



PENRITH TOWN COUNCIL

REPORT TO COUNCIL

Considered and Approved

Full Council 23 January 2017

Revenue Budget 2017-2018: Budget Proposal

LINK TO COUNCIL FUNCTIONS

SUBJECT	POWER	LEGISLATION
Setting a revenue budget for 2017-18	A local Council may set an annual precept after considering its budget requirement	Section 41 LGFA 1992

LINKS TO COUNCIL PRIORITIES

The budget should be the financial manifestation of the Council's priorities. The budget was drawn up by each committee after considering what budget it needed to deliver the priorities set out for it in the Council Plan 2017-22. Appendix A shows the budget detail on a committee by committee basis.

1. Introduction

- 1.1 This report considers the Council's revenue budgets as follows;
 - a revised budget for 2016/17, and
 - a budget and precept for 2017/18
- 1.2 The report also sets out a five-year medium term financial plan with indicative budgets for the four years after 2017-18.
- 1.3 An initial draft of this report was reviewed by the budget Task and Finish group on 5 December. The group is made up of the members of this committee and the mayor. The deliberations of that group informed the draft budget considered by the Finance Committee on 16 January 2017. This report sets out the recommendations of the Finance Committee.



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2. Recommendations

1 The revised budget for 2016-2017 (see section 4) is:

	£
Planning committee	15,000
CCEG committee	47,600
Finance committee	176,102
Contingency	0
CTRS grant	-5,422
Net Expenditure	233,280
Less: Precept	<u>-230,078</u>
Contribution from reserves	<u>3,202</u>

2 The budget for 2017-2018 (see section 5) is:

	£
Planning committee	30,000
CCEG committee	133,500
Finance committee	186,126
Contingency	5,183
CTRS grant	<u>-7,031</u>
Net Expenditure	347,778
Plus: Contribution to Reserves	<u>24,367</u>
Precept	<u>372,145</u>

3 The level of reserves as set out in section 6 is noted

4 The Medium Term Financial Projection 2017-22 set out at appendix B is noted



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3. Constitutional Requirements

- 3.1 Preparation of the budget and setting the precept is one of the most important tasks that a local council must undertake. Preparation of a budget is required as part of 'proper practices' and as such is a statutory requirement. In addition, it is not lawful to set a precept unless a budget has been prepared and approved.
- 3.2 The precept is the balancing figure after taking account of estimated net expenditure, other estimated income and any amounts proposed to be taken to, or from, reserves
- 3.3 The budget must be approved, and the precept set, at a Full Council meeting. The statutory deadline for setting the precept is 28 February 2017. However, almost all local Councils set their precept by the end of January, otherwise this would delay the Billing Authority's (Eden DC) ability to set the overall Council tax to be collected. In Penrith, this is an aggregation of the Council Tax charged by the County Council, the District Council, the Police and Crime Commissioner, and the Town Council.

4. Revised Budget for 2016-2017

- 4.1 The revised budget, at Appendix A, shows an increase in net expenditure from £230,078 to £233,280. This increase of £3,202 can be explained as follows;

	£	Note
Staffing costs	13,223	1.
Deletion of contingency	-12,000	2.
Accommodation costs: one off	15,478	3.
Election costs	-6,000	4.
Member expenses	-1,500	5.
Delayed planning expenditure	-5,000	6.
Other small changes	<u>-999</u>	
Increase in budget	<u>3,202</u>	



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Notes

1. This was higher than estimated because a provisional rate of 30% superannuation was applied by the pension fund. It is hoped that this will reduce once the triennial pension fund valuation is done (due shortly). Most other employers in the pension fund have contribution rates a lot lower.
2. It was agreed to delete the contingency to fund the higher than expected pension contributions.
3. As per the agreed option for new offices: Council 21 November. This includes fitting out costs and reconfiguration of IT
4. Elections only need to be budgeted for the all-out elections every four years.
5. Actual expenses lower than budgeted.
6. Delayed expenditure now budgeted in 2017/18.

4.2 Other points;

a.) Neighbourhood plan grant support- grant funding of £9,000 has been received under the Department of Communities and Local Government's Community Rights Programme grant. This is included in the budget.

b.) CCEG budgets - the revised budget has been maintained at the same level as the original budget. The year-end out-turn will be reported to Councillors to consider whether some or all of any unspent budget is put in to an earmarked reserve or carried forward to 2017/18.



