

AGENDA ITEM NO 4

TAVISTOCK TOWN COUNCIL

BUDGET AND POLICY COMMITTEE

16th NOVEMBER, 2021

BUDGET PREPARATION & PRECEPT SETTING 2022/23

A. PURPOSE OF REPORT

To provide the Committee with an opportunity to consider and agree, in principle, the emerging draft budget for the 2022/23 Financial Year prepared pursuant to the Committee's previous deliberations as at August, 2021 and the subsequent consideration by Council. It should be read in conjunction with that report and the prior 'Council Finances' report.

B. CORPORATE POLICY CONSIDERATIONS

The effective management of resources and forward planning underpin the delivery of the Council's Strategic Plan 2017-2021 (as amended and updated to 2023). They support its commitment to the economic, efficient and effective use of resources, the promotion of best value and continuous organisational improvement as evidenced in the service planning process. In view of the particular and continuing (pandemic related) circumstances affecting the finances of the Council all elements of the Strategic Plan are potentially engaged, alongside impacts on future capacity.

C. LEGAL AND RISK MANAGEMENT ISSUES

The Council is under an obligation to consider, approve and adopt a Budget including, where appropriate, necessary authority for the issue of a Precept upon the relevant Authority.

A Phased Budget Report outlining actual and committed spend against Budget is reviewed at each Meeting of Council. It is also noted that uncertainties persist in connection with the impact of the Coronavirus Pandemic upon income streams and working practices (albeit not to the existential extent of the past financial year). There are also uncertainties pending the completion of capital works to the Guildhall Gateway Centre Project. As such the Council continues to be exposed to impacts consequential on Coronavirus (and the prior

drawdown of reserves to support town centre regeneration) which materially add to the legal, risk management, financial, compliance and capacity issues facing the organisation. These were set out in detail in the equivalent report last year and continue to persist, notwithstanding a reduction in the overall level of risk attaching (<https://www.tavistock.gov.uk/meetings/budget-policy-committee-meeting-1st-december-virtual-meeting> refers).

Additionally, the ability to maintain services on an impacted budget, capacity of the reduced workforce (currently) and ability to remobilise as/when circumstances change. As previously agreed by Council its core priority is necessarily the maintenance of a prudent approach to, and rigorous oversight of, the management of scarce resources so as to continue to deliver sustainable and effective public services.

D. RESOURCE ISSUES

The resource issues associated with this report are as set out therein, in the attachments and in previous reports. They principally comprise organisational capacity, inflation, pressure on commercial income streams, the residual demands of the capital programme (alongside the obligations imposed by other urgent upcoming works). There is also the need to rebuild reserves and fund the shortfall arising from organisational commitments and associated spend together with the (now) residual impact of the pandemic. Explanatory - the Committee will be mindful that revenue expenditure may only be funded from revenue, the use of capital receipts is restricted solely to capital works (e.g. one cannot lawfully sell a capital asset and use the proceeds to fund the delivery of a service).

E. ENVIRONMENTAL ISSUES

There are no environmental issues arising directly in connection with this report. However, all areas of spend are subject to review and recommendation at the time of resource allocation through the corporate reporting framework.

F. COMMUNICATIONS ISSUES

The content of this Report has been developed in association with the Council's Management Team and Accountant and is based upon

a review of the financial position as at the half year (end September) mark. It is derived from and incorporates the recent decisions of the Committee and Council.

G. RECOMMENDATIONS

The Budget and Policy Committee consider, amend and recommend that the Council endorse in principle (ie subject to final determination in January), as appropriate: -

- i. The submitted Draft Council Budget 2022/23, as enclosed and prepared:
 - incorporating adjustments arising from the previous deliberations of the Council;
 - providing for any surpluses available as at year end, and not otherwise identified, being carried forward into the Rolling Capital Programme (RCP) to support priority works to public buildings/premises;
 - agreement
 - of the RCP (subject to the below adjustment);
 - in principle (and subject to availability of residual funds) of the three potentially available RCP budget heads being deployed to priority property works;
 - Such other related matters as the Committee considers appropriate.
- ii. Consideration of a Schedule of proposed Fees and Charges at its next Meeting;
- iii. Whether to endorse the request of the General Manager to
 - make a one-off additional allocation of £10,000 from revenue toward play equipment repair in the next financial year;
 - authorise the purchase of a wood chipper in a sum not exceeding £5,000 from the vehicle maintenance reserve (with a corresponding reduction in the funds previously allocated for vehicle maintenance: Note – there is a separate item on this agenda in connection with replacement of a vehicle).

