

POLICY, GOVERNANCE & FINANCE COMMITTEE

Date: Monday, 20 November 2023

Title: Finance Report: Revised Revenue Budget 2023/24 and Draft Base Revenue Budget 2024/25

Contact Officer: Responsible Financial Officer

Background

Financial Regulation 3.2 requires *each Committee through the actions of the Policy, Governance & Finance Committee, to review its three-year forecast of revenue and capital receipts and payments. Having regard to the forecast, it shall thereafter formulate and submit proposals for the following financial year to the Council not later than the end of November each year including any proposal for revising the forecast.*

The purpose of this report is to present to Members the revised budget for 2023/24 and the first draft revenue budget for 2024/25. Please see attached documents.

The budget process is ongoing and there is further work to do. Consequently, an updated report on all cost centres which are the responsibility of this committee will be presented later in the budget cycle. This will include a fuller explanation of variances. For now this report covers only the major matters of note.

2024-25 budgets – consideration by the spending Committees during October and November 2023

During this cycle of meetings each of the Committees has met and initially considered their revenue budgets for 2024/25. The works and central support (administration) departments between them represent 57% of the Council's budgeted expenditure. To get a true cost of its services, the Council recharges the total cost of its Works Departments (Cost Centres 604, 605 and 606) and Central Support (Cost Centre 602) across the various cost centres/ services. For the Works Department this is done based on the weekly time sheets, and for the Central Support is based on the apportionment of responsibilities of the Officers.

Since the Committee meetings work has taken place in relation to the works and central support and therefore the proposed estimates have changed slightly now this further information has been included.

The summary of these budgets is as follows:

Committee	Original Budget 2023-24	Revised estimates 2023-24 - latest	Proposed estimates 2024-25 as presented to Committee	Proposed estimates 2024-25 Latest
Parks & Recreation	£284,537	£299,637	£299,217	£303,121
Halls, Cemeteries And Allotments	£644,349	£590,399	£610,607	£601,227
Stronger Communities	£528,635	£523,257	£550,629	£550,624

The additional revenue and capital spending proposals of the Committees are included in the report at agenda item 13 and so are not included in the budget at this stage.

Budget parameters

When considering the estimates the RFO examines each individual budget line, looking at the historic trends and known future developments so a flat percentage is not applied uniformly across the estimates. There is relatively high volatility in relation to inflation, reflecting the international situation. However where a cost-of-living increase has been applied, 6.7% has been used for 2024-25.

There is much uncertainty regarding gas and electricity prices. However for the purposes of the budget for 2024-25 an inflationary increase of 10% over 2023-24 has been assumed. Gas and electricity accounts for 4% of the Council's gross expenditure budget (revised 2023-24).

Public sector wage inflation, although lower than that in the private sector, is currently 6.8% (August 2023). The pay increase for 2023-24 has now been agreed at £1,925 across all pay grades, the equivalent to £1 per hour. In percentage terms this is equivalent to 10.4% for the lowest of the NALC (National Association of Local Councils) pay points and 6.4% for the highest. The 2023-24 revised gross expenditure budget indicates that employment costs account for 55% of the budget so inflationary pressure in this area is an important consideration. Note that this is a figure which is typical of a service-based business but has risen in the last year as the grounds maintenance work was taken in house meaning that the contractors' staff previously undertaking Town Council work are now directly employed.

Finally, CPI (Consumer Prices Index) is 4.7% (October 2023, published on 15 November) and RPI (Retail

Prices Index) is 8.9% (Per September 2023, October update not available).

