

FULL COUNCIL



Agenda Items: Revised Budget 2024/25 and Estimates 2025/26

Meeting Date: Monday 6 January 2025

Contact Officer: Responsible Financial Officer

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

BACKGROUND

The purpose of this report is to provide an overview of the revised budget for 2024-25 and the estimates for 2025-26 in order for the Council to make an informed decision about the level of the Precept demand to be served on West Oxfordshire District Council at the next agenda item.

Draft budgets are prepared based upon current activities and patterns of income and expenditure, as well as projects and priorities identified by the spending Committees throughout the year. The budget needs to be realistic, achievable, and affordable and the RFO believes that Members can have confidence in adopting this budget which will reasonably meet the Council's aspirations.

A copy of the detailed draft budget –by Committee, (Appendix A)

The format of the detailed budget estimates report is straightforward. For each budget line, last year's figures are in the first two columns. The current year shows the original estimate for 2024-25 including any in year adjustments such as virements between budgets shown as TOTAL, followed by ACTUAL YTD figures (based on month 6, which is the half year up to 30 September 2024), and then the revised estimate PROJECTED. This revised estimate is based upon income and expenditure during the year to date and known and expected variations relating to the remainder of the financial year. The committed column is not currently used but in future reports this will be showing figures as the electronic purchase order system is rolled out. The final columns, on the far-right hand side of each schedule, shows the estimate for 2025-26 – the agreed (proposed) estimate to be funded from in-year revenue; EMR which shows expenditure to be funded from earmarked reserves and a Carried Forward column which is not currently used.

Note that all the revenue growth and capital items recommended by the spending committees have now been incorporated into the estimates.

CURRENT SITUATION

Budget deliberations by the spending Committees from October to December 2024

During October and November each of the Committees met and considered to their revenue and capital budgets for 2024/25. During this time further work took place to check the estimates and to incorporate the latest information available. This means that the estimates have been presented in several drafts; the latest/final is draft 4.

OVERVIEW OF REVENUE BUDGET – REVISED 2024-25 AND ESTIMATES 2025-26

Members should remember that with regard to patterns of income and expenditure, there will always be some variations over the course of the year and for that reason the Council works to annual budgets rather than monthly or quarterly.

Budget parameters

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 and there are now indications that inflation will not fall as low as previously anticipated. 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.

Payroll costs are in any service-based industry a major consideration. The pay increase for the current financial year, which is negotiated at a national level, 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, as of November 2024 the CPI (Consumer Prices Index) was 2.6% and RPI (Retail Prices Index) was 3.6%.

Revenue budget – changes to the way the budget is presented

Members may wish to note the following:

1. 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. Some of the transfers are undertaken at or shortly after expenditure has been incurred. Members received a statement of current earmarked reserves at the Council meeting on 16 December 2024 and a spreadsheet detailing projected earmarked reserves for 2024-25 is attached (Appendix B).
2. 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) were this year combined into a new cost centre 601. Non-staff related costs have been transferred to cost centre 604 (depot and associated). 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, at this stage, to avoid potential issues I have now taken the recharges out of the individual service cost centres so all costs are consolidated against cost centres 601,602 and 604. These costs will then be apportioned out to service centres following adoption of the budget.
3. 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, 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.

ROLLING CAPITAL & SPECIAL REVENUE PROJECTS

Capital projects are shown in the budget estimates at cost centre 800.

The nature of capital and special revenue projects is that typically the expenditure will be spread over a number of years and so funds are “rolled over” when there is slippage. The current programme allows for a number of projects and these include:

- Leys Masterplan – Grant to Courtside £250,000.
- West Witney Sports and Social Club building improvements latest est. £1,000,000 (part funded remainder by loan). Note the rationale behind loans, to spread cost of capital expenditure over a longer (40 year) period so that financial cost does not fall completely on current taxpayers but is more fairly shared with future taxpayers. The loans would be funded from current and future property rent yields.
- New works depot latest est. £850,000 – again part funded by loan.
- Burwell Changing Rooms/upgrade £72,030.
- Play area improvements £75,000.
- Items listed in Grounds Maintenance review (PGF open report 20.11.23) - £105,542.
- Repairs to the Buttercross - £75,000 in earmarked reserves for a project of £300,000. However, there is a good prospect of grant funding the remainder, so no requirement is made of precept. This project will be brought forward for approval when further details are available.
- Improvements to splash pad - £174,600 in earmarked reserves. This project will be brought forward for approval when further details are available.

The majority of funding for capital projects is from sources other than the Council Tax. Income to the cost centre (codes 1170-1200) shows the source of non-precepted funding. The expenditure items are then shown from codes 4291 through to 4996. The cost to Council Tax for 2025/26 for capital projects is £200,199.