NOTE the Committee may wish to defer consideration of the first of these requests to the next Meeting when the position with regard to Council income (para ii above refers) becomes clearer.

1. BACKGROUND

1.1 The approach proposed for the budget setting process has been considered by the Committee and endorsed by Council previously. This report is intended to be read in conjunction with those other documents referred to in the executive summary (above), together with the Phased Budget Report indicating in-year direction of travel and cash flow alongside related appendices.

1.2 In particular attention is drawn to the continuing extent to which budget setting for Tavistock Town Council remains necessarily accompanied by a higher level of uncertainty than would normally be the case - causing a higher level of intrinsic risk reflecting variously:-

- The continuing impact of the pandemic on Council income streams (albeit these are now more stable than at the height of the pandemic);
- Uncertainties arising in relation to inflation - both general and specific (in areas such as energy costs);
- The extent to which remobilisation in/around service areas such as Town Hall and Events are/are not able to remobilise to previous levels;
- The potential for urgent (and unplanned) early calls for the priority allocation of resources – most especially with regard to the Market Road retaining wall and structural work within the Museum (on which the General Manager will make a separate report at this meeting);
- Uncertainty as to the future running costs falling to the Council in connection with the operation of the Guildhall Gateway Centre (and to a lesser extent Guildhall Public Conveniences);
- Any residual matters - costs or obligations arising over and above those previously anticipated in relation to the capital works associated with the Guildhall Gateway Centre (ie overspend);
- The (current year) transition from an organisation still heavily focussed upon making savings to (then moving to next year) phased remobilisation and delivery of a fuller suite of services with associated calls upon resources.

- 1.3 The Committee will also recall that, in setting the Budget for the current financial year so as to be able to absorb the impact of the pandemic Council agreed that, if possible, any uplift in precept for 2022/23 should be consistent with inflation (i.e. not a “growth” budget).

2. ISSUES AND OPTIONS

- 2.1 The emerging Draft Budget has been developed pursuant to the last meeting of this body and following meetings with the Council Management Team and your Accountant. Insofar as possible the intention has been to provide informed projections for:
 - a. Current (2021/22) revised year-end out turn by Cost Centre and Budget;
 - b. Income and Expenditure (Budget) in the next financial year.
- 2.2 If Members have any questions on the detail of the reports they are asked to raise them as soon as possible and, in any event, by 2:00pm on the day of the meeting so that any necessary investigations can be undertaken. It is also suggested that, at this stage, full reliance is not placed on projected year-end figures for income and expenditure which are necessarily estimates. It is also the case that income may be distorted by grant flows in connection with capital projects. The Committee should also note that in-year income shown in the current year accounting records is that which has been invoiced (i.e. not income that is necessarily actually yet received).
- 2.3 Looking ahead and regarding income received from the National Lottery Heritage Fund (NLHF) by way of grant the position would be clearer in January when it was anticipated final payment in connection with the Guildhall Gateway Centre works would be made. Correspondingly expenditure totals in the current year are impacted by capital project spend which in the New Year these should also become clearer.
- 2.4 In drawing up the Budget your officers have sought to respect the overall framework and resource envelope of previous years, together with the guidance received at your last

meeting (subject to the constraints identified above). In so doing attention is drawn, in particular, to:-

- i Capital Programme – Priority Projects
The Committee will be aware that there is always potential for unexpected issues/overspend on capital projects. More especially it is expected the General Manager/Project Manager will be bringing a report forward in connection with residual matters arising from the Guildhall Gateway Centre Project in due course and a financial summary is included latter on this agenda.
- ii Other Matters
Linking to the above the Council will wish to have regard to the potential for unscheduled and/or unavoidable overspends which could arise - either given the scope of projects being undertaken, or in connection with non-programmed repairs and maintenance (e.g. Market Road and Museum works previously reported refer). The RCP allocation represents the only facility for such situations and going forward is being prioritised as previously agreed by Council.