Format of the Base Revenue Budget

Regarding the Policy, Governance and Finance budget, the Committee's services are divided into the following base revenue cost centres; responsibilities as follows:

<u>Cost Centre</u>	<u>Area</u>	<u>Description</u>
401	Civic Activities	This cost centre relates to the Council's Civic Activities through the Office of the Mayor and the costs associated with this position of Office – maintaining the chain, civic functions such as the Annual Civic Reception which is a Town Council function hosted by the Mayor.
407	Grants & Donations	This includes the various grants the Council awards annually as well as the general grant budget.
502	Town Hall Maintenance	The Town Hall is leased from the Town Hall Charity – this cost centre therefore provides for the maintenance of the building and accounts for the income from the sublet of the retail unit below it.
503	Agency Services	This cost centre relates to the Grounds Maintenance Contract which is then charged out across the various services and functions.
505	Precept	This relates to the annual Precept agreed, which is levied on the Council Taxpayers of Witney. The Council does not receive any of the business rates (NNDR). The Council no longer receives the Council Tax Reduction Grant this has been phased out now. The Precept is received into the Council's bank account in two tranches- April and October.
506	Interest Received	Accounts for bank charges and interest received from the Council's surplus balances held in CCLA and Barclays.
602	Central Support	This relates to the costs of the Council's Central Admin Support – and as explained in the introduction will be charged back over the various cost centres.
604	Works Depot	This represents the revenue costs of the works depot, vehicles and equipment and is recharged to the services which benefit.
605	General Maintenance	

		This shows the costs of the Council's general works team, and these are recharged to the services which benefit.
606	Grounds maintenance	
		This shows the costs of the Council's team which undertakes grounds maintenance work, and these are recharged to the services which benefit.
700	Strategic Planning Initiatives	
		Many projects take time to come to fruition and therefore a lot of time is spent on strategic planning and this needs to be accounted for – this is done as a recharge from Central Support.
701	Corporate Management	This cost centre relates to the Council's Corporate Management covering things like the annual external audit fees.
702	Democratic Representation & Management	This cost centre relates to the Democratic part of the Council's business – which supports the Councillors and the running of meetings.

Capital

Members will be aware that the Council has some major and upcoming capital projects. This is part of the next stage of the budget process and so for now the assumptions in cost centre 800 – Capital Projects – are that 2023-24 revised estimates and the 2024-25 estimates will be the same as the 2023-24 original estimates. This will most certainly change at the next stage but does mean that the budget presented this evening isolates the revenue costs effectively.

Revenue Budget Summary

The reports give the detail and Members will be able to ask questions either ahead or at the meeting.

Members may wish to note the following matters:

1. Recharges. The following recharges have been processed for the period 1 April to 31 August and are reflected in the year to date:
 - (i) 4894 – grounds staff;
 - (ii) 4895 – grounds staff overhead;
 - (iii) 4896 – Maintenance staff;
 - (iv) 4897 – Maintenance staff overhead;
 - (v) 4892 – Central support staff;
 - (vi) 4893 – Central support overhead;
 - (vii) 4899 – Depot reallocation.

2. With regard to departments 605, general maintenance and 606, grounds maintenance, your officers propose that these two cost centres are merged. The division is now no longer especially meaningful, and the two teams effectively operate as one and there is much overlap in tasks undertaken.
3. With the exception of the recharges, all other year to date figures (including salaries and wages) represent receipts and payments for the six-month period April to September 2023.
4. The estimates reflect energy costs being lower than budgeted for this time last year, this having a significant impact on the bottom line.
5. On several nominal codes where expenditure is likely to be under-budget the revised budget is retained at the original. A proposal will come forward at final accounts stage for the difference between spend and budget to then be transferred to the earmarked reserve at year end.
6. Conversely overspends on nominal budgets will, where appropriate, be met from earmarked reserves. With one exception at cost centre 104 (Corn Exchange) all other proposed transfers from earmarked reserves will be made as part of the next stage of budget-making and will then reduce revenue expenditure for the year.
7. Note that in order not to pre-empt the budget process there is no figure included at cost centre 505 for the precept. This will be included when this has been considered at the appropriate stage.

Summary revenue budget at 15 November 2023

Overall the budget estimates for the whole Council, as they stand, show the net revenue requirement (defined as gross revenue-funded expenditure less non-precepted income) :

Original 2023-24 budget: £1,953,834

Revised 2023-24 budget: £1,703,843

Proposed 2024-25 budget: £1,930,330

Note the above figures will change when the revenue budget is further refined, the capital budget is confirmed, and funding of the Council's overall spending requirements are agreed. In particular the additional revenue and capital spending proposals of the spending Committees are included in the report at agenda item 13 and so are not included in the budget at this stage.

