

## **AGENDA 13, Enc vi) Half-Year Budget Review Report to Councillors**

### **The Year Begins**

At the start of the year, the Council set a gross budget of £1,240,123, which included moving a £2,745 surplus into the Allotment General fund. This surplus was based on the actual financial figures at the year-end following the previous January's budget setting.

We sought a Precept of £899,950, had £75,738 VAT due and approximately £25k of balances to off-set once all income/expenditure movement was carried out.

### ***Earmarked Reserves Breakdown***

£65k was reworked as earmarked reserves, allocated for future asset replacements, particularly play areas. The £65k earmarked reserves is allocated towards specific asset replacements in future financial years. The following areas are planned for replacement, with funds expected to accumulate yearly with money added each year. To keep on track for the replacement of these assets we need to add a minimum of £35k each financial year. The plan was to keep increasing this amount as assets neared the end of their lifespan. Below is what is currently held and the expected year of replacement.

North Seaton Colliery Play Area: £20,000 (2024/25)

Seaton Vale Play Area: £10,000 (2027/28)

People's Park Play Area: £15,000 (2030/31)

Paddock Wood Play Area: £5,000 (2031/32)

Alexandra Road Play Area: £3,000 (2032/33)

In addition to the figures above £9,000 has been set aside for the Full Council Election, with plans to add a further £9,000 over the next two years. Whilst the election is in May 2025, we usually receive the invoice in the following financial year.

### ***General Reserves and Contingency***

The Council's General Reserves and Contingency was set at £175k, representing 25% of general running costs. However, £12k was removed during the year to address unplanned allotment expenditures following fire and vandalism at the Hirst East End site.

The Council will be recommended to replace this as £175k was the minimum general reserves and contingency the RFO recommended.

### **Financial Outlook and Adjustments**

Minor budget movements have been made by the RFO within the Management & Support heading to balance sub-headings. These can be explained, but they are small movements to counteract where one heading may look like overspending and another underspending.

## **AGENDA 13, Enc vi) Half-Year Budget Review Report to Councillors**

Money was also transferred from Events, and Environmental Enhancements to Employment Costs to cover overtime incurred for Council events and the Bird Box Project. This is required as the budget allocation for overtime spending is included in these headings not employment costs.

Budget lines with expected balances, such as Seats, Litter Bins, Tools, and Equipment, are not significant, and should be reserved for unknown expenditure between now and the year end.

The discretionary areas of Events, Youth, Climate, and Environmental Improvements are more certain to remain unspent unless specifically planned. There is a projected balance of over £50k across these subheadings. This balance assumes no further expenditure. Within this, £27,657 is budgeted for Ward Councillor funding on Environmental Enhancements and £18,374 for Youth Funding.

We have approximately £12.5k expected balances in headings Christmas Lights, CCTV, and Environmental Contracts as contracts have ended, started late, or are less than committed.

While the Responsible Financial Officer (RFO) can accurately predict known expenditures in non-discretionary areas based on fixed commitments, discretionary spending is far more uncertain.

### ***Strategic Direction and Budget Pressure***

Without clear strategic direction and proper planning, spending these projected balances this year on half-hearted or unplanned schemes will add significant pressure to next year's budget setting for 2025/26.

With costs expected to rise, particularly in non-discretionary budget headings, there will be less flexibility available in discretionary areas. Rushing into expenditure now could lead to difficult decisions later, such as cutting discretionary spending or significantly increasing the precept to cover shortfalls.

### ***Allotments and Financial Challenges***

In addition, the budget for allotments remains tight. There has been no increase in allotment rents to cover rising costs, and without additional income, there is no balance to create a contingency fund next year. Any further unplanned expenses for allotments will need to be covered by the Council's main budget. This will remain an issue when setting next year's budget.

### ***Impact of the NJC Pay Deal***

The NJC Pay Deal, which is still under negotiation, represents another financial challenge. Potential pay increases are unknown but expected in the range of 2.5% to 10%. With salary and overtime backdated from April 2024, this will lead to an additional cost of between £15k and £40k across the financial year.

### **The Budgetary Dilemma**

With £12k removed from the general reserves and contingency to cover allotment repairs, the expected pay deal impact of up to £40k, the required investment into the

## **AGENDA 13, Enc vi) Half-Year Budget Review Report to Councillors**

earmarked asset fund for future play area work, and no additional income into the allotments budget, the Council's budget is already under significant pressure.

This leaves us with a difficult choice:

- Not to spend the projected balances this year and use them to off-set next year's financial pressures.
- Plan to cut the budget in discretionary areas next year to accommodate rising costs in non-discretionary areas.
- Increase the precept to ensure we have sufficient funding to meet the Council's priorities.

Maintaining a balance at the year-end will help mitigate the risks of rising costs, pay increases, and the future need for investment. The decision is ultimately between restraint this year or facing increased financial pressure in future budget years.

### **Recommendation**

Given these circumstances, the RFO strongly advises Councillors to carefully consider these options when making financial decisions this year. Thoughtful, well-planned project spending and maintaining year-end balances will allow us to handle future financial challenges more effectively, including those posed by non-discretionary commitments and uncertain income sources.

### ***Pre-Budget Meetings***

The RFO recommends that Cllrs engage in budget discussions early. Sessions can be held on the following Mondays at 5:00pm.

14<sup>th</sup> October at 5:00pm

18<sup>th</sup> November at 5:00pm

16<sup>th</sup> December at 5:00pm.