



PETERLEE TOWN COUNCIL

Date of Issue: 4th January 2022

A Meeting of the Resources Committee will be held on Monday 10th January 2022 in The Banqueting Suites, Shotton Hall, Peterlee, SR8 2PH at 6.30pm

Mr I Morris P.S.L.C.C.

Town Clerk

A G E N D A

Due to the current COVID situation the capacity of the meeting room is reduced and public admission to the meeting will be limited. Any members of the public wishing to attend Shotton Hall to observe the meeting are strongly advised to contact the Council in advance to reserve a seat: council@peterlee.gov.uk or 0191 5862491

Members of the Committee and members of the public are reminded that the public part of the meeting may be recorded in both audio and video, and photographs may be taken.

1. Apologies for Absence

Members are cordially invited to inform the Deputy Town Clerk of their apologies as soon as practicable.

2. To receive declarations of interest

Members are reminded of the need to disclose any interests in items on this agenda, whether pecuniary or otherwise. Please seek advice from the Town Clerk or Deputy Town Clerk prior to the meeting if in doubt.

Members are reminded that they can check their published declaration of interests here: <https://bit.ly/2wVyeLA>

3. To approve the minutes of the previous meeting

Members are recommended to approve the minutes of the previous meeting of the Resources Committee on Monday 8th November 2021 as a true and correct record.

(Minutes of previous meeting, copy attached)

4. Town Council Budget and Precept Demand for 2022/23

Members of the Committee will be asked to consider further issues and options relating to the Budget and Precept Demand for the 2022/23 financial year prior to final decisions to be made at the full Council meeting on 17th January 2022.

(Report and presentation of the Town Clerk, to follow)

PETERLEE TOWN COUNCIL

MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE

HELD IN THE BRANDLING SUITE, SHOTTON HALL, PETERLEE

ON MONDAY 8TH NOVEMBER 2021 at 6.30PM

PRESENT:- COUN M A CARTWRIGHT (CHAIR)

Mesdames:- J Black, M McCue, L Liddell, S Simpson, K Hawley & D Howarth

Messrs:- M Sanderson, B Fishwick & R Moore

13. Apologies for Absence

Apologies for absence were offered to the meeting and accepted from Councillors G Johnson, S McDonnell, A E Laing, D Hawley, K Duffy & T Duffy.

14. To receive declarations of interest

Members were reminded of the need to disclose any interests in items on this agenda, whether pecuniary or otherwise. None were offered. **RESOLVED the information given, be noted.**

15. To approve the minutes of the previous meeting

RESOLVED the minutes of the previous meeting of the Resources Committee held on Monday 13th September 2021 be approved as a true and correct record.

16. Appraisal & Development Policy and Process

Members received a presentation outlining the Council's approach to staff appraisal and development from the Town Clerk. He explained why an appraisal and development process was so important, why it was introduced in 2019 by the Town Council, what the process was, what a performance appraisal is, how the process works. The Town Clerk also reported how the staff felt after the start of the process and then what the results of the staff survey in 2021 were. In closing he demonstrated how staff had taken up various learning and development opportunities throughout each Department. The Appraisal Panel for the Town Clerk were to meet on Monday 15th November 2021 and

then Managers and then staff would receive their 12month annual appraisals.
RESOLVED the information given, be noted.

17. The Report of the Scrutiny Committee of the 27th September 2021

Members were asked to consider the recommendation made by Scrutiny Committee on 27th September 2021 that the Town Council should invest in Shotton Hall as a venue for community use and events and not a commercial hospitality/banqueting venue and to approve the Town Clerk proceeding on this basis. There was discussion on the item and it was unanimously agreed the focus be on retaining Shotton Hall grounds and building as a community asset. The Town Clerk advised he was working with DCC procurement on the proposal for the necessary repair works to the building and would report that to Council for consideration and approval. When the project had been costed he would consider avenues for grant funding for the works and there may still be an element of Public Works Loan Board funding required. **RESOLVED a further report be awaited on the cost of the repairs.**

18. The notes of the Events Working Party of the 6th October 2021

Members were asked to note the contents of the notes of this Working Party.
RESOLVED the information given, be noted.

19. Repairs to the Showers – Lowhills Road Sports Changing Rooms

The Report of the Facilities Manager, (Shotton Hall), requesting endorsement of action taken in making the showers fully operational for the football season was considered.
RESOLVED the action taken in this regard be endorsed.

Report to: Peterlee Town Council Resources Committee

Date: 10th January 2022

Report of: Ian Morris, Chief Officer & Town Clerk

Subject: Peterlee Town Council outline budget 2022/23

Report Purpose: To provide Members with an update on the outline draft budget for the 2022/23 financial year and seek feedback on options to balance the budget in the forthcoming year.

If Members have any specific questions about any of the detail contained in this report, they are recommended to contact the Town Clerk prior to the meeting if possible. This will ensure that proper consideration of the questions can be given prior to the meeting.

