
Agenda Item: Finance Report: Revised Revenue Budget 2024/25 and Draft Base Revenue Budget for 2025/26

Meeting Date: Monday, 25 November 2024

Contact Officer: Responsible Financial Officer

Should Members have any queries about this report advance notice would be appreciated, in writing, by 12 noon on Monday 4 November to allow for a full response at the meeting.

Background

Each year the Committees of the Council review their estimates of income and expenditure so that proposals can be submitted to the Council in relation to revised revenue estimates for the current year and proposals for the following year. Consequently, this report presents Members the revised budget for 2024/25 and the first draft of the revenue budget for 2025/26, in the attached documents, for the cost centres which are the responsibility of this Committee.

The budget process is ongoing and there is further work to do. Therefore an updated report on all cost centres which are the responsibility of this committee will be presented later in the budget cycle.

Current Situation

The Committee's terms of reference details the various responsibilities of this Committee.

- The Committee has budgets which are its direct responsibility.
- The Committee also has the responsibility for oversight of the all the Council's resources, its terms of reference including: "b. To conduct effectively the Council's budgetary, financial and precepting responsibilities in accordance with statutory requirements, and to keep the smooth functioning of the Council's work under review" and "d. To consider the resources available to meet the Council's objectives in terms of land, property, finance and manpower and to advise other committees and the Council as required." Consequently, the management accounts of other committees are also brought forward to the Policy, Finance and Governance Committee, in cost centre order.

Within each committee, there are individual **cost centres**, comprising three digits, typically representing a discrete service entity, to which income and expenditure is allocated against previously agreed revenue budgets.

The cost centres for which this committee has **direct responsibility** are:

Cost centre (CC)	Service
401	Civic activities
407	Grants and donations
502	Town Hall Maintenance
505	Precept
506	Interest received
602	Central support
604	Works depot and vehicles
605	General maintenance
606	Grounds maintenance
700	Strategic planning initiatives
701	Corporate management
702	Democratic representation and management
800	Capital Projects

In relation to the Committee's **oversight responsibilities** these are in the detailed management accounts as follows:

Committee	Cost centres
Parks and Recreation	201, 202,203, 204, 205, 207, 208, 209, 211, 212, 213, 214, 215,216
Stronger Communities	402, 408
Halls, Cemeteries and Allotments	102, 103, 104, 105, 106, 301,302, 303, 305
Climate, Biodiversity and Planning	206, 403

A report is submitted to every ordinary meeting of the above standing committees and previous reports are available on the relevant committee section of the website.

The detailed revenue budget estimates for 2025-26 are attached.

The format of this report is straightforward. From the left the first two columns relate to the original budget from 2023/24 against the actual figures for last year. The middle columns relate to the current year's original budget, actual expenditure year to date, the projected budget to 31st March 2025. The right-hand columns relate to the draft budget for 2025/26.

The Committee's revenue budget growth items for 2023/24, and its capital/special revenue projects programme for 2023/24 and beyond are dealt with as a separate budget item.

BUDGET PARAMETERS – DRAFT ESTIMATES 2025-26

Draft budgets are prepared on current activities and patterns of income and expenditure. At this stage budget lines have been kept as previously agreed unless there are known variations.

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 has been significant inflationary pressure over recent years, peaking at 14.2% in the year to October 2022 (Retail Prices Index). However this year has seen falling inflation albeit inflation varies according to different activities. Where a cost-of-living increase has been applied, 2% has been used for 2025-26 and this has been applied to fees and charges.

There remains uncertainty regarding gas and electricity prices and these could change depending on the unstable international circumstances. The contract placed for 2024-25 and energy efficiency improvements made by the Council mean that the revised energy budgets for 2024-25 will show savings against the original and my current judgement is that there is enough allowance within the original 2024-25 estimates to not apply an increase in 2025-26.

It is anticipated that commercial water rates will rise well ahead of inflation, perhaps as high as 18% in the Thames Water area and this is being factored in.

The pay increase has now been agreed at £1,290 across all pay grades, the equivalent of 67p per hour. In percentage terms this is equivalent to 5.76% for the lowest of the NALC (National Association of Local Councils) pay points. At the higher end of the pay scales the agreement allows for a 2.5% increase. For 2025-26 the estimates will take account of the changes to employer's national insurance and allow for a 5% pay increase.

Finally, CPI (Consumer Prices Index) is 1.7% (September 2024) and RPI (Retail Prices Index) is 2.7% (September 2024).

REVENUE BUDGET SUMMARY

The Base Revenue Budget for this Committee is summarised on the first of the attached schedules.

Budget commentary for the other cost centres has been provided to each of the other committees earlier in the cycle through saving the management accounts to a Word document and adding notes. Time constraints have been such that I have been unable to do this for this Committee but will be looking to do so ahead of the meeting.