2.5 Attached to this Report are appendices setting out, in various formats (such as by Centre and Code, and by Summary, details of the proposed):

- i Budget detail by
 - a) Combined Account Code for 2020/21, 2021/22 and proposed for 2022/23 (Appendix 1);
 - b) Cost Centre for 2020/21, 2021/22 and proposed for 2022/23 and Summary by Centre (Appendices 2-3);
 - c) Budget Summary, Gross Revenue Expenditure for 2021/22 and proposed for 2022/23 (incorporating Schedule of Earmarked Reserves) (Appendix 4);
- v Fixed Asset Register (Appendix 5);
- vi Rolling Capital Programme (RCP) (Appendix 6)
- vii Phased Budget Report to 30th September, 2021 (Appendix 7)

Note the

- Schedule of proposed Fees and Charges will be brought to the next Meeting.
- Schedule of Earmarked Reserves (EMR) may fall to be considered in part two of this Meeting.

2.6 Turning to the Council tax base it is difficult to anticipate levels at this time. Increased pressure on benefits for low income households mitigates toward a reduction in tax base, new development coming on stream - toward an increase. Prudence suggests that for budgeting purposes the Council Tax base for next year be treated as broadly consistent with that of the current.

3. CURRENT FINANCIAL YEAR

3.1 Before moving on to the draft budget for the next financial year it is prudent to review and anticipate the position both now (half year figures applying (actual)) and at 2021-22 year end (projected).

3.2 The Committee will be mindful that the budget shown for the current financial year in the circulated reports has been adjusted to reflect potential changes in out-turn, together with the implementation, as applicable, of previous decisions of the Council. In addition to half year adjustments these include, in particular:-

- *Code 4036 Property Maintenance* – the aggregation of the unspent residue from the 2020/21 Financial Year with the current year's budget in order to meet the requirements of "carry over" projects – such as Town Hall roof, public convenience surround surfacing, etc;
- *Code 4037 Grounds Maintenance* – the aggregation as above – reflecting increased cost associated, in particular, with current and anticipated arboriculture works;
- *Code 4099 THT Grant* – adjustment to reflect anticipated timeline for opening of the premises;
- *Code 4120 Ex WDBC Public Toilets* - adjustments as above;

- *Cost Centre 105 (Cemetery)* – an in year (one off) increase in budget for equipment purchase (for grave shoring & matting) to £1,500;
- *Cost Centre 403 (Town Hall)* - an in year (one off) increase in equipment purchase to £3,000 in view of the need to replace fridges/ice maker;
- Various adjustments in relation to Goose Fair related costs and income reflecting the event not taking place this year, also of a minor nature to other budget heads as applicable.

NOTE:-

- (both current financial year and next) the draft budget and RCP do not include financial provision in connection with potential S106 grant monies for the improvement/provision of play equipment at Bannawell. This is because, should the Council be successful in receiving a grant (the Borough Council have indicated potentially in the order of £50,000), that sum will be included in the accounting statements at the time of award. When more scheme details are available it will become necessary for the Council to then consider how/if it can source an appropriate level of match funding;
- The Committee will note in particular the potential for significant savings to be made in the current financial year upon the Salaries (4001 Budget) to assist (together with other cost centres) to mitigate the financial position of the organisation. In projecting the extent of savings regarding staffing though it will be mindful of the counter balancing overspend against 4005 (Temporary/ Agency Staff). This reflects the necessity to introduce periodic interim arrangements pending remobilisation with the effect of offsetting some of the savings potentially available;
- There remains, in the current financial year, ongoing uncertainty regarding the national pay settlement for local authority staff. The Employers side have made a final offer of 1.75% which has been rejected by the

staff side (Unison, Unite and GMB) which are currently balloting members with regard to the possibility of industrial action.

NEXT FINANCIAL YEAR

Revenue

3.1 Insofar as the projected Draft Budget for the next Financial Year (2022/23) is concerned, the core assumptions which have been adopted/issues identified relate to: -