Background: At the Community & Environment meeting on 6th December 2021 Members received a presentation from the Town Clerk that set out the key principles, financial pressures and opportunities facing the council in setting the 2022/23 budget and precept demand.

At the full Council meeting on 20th December 2021 the Town Clerk presented Members with more detail on the budget pressures facing the Council in the forthcoming financial year, as well as several options for dealing with these pressures. At the time of the 20th December meeting the projected budget deficit for 2022/23 (based on a 0% precept increase) was around £84,000. The Town Clerk also provided Members with a summary of the main risks and uncertainties facing the Town Council during the 2022/23 year.

Members discussed a range of options to deal with the deficit budget considering the risks, including reducing costs and increasing income.

Members were reminded that the outline budget and final precept figure would need to be agreed at the Council meeting on 17th January 2022 to enable the Council to submit the precept demand to Durham County Council by the deadline of 22nd January 2022.

Current position: Since the 20th December meeting, the Town Clerk has continued to work on the draft budget with Senior Managers and their teams. The current position with the draft budget is a projected budget deficit of around £87,000 (based on a 0% precept increase).

Members will be aware that the projected reserves position at the end of the current financial year is around £300,000, which represents around 2 months of operating costs for the Council. Although there is no legal limit on levels of general reserves, the accepted 'best practice' limits are between 3 and 12 months of operating costs.

Clearly the Council's reserves at the end of the financial year will be below the 'best practice' minimum limit, and a further hit of £87,000 to balance the current draft budget would reduce reserves down to close to £200,000 or less than 1.5 months operating costs. This could place the Council at significant financial risk, and as per previous advice provided to Members this scenario should be avoided if possible.

Members have already discussed a range of options to deal with the budget deficit situation at recent meetings, and the current options are summarised below.

Options: Option 1: Increase precept

In 2016/17 the Band D precept charge for the Town Council was £294.90. For 2017/18 the Council chose to reduce the precept by 2% (Band D equivalent £287.56) and then chose to freeze it a 0% for the following three financial years (2018/19 to 2021/22) and so it has remained at £287.56.

Had the precept been increased with the rate of inflation since 2016/17 it would currently be £337.02 (Band D), which means that in 'real terms' band D households in Peterlee are now paying £49.46 a year less due to the cut/freezes applied by the Town Council.

However, this has come at a cost to the Council. By reducing and then freezing the Council Tax costs to residents, over the last five financial years the Council has collected approximately £375,000 less Council Tax than it would have collected if it had increased the precept in line with inflation over that time. The current year's precept income figure alone is around £125,000 less than it would have been had the Council increased the precept in line with inflation over the previous four years.

Over the last five years the costs of staffing, utilities, insurance, and goods and services that the Council buys have all increased while precept income has not followed suit, and as a result the Council has operated a deficit budget every year. This deficit has been taken from the Council's reserves as part of the planned approach to reduce the reserves from the £1.2million high point in March 2017 down to the current forecasted £300,000 at the end of the current financial year.

As has previously been reported to Members, each 1% of precept increase equates to approximately £13,000 of additional income to the Council. However, the additional cost to individual Council Taxpayers is minimal. Approximately 75% of households in Peterlee live in 'Band A' properties. The current 'Band A' annual precept is £191.71 per year. A 1% increase in precept would mean that a 'Band A' household would pay an additional £1.92 a year, equivalent to less than 16p a month or less than 4p a week.

	Band A 75%	B 7%	C 9%	D 6%	E 3%
Current annual precept	£191.71	£223.66	£255.61	£287.56	£351.46
Each 1% increase or decrease in precept would equate to...	£1.92	£2.24	£2.56	£2.88	£3.52
Monthly equivalent	16 pence	19 pence	21 pence	24 pence	29 pence
Weekly equivalent	4 pence	4 pence	5 pence	6 pence	7 pence

Figure 1: the implications of a 1% precept increase by Council Tax bands

With the current draft budget position, if the Council wished to balance the budget through the precept this would require an increase of 6.5%. This would equate to an increase for individual households as follows:

	Band A	Band B	Band C	Band D	Band E
Current Annual precept	£191.71	£223.66	£255.61	£287.56	£351.46
New precept @6.5% increase	£204.17	£238.19	£272.22	£306.25	£374.31
An annual increase of...	£12.46	£14.53	£16.61	£18.69	£22.85
Monthly equivalent	£1.04	£1.21	£1.38	£1.56	£1.90

Figure 2: the implications of a 6.5% increase by Council Tax bands

Option 2: Increase other income

At the 20th December meeting Members discussed the Council's main income sources other than the Council Tax precept. These can be summarised as follows:

Income source	Estimate 2022/23 income	Comment
Shotton Hall	£37,000	Significant uncertainty around capacity to increase income due to COVID and future capital investment work
The Pavilion	£168,150	Current income estimate is already at risk due to unpredictability of COVID situation
Sports Pitch Hire	£36,000	Sports pitch provision in the town currently estimated as a £127,000 net operating cost (i.e., costs after income). Members could consider increasing grounds maintenance charges for rugby, cricket, bowls and football clubs to reduce this level of subsidy.
Sports & Wellbeing Service	£46,600 (of which £35,000 is projected income from classes)	Members could consider increasing charges for classes at the Pavilion
Cemetery	£26,000	Cemetery charges were last reviewed and increased in 2019
Allotment rents	£3,000	Leisure Garden rents last reviewed and increased in April 2020

Figure 3: summary of main non-precept income sources

Given the substantial uncertainty around the operating environment for Shotton Hall and the Pavilion it would not be prudent to increase the income targets for these operations this financial year. The remaining income streams amount to a projected £111,600 for the 2022/23 financial year. Each 1% increase in income from these other sources would be equivalent to approximately £1,116 in additional cash to the Council.

By increasing the target for income (putting up the charges for these services) the Council could look to raise additional income as follows:

2022/23 current budget	1% increase	5% increase	10% increase	15% increase	20% increase
£111,600	£1,116	£5,580	£11,160	£16,740	£22,320

Figure 4: illustration of the effect of different levels of increase on income

If Members did choose to increase the income target through increased service charges in this way, further work on specifically which charges to increase and by how much can be done between now and the end of March 2022 when the final detailed budgets are published. At this stage Members are only being asked to consider the principle of increases, rather than approving actual service charge increases for individual service areas.

Option 3: combination of options 1&2

Clearly options 1 and 2 as presented above are not mutually exclusive options. Members could opt for a combination of service charge increases and a general increase in the Council Tax precept. This would have the effect of passing some of the budget pressures on to the individuals who make use of the specific services that the Council provides (sports, classes, burials, allotments, etc) and some to the general Council Tax paying residents of the Town.

The table below provides some analysis of the effect of different combinations of service charge/precept increase combinations and the effect on the forecast budget deficit:

		Precept increases							
		0%	1%	2%	3%	4%	5%	6%	7%
Service charge increases	0%	£87,000	£73,500	£60,000	£46,500	£33,000	£19,500	£6,000	£-7,500
	5%	£81,420	£67,920	£54,420	£40,920	£27,420	£13,920	£420	£-13,080
	10%	£75,840	£62,340	£48,840	£35,340	£21,840	£8,340	£-5,160	£-18,660
	15%	£70,260	£56,760	£43,260	£29,760	£16,260	£2,760	£-10,740	£-24,240
	20%	£64,680	£51,180	£37,680	£24,180	£10,680	£-2,820	£-16,320	£-29,820

Figure 5: the effect of different levels of service charge and precept increases on the budget deficit/surplus

The figures in red represent a budget deficit.

The figures in amber represent budget deficits of around £10,000 or lower which may be tolerable.

The figures in green are budget surpluses that would allow a contribution back into the Council's reserves.

From this analysis we can see that a precept increase of 4% with a 20% increase in service charge income would still return a forecast budget deficit of just over £10,000, however in the context of an overall budget in excess of £2million and the unpredictable variances that occur during every financial year a projected deficit of around £10,000 or less may be viewed as tolerable.

On the other hand, increasing the precept by 5% and service charges by 10% or more would also achieve a tolerable deficit, with a small surplus if charges were increased by 20%.

A 6% precept increase with a service charge increase of 10% or more would result in a small projected surplus, and a 7% increase would result in a projected surplus whatever level of service charge increase is applied.

Members should note that the current projected CPI inflation figure for April 2022 from the Bank of England is 5%¹. As such a 5% precept increase would represent an 'in line inflation' uplift.

¹ Source: Bank of England Monetary Policy Report November 2021

Recommendation:

Members are recommended to note the contents of this report and to consider options to close the current deficit in the draft 2022/23 budget prior to final deliberation and precept-setting by Council on 17th January 2022.

Appendix 1: Implications

Finance – This report sets out the outline budget for the Town Council for the 2022/23 financial year, which currently provides for a deficit of around £87,000 based on a 0% precept increase. The report sets out a number of options to close that current projected deficit, including the effect of a combination of precept and service charge increases.

Staffing – No direct implications.

Risk – Setting a balanced budget for the 2022/23 financial year is an important element of the Council's approach to managing risk, particularly given the relatively low level of reserves and the ongoing uncertainties around COVID-19 and impact on commercial services.

Equality and Diversity, Cohesion and Integration – no direct implications

Crime and Disorder – no direct implications

Consultation & Communication – The outline budget has been developed with the Council's management team and has included direct engagement of staff in discussions about budget requirements for 2022/23. Previous reports have been delivered to Members in November and December 2021

Procurement – no direct implications

Legal – the legal power to raise a precept is enshrined in a statute, predominantly the Local Government Finance Act 1992 (c1V) and Localism Act 2011 (s78).