

2023/24 DRAFT RECREATION REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 13

MEETING: RECREATION 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 Recreation 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 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 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 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; 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 Recreation Revenue Budgets is shown below:-

Budget 2022/23 £	Recreation Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2023/24 £
229,050	Community Events	6,150	-	(1,650)	233,550
358,100	Sports Complex	152,650	-	(92,400)	418,350
17,400	Sports Pitches	1,350	-	(1,850)	16,900
76,250	Golf Course	14,200	-	(2,400)	88,050
11,200	Driving Range	15,350	-	(15,400)	11,150
208,150	Parks and Play Areas	5,100	-	(500)	212,750
900,150	Total Budget	194,800	-	(114,200)	980,750

4.5 The draft 2023/24 Recreation Committee Revenue Budget shows an increase of £80,600 or 8.95% to £980,750.

4.6 Pay awards, inflation, unavoidable increases in costs, and falls in income have added £194,800 or 21.6% to the budget.

4.7 In relation to staffing costs this includes provision for the unbudgeted costs of the higher-than-expected 2022/23 pay offer, a further forecast 5% staff pay award in 2023/24 and provision for an expected increase in the employers' pension contribution rate. This has added in the region of £65,400 to the events, sports complex and golf complex staffing budgets.

4.8 Provision has also been made for a number of substantial inflationary increases in running costs.

4.9 The main area of concern is in relation to gas and electricity costs. Officers are working closely with colleagues from Durham County Council in relation to understanding the possible increases in these budgets. The latest advice is that gas budgets could increase by 190% on gas expenditure in 2021/22 with electricity budgets increasing by 116% on 2021/22 expenditure. 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.

4.10 Gas and electricity costs increases amount to around £72,500.

- 4.11 Another area of expenditure where there has been substantial inflationary pressure is insurance. 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. Increases in insurance costs amount to around £10,050 across all Recreation Revenue Budgets.
- 4.12 A general inflationary increase of 5% 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.
- 4.13 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.
- 4.14 Other increases to the Recreation Budgets include higher spending on bar and catering supplies and golf shop stocks in line with increased sales and falls in usage and income in some areas such as five a side football, bowls, coaching, hot drinks sales, and hire of clubs.
- 4.15 However, significant efficiency savings, budget reductions and increased income totalling £114,200 or 12.7% have been identified which has partly offset this additional budget provision to the Recreation Revenue Budget.
- 4.16 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.
- 4.17 All savings proposals identified by service managers have been fed into the draft revenue budgets where possible.
- 4.18 Savings already incorporated into the draft Recreation Revenue Budgets include the purchase of barriers for use at the Fireworks Display resulting in a saving on hiring them in, transfer of the budget for the sports complex maintenance technician post to the works department, reduction of a number of under-utilised budgets including maintenance, training, equipment, marketing and cash collection, significant increases in sports complex bar income and golf shop sales, as well as smaller increases in football pitch hire income and sports complex hall hire, squash and badminton income, and catering sales.
- 4.19 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.

- 4.20 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.
- 4.21 These savings proposals include reducing the budget provision for miscellaneous large community events, seeking sponsorship for events such as the Fireworks Display and Santa Tours, removing the cash prizes for the Community Enhancement Awards, smaller Christmas trees, increasing fees and catering units and fairground rides at events, and agreeing the various increases to fees and charges for the football pitches, sports complex and golf complex which are to be reported to a Special Meeting of the Policy and Resources Committee. Agreement of these savings proposals would save up to £46,675 per year.
- 4.22 A number of further possible savings relating to the events are identified in Appendix 2 for consideration although these would involve fundamental changes to how the events are provided and may not therefore be acceptable.
- 4.23 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.
- 4.24 Members are encouraged to put forward any further savings ideas or proposals.
- 4.25 As highlighted earlier, the MTFP indicated a possible need to increase the Town Council Tax by as much as 10% next year.
- 4.26 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.
- 4.27 No discretionary additional or new investment in services in the Recreation 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.
- 4.28 A summary of the main changes in respect of each individual budget is detailed on the following pages.

4.29 **Events**

The Events Budget shows an increase of £4,500 to £233,550.

This provides for the unbudgeted costs of the higher-than-expected 2022/23 pay offer, as well as an assumed 5% staff pay award in 2023/24, and a forecast increase in employers' pension contributions, as well as increases in events insurance costs.

All other events budgets have been frozen at existing levels as the current budget provision is considered to be sufficient with an expectation that any inflationary increases will be absorbed.

4.30 **Sports Complex**

In overall terms, the Sports Complex Budget shows an increase of £60,250 or 17% to a net running cost of £418,350.

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, and a forecast increase in employers' pension contributions.

There have also been some substantial unavoidable inflationary increases in running costs, most notably gas and electricity costs which are up by nearly £65,000 year on year, as well as insurance costs, business rates, water, service agreements and machine rentals.

Other increases include higher spending on bar and catering supplies in line with increased sales and falls in income in some areas such as five a side football, bowls, coaching, and hot drinks sales.