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5 Revenue Budget for 2017-2018

5.1 Level of Precept

The budget for 2017-2018 (Appendix A) shows an increase in the precept from £230,078 in 2016/17 to £372,145 in 2017/18. This increase of £142,067 can be explained as follows:

	£	Note
Planning	10,000	1
Reduction in Contingency	-7,072	2
Communities, Culture and Economic Growth	85,900	3
Contribution to reserves	24,367	4
Staffing costs	39,915	5
Elections	-6,000	6
Other	<u>-5,043</u>	
Increase in precept	<u>142,067</u>	

Notes

1. Planned costs for the Neighbourhood Plan show an increase in £5,000 from 2016/17. In addition, £5,000 of budget has been moved from 2016/17.
2. The general contingency has been deleted and this now includes a provision for inflation (salaries 1% and other costs 2%).
3. This is based on the budget recommended by the CCEG committee which has increased from £47,600 to £133,500. This is the budget the committee considers is necessary to deliver the actions in the Town Council's Plan that fall to it. Apart from the Neighbourhood Plan almost all the Council's customer facing activities are the responsibility of this committee.
4. The Council's reserves strategy recommends that the Council should aim to hold reserves equal to half of its net expenditure. Reserves are currently below this recommended level. It is proposed to reach this level over the next five years by making an annual contribution to reserves.
5. As noted above, these are higher than estimated originally because the superannuation rate is higher than expected. In addition, the budget now includes:
 - a.) a full year cost for all four staff: last year only one member of staff was in post throughout the year.
 - b.) provision to recruit 18 hours a week of administrative support: £11,000



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6. Elections only need to be budgeted for the all-out elections every four years

Other points;

a.) Neighbourhood Plan grant support - applications for grant funding will be submitted to the government in 2017/18: at this stage, it is thought that a grant of £6,000 may be available. This is not budgeted for: if the applications are successful then the income will go in to general reserves.

b.) Devolved services- the CCEG committee budgets included provision of £3,000 to support the running costs of devolved services. Whether, or not, this is sufficient will depend on what, if any, revenue support is agreed with Eden DC.

5.2 Precept per Band D property

Council Tax is normally expressed as an amount per Band D dwelling, which is an approximate average. Band D is one of the middle Council Tax bands. If the proposed precept of £372,145 is agreed, then the Band D Council Tax for Penrith Town Council will be as follows:

	2016/17	2017/18
Precept	230,078	372,145
Number of Band D dwellings	5,050	5,123
Cost per Band D dwelling		
Per year	£45.56	£72.64
Per week	£0.88	£1.40

The Band D amount shows an increase of 59% from 2016/17 to 2017/18.



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5.3 Comparative Precept levels

Whilst making comparisons with other local councils should be treated with some caution it can be useful background information. The table below sets out the 2016/17 precept per Band D property for the larger town Councils in Cumbria:

Town Council	Population	Band D precept £
Kendal	28,000	34.24
Workington	25,400	60.54
Whitehaven	23,800	51.38
Penrith	15,500	45.56
Maryport	12,000	73.19
Ulverston	11,600	44.05

5.4 Total Council Tax bill in Penrith

The total Band D Council Tax paid by the residents of Penrith is made up as follows. This shows both the current amount for 2016/17 and the proposed amount for 2017/18. The proposed amount is based on the draft proposals of each body for 2017/18: it is assumed the County will take advantage of the recently announced increase in the cap from 4% to 5%:

Band D Council Tax			
	16/17	17/18	Change
	£	£	%
Penrith TC	45.56	72.64	59
Eden DC*	195.57	199.48	2
Cumbria CC	1,231.87	1,293.46	5
Police	216.63	220.81	1.91
Total	1,689.63	1,786.39	5.7

*includes Special Expenses



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It should be noted that the Eden DC Executive is recommending to its Council (18 February 2017) that Special Expenses are abolished after 2017-18. If agreed this will, with no other changes, reduce the Council Tax charged by Eden DC to Penrith residents in 2018/19 by about £8.50 per band D property (based on 2016/17 figures)

5.5 Possible restriction on precept increases

The Finance Committee received a report at its October meeting on proposals by the government to 'cap' the level of Council Tax increase for local Councils. The proposals suggested that a 2% maximum increase could be imposed: most likely on the bigger local Councils. This Council in its response to the government's consultation, like many other local Councils and NALC, argued strongly against the proposals.

The final decision by the government was announced as part of the Local Government Financial Settlement prior to Christmas. The government has decided not to extend capping to local Councils. However, it has made clear that this remains a possibility for future years: to implement this the government would need to consult again on specific proposals.

