

**TAVISTOCK TOWN COUNCIL
BUDGET & POLICY COMMITTEE
1st DECEMBER, 2020
BUDGET PREPARATION AND PRECEPT SETTING 2021/22**

1. PURPOSE OF THE REPORT

To provide the Committee with an opportunity to consider and agree in principle the emerging draft budget for the 2021/22 financial year prepared pursuant to the Committee's previous deliberations as at October 2020, and subsequent consideration by Council. It should be read in conjunction with that report, the prior Emergency Financial Planning report and the phased budget report.

2. CORPORATE POLICY CONSIDERATIONS

The effective management of resources and appropriate forward planning underpin the delivery of the Council's Strategic Plan and support its commitment to value for money, the promotion of best value and continuous organisational improvement. In view of the particular and exceptional circumstances affecting the finances of the Council this financial year all elements of the strategic plan are engaged.

3. 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.

Related legal and risk management issues continue to be broadly as set out in previous reports. They include, in particular, the impact of the substantial reductions in income and associated affects of Coronavirus both in year and for future years on Budget and Precept.

More generally the Council is under an obligation to set the budget. Apart from the legal obligation itself, a failure to match expenditure to income and reserves could lead, at worst, inter alia, to:-

- a) Inability to meet calls for payment as they become due and associated susceptibility to proceedings for recovery;
- b) Inability to appropriately discharge the express (and implied) obligations (legal and other) of the Council in its various capacities - such as service provider, landlord, employer, contracting body, partner etc;

- c) Potential that work streams in hand are not capable of completion, some of which may carry financial and/or other penalties for failure to complete and/or loss of contingent funding/support;
- d) Increased cost burden on the local ratepayer and/or reduction in service offer;
- e) The allocation, to address the economic consequences of the pandemic emergency, of previously available earmarked and general reserves otherwise normally intended to provide for scheduled (and unscheduled) contingencies leading to failure to meet Audit/contractual obligations;
- f) Inability to meet longer term obligations (e.g. a failure to manage an appropriately funded Rolling Capital Programme (RCP) would lead to a deterioration in the building stock or to maintain an adequately funded general reserve);
- g) Consequential reputational damage.

In addition, there are consequential risks including the unknown potential future macro risks associated with local and national economic performance, how the pandemic does/does not develop (including the possibility of further lockdowns) and future action by Government and the authorities. Also the ability to maintain services on an impacted budget, capacity of a much reduced workforce to sustain performance and ability to de/remobilise as/when circumstances change.

In the circumstances the core priority for the Council will necessarily be the maintenance of a prudent approach to, and rigorous oversight of, the management of scarce resources.

4. RESOURCE ISSUES

The resource issues associated with this report are as set out in the attachments and in previous reports (and in part indicated in the section above). They principally comprise organisational capacity, inflation, pressure on commercial income streams, the demands of the capital programme and future (revenue) funding aligned to the need to rebuild capital reserves and fund the shortfall arising from organisational commitments and associated spend.

5. ENVIRONMENTAL ISSUES

There are no environmental issues directly arising 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.

6. COMMUNICATION ISSUES

The content of this report has been developed in association with the Council's Management Team and Accountant and is derived from and incorporates the recent deliberations of the Committee and Council.

7. RECOMMENDATIONS

The Budget & 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 2021/22 as enclosed and prepared:
 - o incorporating revenue budget savings identified previously by Council and the further adjustments arising as at the Finance Workshop together with the additional savings and adjustments as included;
 - o on the basis of meeting the cost of lost income caused by Coronavirus and those accruing from assuming new responsibilities (Guildhall Public Conveniences & Gateway Centre);
 - o subject to any further amendments arising from deliberations at this time.
- ii) that any cost centre surpluses available as at financial year end, and not otherwise identified, be carried forward into the General Reserve 2021-22;
- iii) the Rolling Capital Programme;
- iv) the Fixed Asset Register;
- v) to agree in principle to the release the £50,000 Burial Ground earmarked reserve to apply against the impacts of lost commercial income either this financial year or next;
- vi) Consider a draft schedule of Fees and Charges at the next Meeting.