- *Energy costs* - This a particularly difficult area to predict with confidence. At present (and subject to current agreements being honoured) the Council has fixed unit costs for gas and electricity until July 2022. By that time it would need to renegotiate its energy contract and, for obvious reasons, it is not possible to provide a reliable estimate of what that price might be. The Council's broker has been requested to provide an indicative range, but is currently not able to do so. In the circumstances the estimate that is being used in the accompanying papers is an increase of 60% on current prices. This matter has been further complicated by energy providers not undertaking meter readings during the pandemic (which is reflected in current billing which shows a standing nominal cost not the cost of actual energy used). At Financial Year End the Works Department have been instructed to undertake a survey of all meter readings to ensure that bills are fully up to date for the financial year;
- *Salaries* – the Budget is prepared on the basis of an anticipated 3% pay award, plus the Governments new Social Care Levy (taking effect in April) and any eligibility for incremental progression leading to a consolidated allocation of 4.98%. However, this figure is potentially more uncertain than in a 'normal' year given that negotiations around the 2022/23 settlement have been held up by failure to agree nationally over the current year position and future wage pressures are unclear (see below). More specifically an adjustment has been made to transfer the cost of a direct cleaner (Drake

Road Offices) to 4016 (cleaning and rubbish) reflecting changed delivery arrangements which are no longer via an employee;

- As briefly referenced previously there is also a degree of uncertainty as to both the actual running costs of the Guildhall Gateway Centre (cleaning, utilities, services etc). Also the extent to which the Council's anchor partner Tavistock Heritage Trust (THT) may require financial support (and the quantum of same) (4099). The budgeted figure for the premises reflect the terms of the agreement as between both parties for support at the point that a cost cap is introduced (i.e. three years from the date of opening to the public) but is not necessarily reflective of the higher level of underwriting (as agreed) available if needed prior to then. To this can be added the possibility of any unforeseen capital project costs arising at/around completion in December this year. Whilst no substantial new capital costs are predicted it is always possible that final accounts may throw up issues (and in any even an additional cost of up to £14,500 is already anticipated – to be met from property maintenance if available).
- *Goose Fair* – by virtue of improvements anticipated in the delivery of the event and consequential changes an increase in costs (approximately £3,000) and reduction of a similar amount in income is projected;
- Those budget heads which the Council cut substantially in the current financial year such as advertising, training and development, managers budgets etc have been reinstated generally to a level equivalent to or less than previously as the organisation seeks to remobilise (excepting Member Allowances adjusted to reflect changes in line with West Devon);
- *The Localism Budget* has been retained at £20,000. It is anticipated that the primary utilisation of this budget will be to support costs as may be agreed by Council for the operation of the Neighbourhood Development Plan. Also

arrangements to support the Queen's Platinum Jubilee celebrations (reports in connection with the latter will be brought forward by the Works Department).

Informative – when the Neighbourhood Development Plan draws down grant monies (for example from Locality) these will have the effect of temporarily increasing the Localism budget pending actual spend. The NDP Steering Group has committed to providing an indicative budget prior to Council setting the Precept;

- *Inflation* – this is difficult to predict a year or more in advance. However, indications from the Bank of England suggest a likelihood that by the beginning of the new financial year inflation, by the Consumer Price Index measure, is likely to be running at 5%+. This estimate has progressively increased from earlier this year, it is therefore possible that it may again be revised further by the Bank of England.
- *Community Grants* – an increase from the current year £17,500 provision to £20,000;
- *Contract Maintenance* – an increase of £3,300 to reflect increased costs;
- *Business Rates* – those payable will be notified following completion of a review of the Guildhall by the Valuation Office now the capital works are complete. The budget allocation for next year is therefore necessarily provisional;
- Finally, the General Manager has requested consideration be given to
 - a one-off additional contribution the Equipment Maintenance Budget for play equipment (4042) in the sum of £10 000 (i.e. in addition to the £10,000 normal projected budget for next year taking it up to £20,000). Because this is a one-off request for significant extra funding the Committee and Council are invited to consider same in the recommendations listed above;

- authorisation to purchase a wood chipper in a sum not exceeding £5,000 from the vehicle maintenance reserve.