Clearly the imposition of a cap of 2% on the Council would have a significant impact on setting of the precept. The government's intentions for capping local Councils in 2018/19 will be an important factor when the Council sets its budget for that year.

6 Level of General Reserves

6.1 Based on the draft budgets the Council's unearmarked general reserves are expected to be:

	£
Actual at 1 April 2016	37,725
Less: Contribution from reserves	<u>3,202</u>
Estimated Balance at 31 March 2017	34,523
Plus, Contribution to reserves	<u>24,367</u>
Estimated Balance at 31 March 2018	<u>58,890</u>

6.2 The Council's Reserves strategy (approved at this committee's meeting in June 2016) sets a target level of half of annual net expenditure. The budgeted net expenditure in 2017/18 of just over £312,000 indicates a target level of £156,000 for reserves. Clearly current reserves are substantially below this target level.



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To address these annual contributions to reserves of £24,400 are planned for each of the five years, starting in 2017/18. By March 2022 this should bring reserves up to just over £150,000.

- 6.3 Whilst the current level of general reserves is below the target level it is considered that the Council has set out a sustainable plan in its medium term financial projection (see appendix B) to build reserves up to the target level.

7 Medium Term Financial Projection 2017-22

- 7.1 The medium term financial projection for the five-year period 2017-22 is set out at appendix B.
- 7.2 The budgets shown for 2018-22 are indicative only. The Council is only approving and committing to the 2017-18 budgets. However, there is value in the Council looking at its financial position in the longer term. So, for example the projection demonstrates how the Council will build its reserves up to the target level.

8 Risk Management Implications

- 8.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council.
- 8.2 Two risks have been flagged up in the body of this report, which are;
- The possibility of the government introducing a cap on local Council increases in Band D precept for 2018/19 as part of next year's local government financial settlement
 - Council reserves are currently below target levels- this is being addressed by planning for annual contributions to reserves over the next five years

Background Papers:

- Budget spreadsheets
- Reserves Strategy 2016-17

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Appendix A

Budget Detail



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Budget 2017-2018

Summary

	2016- 17 Original Budget £	2016-17 Revised Budget £	2017- 18 Budget £	Note
Committees				
Planning	20,000	15,000	30,000	
Communities, Culture and Economic Growth	47,600	47,600	133,500	
Finance	155,900	176,102	186,126	
Committees' Net Requirement	233,500	238,702	349,626	
Contingency	12,000	0	5,183	1
Council Tax Reduction Grant	-5,422	-5,422	-7,031	2
Net Expenditure	230,078	233,280	347,778	
Less:				
Precept	-230,078	-230,078	-372,145	
Use of/Contribution to (-) reserves	0	3,202	-24,367	

NB minus figures are income

Notes

1 The budgets are stated at 2016/17 price levels. The contingency provides for estimated price inflation.

2 This grant is determined by the district Council. It part compensates the Council for reduced Council Tax income arising from the Council Tax Reduction Scheme.



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Budget 2017-2018

Planning Committee

Summary

Budget Heading	Original Budget	Revised Budget	Budget	Notes
	2016-17	2016-17	2017-18	
	£	£	£	
Overall allocation	20,000			
Officer support			6,000	2
Planning consultants			7,000	3
Specialist consultants			5,000	4
Consultation events		11,380	7,000	
Printing and stationery		3,620	5,000	
Unallocated costs		9,150	0	5
Grants		-9,150	0	5
Total net expenditure	20,000	15,000	30,000	1

Notes

1 This budget is provided so that the committee can deliver the Neighbourhood Plan for Penrith. It is intended that the plan will be agreed in 2019/20. The estimated cost in future years is £30,000 in 2018/19 and £35,000 in 2018/19.

2 Additional staff resource will be required to undertake research and support the specialist consultants.

3 Planning consultants have been appointed following a competitive procurement exercise.

4 For areas such as traffic assessment and community engagement

5 Grants have been received from:

- £9,000- from the Department of Communities and Local Government under its Community Rights Programme grant. A further grant of £6,000 can be applied for in 2017/18. However, there is no certainty on receiving the grant
- £150- from Action with Communities in Cumbria (ACT).