However Members may wish to note the following general comments:

1. The actual year to date figures are for the first six months, the period April to September 2024.
2. The Council is now accounting for earmarked reserve movements differently. The previous system, used by this and other councils, was to represent in-year funding from earmarked reserves as negative expenditure (4995 – transfer from earmarked reserves) and transfers to earmarked reserves as expenditure (code 4991). These fund movements are now shown in these reports as a “below the line” adjustment “Transfer from/to EMR” so they do not impact on expenditure but are correctly shown as funding. Appropriate adjustments were made in the 2023-24 accounts. Some of the transfers are undertaken at or shortly after expenditure has been incurred. The Council’s reserve position, including earmarked reserves, will be reviewed later in the budget process.
3. As previously mentioned, two years on from the transfer of grounds maintenance from a contractor to an inhouse team, cost centres 605 and 606 (general and grounds maintenance teams) have been combined into a new cost centre 601. Non-staff related costs have been transferred to cost centre 604 (depot and associated). The works recharges and also the central support recharges are the responsibility of the Policy, Governance and Finance Committee, to which they will be presented later in the cycle. However, an initial estimate for 601, 602 and 604 has been made and included in service expenditure . Note that for the works team recharges (601 and 604), the actual year to date is based on analysis of weekly timesheets, which itself has been undertaken in more detail this year. However, it is more efficient at this stage to estimate the revised recharges for 2024-25 and the estimates for 2025-26 by simply applying a percentage change for each total recharge against the original estimates. This means that some individual recharge lines may look odd, with year-to-date expenditure higher than the projected year end. I intend to address this at a later date but for now it is much safer to estimate revised 2024-25 and projected 2025-26 based on a percentage of original 2024-25.
4. Grounds maintenance costs are where possible now directly allocated to service codes rather than being apportioned from cost centre 604 (depot). As part of the budget process the corresponding budgets have been transferred to the relevant cost centres and this is indicated on the budget report. This increases direct cost centre expenditure but decreases the recharge from 604. The net impact varies from cost centre to cost centre but all things being equal there is no overall impact on the bottom line. Note though that there is significant inflationary pressure on grounds maintenance with overall costs rising above headline inflation. The impact for each Committee’s revenue budgets is significant e.g. during 2024-25 the horticulture budget for line 4039/402 (p.22 of the estimates) , which was previously set at £750 has been increased to £19,500, funded by a virement from the works overhead (depot), the budget for which will reduce by this amount.

The running total across the three spending committees which have now met is:

Original 2024-25 revenue budget: (£66,392¹)+ Precept £1,984,834 = £1,918,442

Revised 2024-25 revenue budget: (£136,871) + Precept £1,984,834 = £1,847,963

Proposed 2025-26 revenue budget: £86,997 + Precept £1,984,834² = £2,071,831

The base revenue budget as calculated in this draft would increase council tax significantly; there are then the growth and revenue items. There are clearly large inflationary pressures in the base budget

1. The above figures include a number of changes which are summarised in the management accounts and notes which will follow.
2. In addition, the next agenda item outlines the major growth items which are being considered and is also taking on new facilities from the District Council and this will be an important consideration in setting a balanced budget.
3. The Council has also major ongoing capital projects, again these will be considered in the next item but are additional to the revenue budget detailed in this paper.

Your officers are now scrutinising the estimates for accuracy and also potential savings. This will may alter the figures but any material changes downwards would require examination of service provision itself.

The Council tax base for the town is expected in the next few weeks but for 2024-25 there was a Band D Council Tax of £177.00.

Your officers will also be reviewing the position regarding reserves, both earmarked and general revenue. With an increase in activity the scope for using general reserves for in-year spending will be limited although there may be mor scope in relation to earmarked reserves.

¹ The budget for base revenue agreed for 2024-25 was £66,392 meaning that the precept met revenue plus £66,912, which contributed to capital. The detailed papers show this as higher £88,456. The original figure is the correct one, the difference is due to changes in accounting and an adjustment will be made when what is likely to be an error on transfer

² For estimate purposes the 2024-25 is retailed for 2025-26.

Impact Assessments

The Town Council has a duty to consider the effects of its decisions, functions and activities on equality, biodiversity, and crime & disorder. Consideration should also be given to effects on the environment, given the Council's Climate Emergency declaration in 2019.

- a) Equality – no implications directly resulting from this report.
- b) Biodiversity - no implications directly resulting from this report.
- c) Crime & Disorder - no implications directly resulting from this report.
- d) Environment & Climate Emergency - no implications directly resulting from this report.

Risk

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

The provision of regular financial reports is part of the Council's risk management system.

Social Value

Social value is the positive change the Council creates in the local community within which it operates. Social value is not quantified in the financial reports but clearly the creation of social value is dependent on setting adequate budgets to meet the Council's objectives.

Financial implications

This report forms part of the Council's due diligence and a process in line with its Financial Regulations. The financial implications are detailed above and also in the attached appendices.

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:

Members are invited to note the report and consider the revised base revenue budget for 2024/25 and the estimated base revenue budgets for 2025/26, as detailed in the draft estimates.