1. BACKGROUND

- 1.1 Tavistock Town Council is one of a small number – likely 20-30 out of 10,000 town and parish councils nationally, who have been most disproportionately and substantially affected by Coronavirus. The reason being that historically the bulk of its income (unlike other councils) has been derived from commercial income rather than local taxation. By using these income streams to subsidise community services in the past there has been an accompanying benefit to the residents of the town, both regarding services provided and the depression of precept level.
- 1.2 Because it is both a commercial and a public entity in this regard, and like many private sector businesses, the Council has suffered major reductions on those income streams. However, unlike both private sector and also principal local authorities, the Council has been

disadvantaged by the legal and other limitations upon its actions including, but not restricted to:

- i) inability (by operation of the law) to borrow for revenue purposes;
- ii) inability (by operation of the law) to use capital receipts to support revenue streams;
- iii) ineligibility for rate (NNDR) relief;
- iv) inability by operation of contract to utilise NLHF scheme sinking fund reserves;
- v) ineligibility to utilise the Government Loan Scheme;
- vi) ineligibility for the Government Small Business Grant Schemes;
- vii) ineligibility for the Retail Hospitality and Leisure Fund Grant;
- viii) ineligibility for the Small Business Grant Fund (rateable value restriction applies);
- ix) ineligibility for the Local Authority Discretionary Grant Fund beyond one payment of £25,000 (and a possible further £3,000);
- x) inability to directly access general Government Covid funding made available to principal authorities;
- xi) inability to directly access Government Covid funding (Income Guarantee Scheme) specifically targeted at replacing lost Council income streams.

1.3 At the half year mark the Council had a shortfall on income of iro £270,000. In order to mitigate the situation in-year the Council has taken decisive action including to:

- a) Identify and progress £200,000 savings in-year and associated service reductions/ withdrawals (including running on staff numbers reduced by a quarter) to reduce the impact loss of income would otherwise have on the General Reserve and continuing viability in - year, and the Precept next.
- b) Major value engineering on the Guildhall Gateway Centre and Public Realm Projects.
- c) Rolling Capital Programme (RCP). The 'normal' budget includes a £60,000 allocation (as indeed the Council makes most years) to the RCP. Whilst this is a discretionary provision it represents an important strand in the policy of maintaining the historic asset base of the Council in good repair. All the more so at a time when the RCP is committed. Given the extreme nature of the position the Council finds itself in the Council was going to reduce that transfer this year to £30,000, next year £45,000 and then returning thereafter to £60,000 as discussed in principle at the finance workshop. However, please note that because of outstanding commitments and following advice from your Accountant (who recommends no change this financial year but is ok with £45,000 next) the current year figure has been adjusted down to £50,000, not £30,000.

- d) Deployment of the General Reserve to fill year end shortfall (the allocated total being £450,000 pre-deployment but note withdrawals then need to be 'made back up' or replenished).
- e) Undertaken a review of the overall budget position and income more particularly to inform in-year and future year projections;
- f) Applied for funding to the Kickstart programme re Guildhall Coronavirus impacts (decision expected before calendar year end – but note this is to offset increased costs, not base project costs and success is not assured).
- g) Deferred the opening of the Guildhall Gateway Centre to next financial year to save on operating costs.
- h) Deferred, with the assistance of WDBC, the timetable for assuming responsibility for the Guildhall Public Conveniences;
- i) Furlough of staff where appropriate;
- j) Successfully bid for the limited support available in the form of Government grant (£25,000), also £16,000 from WDBC in connection with Visitor Centre fit-out costs;
- k) Made representations to principal authorities, MP and also MHCLG through sector bodies. The Council is also a sector 'case study' example being used with Government.

- 1.4 Notwithstanding the above the Council has actively sought to deploy what capacity it does have to supporting both the wider community and stakeholders including through:
- Keeping essential services operating - such as burial ground, parks and open spaces and streetscape;
 - Offered Town Council resources to support the Coronavirus emergency authorities;
 - Led with the BID Co on the safe and managed 're-opening' (after the first lock down) of the town centre;
 - Provided substantial financial relief to eligible commercial tenants of Council premises through affording 6 months deferred rent alongside suspension of relevant rent reviews and an offer of flexible payment terms to support distressed tenants;
 - Reconfigured the Pannier Market offer to afford safe trading and shopping opportunities when permitted to be open by Government;
 - Partnered with the BID Co through provision of premises for 'click and collect', also with BID Co and THT on a Christmas pastimes initiative at East End Stores;
 - Delivered Christmas Lights and Trees of Lights to provide some semblance of 'normality' in abnormal times;
 - Is partnering with WDBC and BID Co on community confidence measures post 'lockdown 2'.