A spreadsheet is attached (Appendix C) with further details on the funding of the capital and special revenue projects. This will show the source of funding, project by project and by earmarked reserve. Cost centre 800 as presented on these budget papers can only show these by total.

REVISED BUDGET FOR 2024/25 AND GENERAL RESERVE POSITION

The original budget for 2024/25 allowed for £124,093 to be drawn from General Reserves to support spending. However, the revised budget shows that this will not be required and £35,016 will be taken at year end into the General Reserves.

This has been made possible due to:

- Careful cost control resulting in a number of underspends.
- Some unfilled positions in the establishment.
- Energy costs lower than budgeted for.
- Continuing good returns received on bank accounts and investment returns on CCLA Local Authority Deposit Funds property fund investment – higher than expected.
- Higher income than budgeted for in relation to 1863 bar/cafe, Corn Exchange and Tower Hill cemetery.
- Within the revised 2024/25 estimates taking less in to earmarked reserves and instead adding to the general reserve.

The impact of this is that the current projection for the General Reserve at 31 March 2025 is:

General Reserve at 1 April 2024	£497,976
Surplus on revenue account 24-25	£35,016
General Reserve at 31 March 2025	£532,992

The Council must keep a minimum of three months' net revenue expenditure in the General Reserve to provide an adequate contingency for unexpected expenditure. This is approximately £532,000 (based on 2025/26 draft budget).

Consequently, the Council's General Reserve position is satisfactory with no requirement to increase it but also no scope to draw from it.

ESTIMATES FOR 2025-26

At the Council meeting on 16 December 2024 the RFO made a presentation to Council and answered a wide range of questions on the budget.

Throughout the budget cycle it has been clear that the Council is under significant financial pressure which requires more revenue to be raised through the Council tax. There are many drivers for this pressure, and these have been fully detailed in the papers previously circulated. However, amongst the main drivers is the increase in the functions and services being provided by the Council, especially taking on facilities from the District Council at Windrush Place, Raleigh Crescent and Deer Park, and increased youth provision to help fill the gap created by reductions in County Council services in these areas.

In order to reduce the pressure on the Council the committees had very carefully examined budgets and decide to reduce budgets for some projects. The officers made proposals for £30,000 of revenue savings, use of earmarked reserves for some growth items and reducing energy estimates to reflect the lower market rates currently on offer.

A number of scenarios were presented to the Council as to how to fund the Council's services and growth.

It was noted at the meeting that if the Council had increased the Council Tax in line with inflation during the last five years (RPI October 2019 to October 2024) the Council Tax level in Band D for 2025-26 would be £207.73. All of the scenarios considered involved a Council Tax level lower than that.

Pertinent to this evening's meeting and the 2025-26 budget/precept the minutes state:

A lengthy discussion was had with all Members who wished to speak being able to do so. It was clear the majority of Members favoured either option two or three of the presented budget calculations and it was mutually agreed that as these two options differed by approximately £4 over the whole year for a Band D Property, that the guidance to the RFO should be directed around those calculations.

A proposal was made by Cllr A Bailey for an increase of 14.9%, the proposal was seconded by Cllr D Edwards Hughes and supported by both Cllr S Simpson and Cllr R Smith. A Vote was then called for and the proposal was carried, with voting being unanimously in favour.

It was then resolved:

- 1. That, the Responsible Financial Officer refine the budget calculations to reflect a 14.9% increase of Council Tax for the town from its precept for the financial year 2025/26. This would result in an increase of £26.37 to £203.37 for a Band Property and*
- 2. That, a final decision on the level of Precept to be set at the Extra Ordinary Council Meeting scheduled for 6 January 2025.*

The RFO has now undertaken this exercise, incorporating the agreed growth, revenue savings and capital items into the estimates together with the estimated precept raised by a Band D Council Tax of £203.37. Whilst undertaking this exercise the opportunity was taken to adjust a number of estimates in the light of the latest information although this has not materially changed the overall financial position and the direction given by Members at the meeting of 16 December would allow the RFO to certify this as a robust budget with an adequate level of reserves. (See Appendix D)

The budget papers show:

Net expenditure requirement ¹ - Revenue	£2,097,546
-Capital	<u>£ 200,199</u>
	£2,297,745

Funded by:

Precept	£2,297,745
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With the Council Tax base (estimate) being 11,298.35 the Band D equivalent Council Tax is £203.37.

¹ The net expenditure requirement is the gross expenditure less non-precept income including rents, fees and charges, grants, use of earmarked reserves, loans and section 106 contributions. It therefore represents the amount required from the precept to fund the agreed budget.

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 to note the report and

1. Adopt the revised budget for 2024/25 as presented.
2. Adopt the budget for 2025/26 as presented and agree its funding, including the amount of precept requested and reserve movements, as recommended in the report of the RFO.