However, the overall increase in the net running cost of the facility has been limited by the identification of various savings including the reduction of a number of under-utilised budgets including maintenance, training, equipment, marketing and cash collection, a significant increase in sports complex bar income, as well as smaller increases in sports complex hall hire takings, squash and badminton income and catering sales.

This has limited the overall increase in the net running cost of the facility.

4.31 **Sports Pitches**

This budget shows a reduction of £500 to a net running cost of £16,900.

This is largely as a result of increases in income from the creation of additional pitches which has more than offset increases in electricity and insurance costs.

4.32 Golf Course

This budget shows an increase £11,800 or 15% to a net running cost of £88,050.

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, and a forecast increase in employers' pension contributions.

There have also been some unavoidable inflationary increases in running costs, including electricity, water, insurance, and rates while there has been a loss of income as a result of the decision to stop hiring out golf clubs for use on the driving range.

There have been some small savings from reducing budgets such as marketing and recruitment advertising.

4.33 Driving Range and Golf Shop

This budget has remained unchanged at a net running cost of £11,150.

Whilst additional budget provision has been required for inflation on running costs including gas, electricity, business rates, and insurance and increased spending on golf shop stocks, these increases have been more than offset by a significant increase in golf shop sales.

This has resulted in a freeze in the net cost of the facility which is a very positive achievement in these challenging times.

4.26 Parks and Play Areas

This budget shows an increase of £4,600 to a total running cost of £212,750, largely due to inflationary increases in electricity and insurance costs.

4.34 Recreation Fees and Charges

The Recreation Revenue Budget does not, as yet, provide for any changes to the fees and charges for the sports complex, sports pitches, golf course and driving range in 2023/24.

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 2023/24 Draft Recreation 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 proposed 2023/24 Recreation Capital Programme Budget is attached at **Appendix 3** and currently stands at **£82,000**.
- 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
- Play Area Surfacing Replacement	£25,000
- Driving Range Door Replacement	£2,500
- Driving Range Bay Dividers	£2,500
- Golf Course Irrigation System Repairs	£2,500
- Sports Complex Roofing Works	£7,500
- Sports Complex Drainage Works	£5,500
- Sports Complex External Decoration	£5,000
- Sports and Golf Complex Till System	£15,000
- Sports Complex PA System	£6,000
- Sports Complex Electrical Vehicle Charging Points	£8,000
Total 2023/24 Draft Recreation Capital Programme	£82,000

- 5.8 A list and description of the projects making up the draft 2023/24 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 a provisional sum to be utilised only when existing lights fail an electrical test and need to be replaced.

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 a total of £10,000 is included in the budget for a programme of essential maintenance, while £15,000 is retained as a provisional sum for any other essential repairs that arise during the year.

Driving Range Door Replacement £2,500

This provides for the replacement of the door from the golf shop to the driving range which is overdue for replacement. It has been recommended that this budget is deleted as the door no longer needs to be replaced following the installation of a shutter.

Driving Range Bay Dividers Replacement £2,500

This provides for the replacement of the driving range bay dividers which are 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 Irrigation Repairs £2,500

This is an annual budget provision which provides for the ongoing repairs 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.

Sports Complex Roofing Repairs £7,500

This budget provides for the replacement of the small flat roof at the sports complex which is due for replacement. It has been recommended that this budget is included in the budget as a provisional sum to be utilised only in the event of works being required to the roof.

Sports Complex Drainage Repairs £5,500

This budget provides resources to deal with ongoing repairs and works relating 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 External Redecoration £5,000

This budget provides for the repainting of the exterior of the building which is highlighted as being overdue in the Asset Management Plan. It has been recommended that this project goes ahead.

Sports Complex Till System £15,000

This budget provides for the upgrade of the till and booking system at the sports complex which is now more than 15 years old. It has been recommended that this project goes ahead with a budget provision of £9,000 being made available, with £6,000 retained as a provisional sum. The till system software is critical to the daily operation of the sports and golf complex facilities and is now extremely dated. The sports and golf complex is now one of only two across the country using the old version of the software.

Sports Complex Public Address System £6,000

This budget provides for the replacement of the public address system at the sports complex which is overdue for replacement. It has been recommended that this budget is included as a provisional sum to be utilised only in the event of the system breaking down.

Sports Complex Electrical Vehicle Charging Points £8,000

This budget provides for the installation of electrical vehicle charging points in the public car park at the sports complex. It has been recommended that this budget is retained but that officers investigate external funding opportunities to limit the cost to the Council.

75th Anniversary of Newton Aycliffe

Members are requested to consider whether they wish to see a capital budget set aside for the 75th Anniversary of Newton Aycliffe next year to provide resources for a permanent commemoration of the anniversary e.g. the planting of a woodland or sculpture.

- 5.9 Members are asked to consider the proposed 2023/24 Recreation 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 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 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 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 Recreation 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 to be investigated ahead of the final setting of the 2023/24 Revenue Budget in January;
- e) Consider the draft 2023/24 Recreation 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.
- f) Members are requested to consider whether they wish to see a capital budget set aside for the 75th Anniversary of Newton Aycliffe next year to provide resources for a permanent commemoration of the anniversary e.g. the planting of a woodland or sculpture.