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Budget 2017-2018

Communities, Culture and Economic Growth Committee

Summary

	Original Budget 2016-17	Revised Budget 2016-17	Budget 2017-18	Notes
	£	£	£	
Budget Heading				
Sport and recreation	3,000	3,000	17,500	1
Arts and entertainment	8,400	8,400	39,000	2
Environment	10,200	10,200	15,000	3
Tourism and inward investment	17,000	17,000	30,000	4
Grants and sponsorship	4,000	4,000	32,000	5
Community plan	5,000	5,000	0	
Total net expenditure	47,600	47,600	133,500	

Notes

1 The 2017/18 budget is made up funding of £15,000 towards the Castle Park development group and a £2,500 contribution towards play equipment at Fairhill

2 The 2017/18 budget is made up of an events programme of £29,000 (total cost of £53,000 less Eden DC funding of £24,000) and £10,000 towards the cost of developing a cultural strategy.

3 The 2017/18 budget is made up of £8,000 for Penrith in Bloom, £4,000 to support various 'greening' initiatives and £3,000 to help support the transfer of services and assets from Eden DC.

4 The 2017/18 budget is made up of £20,000 towards the cost of developing an inward investment strategy and £10,000 towards Christmas lights and events.

5 In 2017/18 this budget now covers a range of grants and sponsorship such as the Schools Festival, heritage institutions, remembrance events, shop fronts etc.



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Budget 2017-2018

Finance Committee

Summary

	Original Budget 2016-17	Revised Budget 2016-17	Budget 2017-18	Notes
	£	£	£	
Budget Heading				
Civic costs	8,500	8,500	6,250	
Cost of democracy	11,000	3,000	3,000	1
Staff costs	96,500	109,724	136,416	2
Accommodation	6,000	16,878	6810	3
IT	8,000	12,600	8,000	4
Communications	3,000	3,000	3,000	
Other overheads	17,900	17,400	17,650	5
Repairs and renewals	5,000	5,000	5,000	
Total net expenditure	155,900	176,102	186,126	



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Original Budget 2016-17	Revised Budget 2016-17	Budget 2017-18	Notes
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£

£

£

Notes

1 The original 2016/17 budget included £6,000 for elections. This budget is only needed for all out elections which occur every four years. The next such election is in May 2019.

2 The staff pay scales have been reviewed by the Staffing Sub-Committee and a recommendation for a one scale point increase and costs cover the following posts:

- Town clerk- permanent: fulltime
- Deputy Town Clerk- permanent: 18 hours a week
- Economic development officer- permanent: 18 hours a week
- Asset transfer officer- temporary until June 2018: 15 hours a week
- Administration support post- new permanent post: 18 hours a week

3 At its meeting on 21 November 2016 the Council decided to rent new offices. The costings assume the new lease starts on 1 February with the new offices being up and running from April 2017

4 The revised 2016/17 budget includes the one-off costs of reconfiguring the IT for the new offices.

5 The main overheads included in the 2017/18 budget are accountancy (£6,000), external audit (£2,000), legal fees (£3,000), and insurance (£2,300).



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Appendix B

Medium Term Financial Projection 2017-2022



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Appendix B

Medium Term Financial Projection

A- Summary Budget

	2017-18	2018-19	2019-20	2020-21	21/22
	£'000	£'000	£'000	£'000	£'000
Planning committee	30	30	35	0	0
CCEG committee	133	127	129	135	142
Finance committee	186	171	172	166	166
Contingency	6	6	5	5	5
Council Tax Reduction grant	-7	-7	-6	0	0
Net expenditure to be funded	348	327	335	306	313
Less: Precept	-372	-351	-359	-330	-337
Contribution to reserves	-24	-24	-24	-24	-24

The main reasons for variations are;

- Planning Committee- the neighbourhood plan is planned for completion in 2019-20. It will then be extant through the life of the Eden DC Local Plan to 2032. Therefore, no expenditure is indicated beyond 2019-20
- Finance Committee;
 - The two-year funding for the asset transfer support officer ends in June 2018.
 - There is a budget of £6,000 for elections in May 2019

B- General Reserves

	2017-18	2018-19	2019-20	2020-21	21/22
	£'000	£'000	£'000	£'000	£'000
Opening	35	59	83	107	131
Contribution in year	24	24	24	24	24
Closing	59	83	107	131	155



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C- Band D Precept

	2017-18	2018-19	2019-20	2020-21	21/22
Precept- £'000	372	351	359	330	337
Tax base- number of Band D properties	5,123	5,182	5,248	5,314	5,379
Annual Band D precept- £	72.64	67.76	68.50	62.08	62.66