Other Issues

- 3.3 The Committee and Council will be mindful, from both the emerging draft Budget and the RCP, that anticipated urgent works to the Market Road retaining wall and Tavistock Museum are presently unfunded. However, there are presently three areas of earmarked reserves which have not been drawn down from the Rolling Capital Programme. These are respectively Public Realm Market Road resurfacing: Guildhall/BCPT area contingency: Public Realm Guildhall Car Park. If these are capable of being repurposed (to priority areas and recognising that some previously allocated works may have already been carried out but funded via the general fund prior to a reallocation being made) there is a provisional figure of up to £119,000 available to deliver on priority matters in the next Financial Year.
- 3.4 With regard to the Rolling Capital Programme the Council determined to return to an annual allocation of £60,000 to maintain a viable Rolling Capital Programme (having reduced to £45,000 in the current year due to the pandemic). The figures before the Committee reflect that decision and the original annual allocation is reinstated. Together with the foregoing these should be sufficient to meet the priority maintenance works identified.
- 3.5 There is also a clear prior commitment (subject to in year savings being sufficient) to the discharge of the other decision of the Council, namely to reinstate the £50,000 allocation toward burial ground replacement at year end. Accordingly, this is currently shown in the projected year end earmarked reserve outturn (subject to sufficient savings being made).
- 3.6 It is however acknowledged that the wider commitment - to rapidly rebuild unallocated reserves to a safe operating minimum of £500,000 will take longer to achieve than previously anticipated in view of the unforeseen priority works which have become evident over the past year.

- 3.7 VAT – there is, as the Committee and Council will be aware, an element of uncertainty/risk associated with recent changes to HMRC guidance in connection with treatment of VAT and markets. The outcome of recent court cases, and extent of direction of travel in this regard, remain to become clearer. However, in a worst case scenario if the option not to tax market buildings were to be removed there would be a material impact – both upon market related Council income streams, and potentially upon a wide range of Market Traders.
- 3.8 Unforeseen calls on funding – there remains the possibility that, in view of the longstanding impact of austerity measures across the public sector, the Council may be called on to take on additional services/costs. Similarly, because it has landowner obligations by virtue of the size of its estate these may lead to unforeseen calls on funding (as has already been evident). Should either of these materialise, as previously reported, currently the Council does not have the reserves or capacity to expand its delivery base at this time.
- 3.9 Finally, no provision has been made for the refurbishment of the Guildhall public conveniences when the Council assumes responsibility. This would necessarily require separate consideration as regards funding. Nor (as previously reported) any costs associated with underwriting THT over and above £35,000.

INCOME

- 3.10 *Market Tolls* – notwithstanding the uncertainty regarding VAT (above) it is now several years since the Council reviewed Market Tolls. It has held back partly because it was considered appropriate the Council should complete works to the Pannier Market and Market Surround (which caused some disruption to businesses) before reviewing Tolls, and then further deferred as a gesture of support to the Market Trading Community in light of the pandemic. The projections within the Budget reflect unchanged Market Tolls. However, it is likely that when a report on these charges is brought before the next meeting of the Committee that a review of Market Tolls will be suggested in light of the passage of time. However, please be mindful of

the VAT position outlined above which could materially distort the position. Furthermore, the outcome of a decision in this regard (at the next round of meetings) does mean that an indicative precept cannot yet be identified.

- 3.11 *General* - More generally increased income as more 'normal' operations return have been factored into areas such as Town Hall Bar (104), Town Hall (403) and Butchers Hall (507). Furthermore, to provide greater transparency, a separate cost centre has now been established relating to Bedford Square income. However, please note it is expected that this will reduce following the decision of the Police to support the imposition of non-viable trading times regarding evening (Burger Van) trading in that location.

4. CONCLUSION

- 4.1 Both last year and the previous year your officers reported that the current year represented "the most challenging budget round of previous years and marks a very clear entry into a period of austerity". On the first occasion that was a result of the extensive improvement works undertaken by the Council drawing down its reserves principally to support town centre regeneration. On the second, by virtue of Coronavirus.
- 4.2 Whilst it is to be hoped that the substantive and existential impact of Coronavirus has to some degree passed it remains the case that, by virtue of its unique circumstances, Tavistock Town Council has been more adversely financially impacted (in both real and relative terms) by Coronavirus than almost any other local council in England.
- 4.3 The completion of the Guildhall Gateway Centre Capital Phase in the current financial year, and the clarity regarding operating arrangements which is expected to arise in the next provide opportunity for consolidation. However, there remains a need to exercise significant prudence in the allocation of financial resources as the Council rebuilds (as are many private sector organisations), from an unprecedented financial and organisational shock.

- 4.4 The foregoing report represents a prudent view of the position facing the Council and provides a basis, so far as can presently be assessed, for the delivery of a sustainable financial basis for Council operations in 2022/23.
- 4.5 The instructions of the Committee and Council are sought.

**CARL HEARN
TOWN CLERK
NOVEMBER 2021
TAVISTOCK TOWN COUNCIL**