead of the final reporting and approval of the 2023/24 Precept in January 2023.
- 4.12 Members are also requested to formally confirm their approval for officers to implement those previously agreed savings proposals that can be made ahead of the new financial year in this financial year. This would include savings such as introducing charges for dog bags, stopping the advertising of meetings in the local press etc. This will assist with the projected 2022/23 Revenue Budget position.

## **5.0 Consultation on the 2023/24 Budget**

- 5.1 It was agreed at the Policy and Resources Committee meeting in October that the consultation on the 2023/24 Budget would be undertaken via an online survey.
- 5.2 The budget survey will be published once the Council has agreed at this meeting on the maximum level it is prepared to increase the Town Council Tax by in 2023/24.
- 5.3 The indicative Council Tax increase is required to enable the appropriate council tax band charges to be incorporated into the survey and to provide an option on which to consult the public.
- 5.4 Paper copies of the survey will also be made available to community centres, the library, and schools.

## **6.0 Policy Implications**

- 6.1 The approval of the draft 2023/24 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".*

## **7.0 Staffing Implications**

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

## **8.0 Financial Implications**

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

## **9.0 Crime and Disorder Implications**

- 9.1 None.

## **10.0 Equal Opportunities Implications**

10.1 None.

## **11.0 Environmental and Climate Change Implications**

11.1 None.

## **12.0 Risk Assessment**

- 12.1 The draft 2023/24 Revenue and Capital Programme Budgets have been prepared with regard to the key accounting principle of prudence.
- 12.2 The draft 2023/24 Revenue Budget included a small level of contingency sum and contribution to reserves, while the 2023/24 Capital Budget has been restricted to essential expenditure only to preserve Council Balances.
- 12.3 However the Council is preparing the draft 2023/24 Revenue and Capital Budget at a very volatile and uncertain time with the forecasts changing by the week in line with the economic situation, Government announcements and other changes.
- 12.4 Whilst the draft 2023/24 Revenue Budget makes provision for the various cost increases and falls in income faced next year and will still enable the Council to maintain all services, facilities, and events in line with the key principles from the MTFP, a large number of savings have already been identified and incorporated with many budgets stripped down to the bare minimum, and with a very small contingency sum now available.
- 12.5 This will leave very little scope to absorb further increases in costs if inflation remains high, falls in income if the cost-of-living crisis worsens, or there any further unforeseen budget pressures. There is therefore a risk that some of the assumptions made, and the budget provision subsequently put in place may not be sufficient.
- 12.6 A further concern is that if the £50,000 contribution to capital reserves is reduced or removed altogether from the Revenue Budget to help restrict the Council Tax increase, would also take away the last remaining means of topping up the Council's balances and earmarked capital reserves at a time when they are likely to be significantly depleted financing capital investment over the medium to long term.
- 12.7 The risk of a serious deterioration in the level of Council Balances and Reserves will need to be considered and factored into future updates of the MTFP to ensure that a strategy is put in place to replenish balances.
- 12.8 A full risk assessment will be included in respect of the setting of the Council's 2023/24 Budget, at the final stage of the budget setting process, when the Council determines and approves the 2023/24 Precept.

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

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

## **14.0 Recommendations**

14.1 It is recommended that Members:-

- a) Receive the update report;
- b) Receive the Liberal Democrat Group savings proposals along with the officer's responses attached in Appendix 2.
- c) Consider the Precept and Council Tax Setting Options set out in the report and Appendix 3 and advise officers of the preferred option.
- d) Advise officers, in principle, of the maximum level the Council would be prepared to increase the Town Council Tax by next year in order to enable officers to prepare the final iteration of the Revenue and Capital Budget for approval by Policy and Resources in January.
- e) Formally approve implementation of those areas of agreed savings which can be made ahead of the new financial year.