- Provided grants to organisations supporting vulnerable residents of the Town suffering increased hardship or distress caused by Coronavirus.
- 1.5 The approach proposed for the budget setting process has been considered by the Committee and endorsed by Council at its last Meeting. This report is intended to be read in conjunction with the report to the last Meeting of the Committee, together with the prior phased budget report submitted to the Council indicating in-year direction of travel and cash flow alongside related appendices.
- 1.6 Given the timing and high level of uncertainty in light of Coronavirus impacts, the continuing delivery of the capital programme (and related funding challenges flowing from Coronavirus) and the emerging profile of agreed savings, the budget reports necessarily represent working drafts subject to Member comment. For example, current variables, in-year or next, include (but are not limited to) assessment of potential refurbishment obligations to public conveniences and associated running costs, the treatment of Coronavirus cost increases in connection with Guildhall and Guildhall Car Park Public Realm and future underwriting of THT.
- 1.7 The most substantial, and least predictable variable continues to be the accurate projection of commercial income streams and their dependency on pandemic progress alongside Government actions, the current/future resilience of the local economy generally, and the retail sector in particular.
- 1.8 As such it is necessary that, as previously agreed, the final proposed budget will fall to be considered in January. However, it is recognised that the foregoing variables will, in some cases, still not be clear at that time. Consequently there is an unavoidable level of uncertainty (and attendant risk) in budget setting this year.
- 1.9 The primary purpose of this meeting is therefore to settle on the core revenue budget (particularly expenditure) for next year.

2. ISSUES AND OPTIONS

- 2.1 Attached to this report are appendices setting out, in various formats (such as by centre and code, and by summary, details of the proposed:-
- a. Budget detail by:
 - i. Budget Summary, Gross Revenue and Expenditure for 2020/21 and proposed for 2021/22 (Appendix 1);

- ii. Combined Account Code for 2019/20, 2020/21 and proposed for 2021/22 (Appendix 2);
- iii. Cost Centre for 2019/20, 2020/21 and proposed for 2021/22 and Summary by Centre (Appendix 3).
- b. Rolling Capital Programme (Appendix 4);
- c. Fixed Asset Register (Appendix 5).

NOTE

- o a schedule of proposed fees and charges will be brought to the next Meeting.
- o the Schedule of earmarked reserves (EMR) falls to be considered in part 2 of this Meeting.

- 2.2 Early indications are that, notwithstanding a general reduction nationally (iro 2%) in the Council Tax base that in Tavistock this will remain broadly the same as last year.
- 2.3 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 year end out-turn by cost centre and budget;
 - b. Spend (budget) in the next financial year.
- 2.4 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 2pm on the day of the Meeting so that any necessary investigations can be undertaken. It is also suggested that, at this stage, reliance is not placed on year-end figures for income and expenditure given that:
- Income – is distorted by grant flows in connection with capital projects, loan drawdown, also income shown in the accounting records is income invoiced (ie not income actually received). Figures for income received will be brought to the January Meeting. Similarly, the Kickstart grant application outcome is not yet known
 - Expenditure totals are distorted by capital project spend. By January (subject to the impact of the current lockdown), these will also be clearer.
- 2.5 In drawing up the draft budget your Officers have sought to respect the overall framework and resource envelope of previous years, together with the guidance received at the last Meeting subject to the constraints identified above. In so doing attention is drawn, in particular, to:

Expenditure

i. Capital Programme – Priority Projects

The Committee will be aware that there is always the potential for unexpected issues/overspend on capital projects. More particularly there is a high level of dependency of the success of a grant application to Kickstart to address increased CV costs.

ii. Capital Programme – 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. The (reduced) Rolling Capital programme allocation represents the only facility for such situations.

NEXT FINANCIAL YEAR

iii. Revenue Funding - General

Council previously identified a series of measures and associated savings 'in-year' to provide a measure of mitigation (est'd £200,000) against lost commercial income. These can be viewed when comparing the current year 'projected' column against current year total in the reporting by code attachments.

Additionally, the Committee will note in next years budget projected future savings suggested by officers in various budget heads (as compared to actual budget this year) to assist in addressing the shortfall in areas such as:

- Wages – reflecting the decline in casual working;
- Conferences/meetings reflecting anticipated continuing CV impacts;
- Courses/training (but note as 'tickets' expire and normal working resumes this level will not be sustainable beyond the next financial year);
- Travel reflecting anticipated continuing CV impacts;
- Electricity/gas - reflecting anticipated reductions arising from retendering exercise and reduced usage for a period arising from Coronavirus impacts;
- Cleaning/rubbish – as above;
- Other advertising – reflecting a managed reduction but retaining sufficient funds to support encouraging economic activity (note town advertising (Coach driver incentive) has been retained in full but could potentially be reduced if the view is taken coach visits will take time to return to previous levels);

- Property, grounds, contract and equipment maintenance have been frozen, reflecting increasing reliance on these in the absence of a fuller RCP;
- Community grants has been increased to reflect a move back to more 'normal' circumstances;
- Localism has been reinstated to reflect the likely calls from related projects and Council commitment to a NDP;
- Ex WD public conveniences budget has been reduced in anticipation of rate relief for public conveniences;
- Rolling capital fund provision adjusted in accordance with the guidance from Council.