Next steps

Special Council meetings are scheduled for 11 December 2023 and 8 January 2024. Ahead of the

meetings work will take place to finalise the budget, in particular:

- (i) To include those items approved by the Committee for the estimates as per agenda item 13.
- (ii) Further work on the revenue budget to reflect the most up to date information e.g., in relation to energy prices and checking for arithmetical accuracy etc. Your officers will also be reviewing the estimates and will recommend transfers between budgets whilst aiming to hold the “bottom line” i.e. funding any further increase in revenue lines from decreases in other revenue lines. This year there will be a particular focus on the works team costs (departments 604 to 606) following the review of the first year of the in-house operation of grounds maintenance.
- (iii) Estimates for capital works during 2024-25 and their funding by way of precept, grants, loans and reserves.
- (iv) Funding of the Council’s net expenditure requirement. Note that we have yet to receive confirmation of the Council’s tax base for 2024-25 although the District Council’s initial estimate is expected shortly.

For information, for 2023-24 the Council’s net expenditure requirement funded as follows:

Net expenditure requirement	£1,953,834
-----------------------------	------------

Funded by:

Use of General Revenue Reserve	£91,998
Precept	£1,861,836

Note that the precept resulted in a Council Tax in Band D of £166.83, based on a tax base of 11,159.31.

To give Members an indication, the Council’s balances as at 1 April 2023 are shown in its annual accounts for year ending 31 March 2023 and are summarized as follows:

- Earmarked reserves, amounts set aside from revenue to meet general and specific future expenditure £2,190,816
- General fund – resources available to meet future running costs £549,164

The Council also has access to s.106 funding amounting to £529,222, this to be applied for specific projects and shown in the 2023-24 accounts as deferred grants (unapplied).

The Council’s aim is to agree the precept by 8 January 2024 but legally it is entitled to set a precept as late as February (the precept must be issued before March each year). Note that due to the pressures on finance which are resulting from the overall international and economic situation it is understood that some towns and parishes will be taking advantage of this longer timescale but your officers are not recommending that this Council does so at this stage.

Investments

The Council's funds are held with Barclays Bank; balances as at 30 September 2023 are part of the report which also includes payments schedules and bank reconciliations. In addition, the Council also holds the following investments:

1. Public Sector Deposit Fund (CCLA Investment Management Ltd.) – Value of £1,092,471.84 as of 31 October 2023 (30/06/2023 - £1,074,824.58), representing an increase of £17,647.26 over the four months, i.e. 1.64% over that period
2. The Local Authorities' Property Fund (CCLA Fund Managers Ltd.) – Value £59,156.09 as of 30 September 2023 – Mid market value £59,856.81 (30 June 2023 mid-market value [net asset value]) (£59,856.81 at 30/06/2023). This represents a fall in value of £700.72 in the three-month period, i.e. 1.2%.

Environmental impact

Having declared a Climate Change Emergency at its Council meeting on 26 June 2019 – with this in mind Councillors should have due regard to the environmental impact of any decisions they make regarding its facilities and services it operates.

Risk

In decision making Councillors should consider any risks to the Council and any action it can take to limit or negate its liability.

All the Council's Committees receive financial reports to carry out its checks and balances. The RFO has approached the budget with prudence so as accurate budget as possible can be set at this early stage, although there may be some opportunities to make savings if required to balance the budget.

Financial implications

This report forms part of the Council's mechanisms for budgetary control, as it enables income and expenditure incurred to be reviewed and to be compared with the Council's budgets.

Recommendations

Members are invited to:

- (a) Note the report and consider the revised base revenue budget for 2023/24 and the initial estimated base revenue budgets for 2024/25, as detailed in the draft estimates and to approve these estimates so the Council can proceed to the next step of the budget process.
- (b) Note that work in relation to both revenue and capital estimates is ongoing and therefore it is likely that the estimates for the various cost centres will change. The estimates must be considered accordingly.