POTENTIAL MITIGATIONS IN 2021-22 (other than those previously listed)

- iv. General reserve - continuing application, however in practice the Council should be trying to rebuild in case it is needed again and not run down further - the current year shows the critical role it plays in a crisis. The Council can expect comment from the External Auditor regarding levels at the end of this financial year. Further application of any residues at current year end is therefore necessarily a deployment of last resort pending refresh.
- v. Precept. The budget information before the Committee does not yet include any uplift in Precept and it is suggested that an informed discussion on this topic will not be possible till your January Meeting when more information on income and grants will be available. 2021-22 represents the third year in this Council cycle and because of the unprecedented circumstances, that probably means the Council needs to understand what the overall precept requirement will be for both of the next two financial years (ie to provide as much visibility as possible to the ratepayer). By way of context a 1% increase on the precept represents iro £7,282 income. In due course indications are that:
 - assuming other mitigations are adopted, and
 - in view of the uncertainty over current/future income streams,

your officers would recommend a significant uplift (amount to be determined in January) with a clear public explanation of the challenges facing the Council, mitigations undertaken, services supported and an indication that, if at all possible, it would look to return to single figures the following year. To contextualise impact if one uses historic figures a 15% Precept increase would

equate to approximately 42 pence extra, per week, for a property in band D.

- vi. Savings – the Committee will see from the draft budget that proposed savings have already been factored into the revenue budget for next year (compare the ‘current year’ ‘total’ against ‘next year’ ‘agreed’ figures). Whilst some more may be achievable they will be insufficient to remedy the shortfall in view of the dramatic effect on income streams.
- vii. RCP (as above ie take a £10,000 ‘saving’ this year, £15,000 next);
- viii. Earmarked Reserves and Sinking Funds - Re-purposing and replacing certain sinking funds (earmarked reserves). Council will be aware that it presently has
 - o an unrestricted sinking fund of £50,000 for burial ground replacement (see also above);
 - o also a restricted fund of £158,500 at end last financial year (current figure £198,750) (required by agreement with NLHF).

Both of these are funded currently via revenue which significantly means that their use is not restricted to capital purposes if released.

As to the former - Council has it in its gift to release it to support revenue spend if it wishes to do so in either financial year (ie £50,000) (see recommendations).

As to the latter, it is part of the THI and Guildhall project contractual commitments made by the Council to NLHF and if allocated would therefore need to be replaced alongside continuing contributions.

A working proposal as to how this might be capable of supporting the Council at this time, together with facility for a discussion around earmarked reserves in general, is listed for discussion in part 2 of the accompanying Agenda.

- ix. Other Cost Centres
Reference has previously been made to savings already factored into the draft/emerging budget you have for next year. It is acknowledged there may also be either increased costs or

increased savings arising in that year due to the duration/impact of Coronavirus. It seems possible (perhaps likely, following the workshop discussion) that if the Town Hall remains closed for half the year that in-year savings may be capable of being made there and elsewhere. However, because of the uncertainties in the wider environment it remains prudent to budget on a full cost base.

- x. **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, that because it has extensive landowner obligations by virtue of the size of its estate these may lead to unforeseen calls on funding. Should either of these materialise, as previously reported, at the moment the Council does not have the reserves or the capacity to expand its delivery base.

- xi. **More specifically no provision has yet been made for:-**
 - o the refurbishment of any public conveniences which the Council might assume responsibility for. This will necessarily be subject to separate consideration as regards funding;
 - o the possibility that the Tennis Club might wish to draw down its entitlement in respect of half the cost of refurbishment of a tennis court;
 - o any costs associated with underwriting THT over £35,000. It is also acknowledged that Guildhall Gateway Centre operating costs are at this time necessarily estimates.

Income

- xii. **Market Tolls**
This matter was discussed at the finance workshop. Accordingly the projected shortfall arising from Coronavirus in the current year against budget is expected to be £296,765 ie reduced income received of £93,835 as against budget of £390,600. This reflects income to date, the impact of two lockdowns and provision for the possibility of another limited lockdown or equivalent.

Next year the anticipated shortfall is £64,950 ie reduced income of £325,650 against the base year budget of £390,600. This reflects anticipation of one half year operating socially distanced and one half year at a median level between social distancing occupancy and historic full occupancy.

There is a clear expectation that Market Tolls will rise at some point. However, in the difficult circumstances applying to retail an increase at the start of the next financial year would appear to be untimely. In the circumstances it is suggested the matter be reviewed early in the next financial year, when the impact of Coronavirus on the local economy and the appetite for trading are clearer with a view to possible implementation at the half year mark if appropriate.

xiii. Rents

Landlords, like tenants (but without the benefit of Government support) operate in an exceptionally challenging economic climate and the Council has received confidential preliminary indications from its Surveyor as to potential impact of the pandemic. If Members wish to discuss these assumptions in detail they will appropriately fall in part 2 of the Agenda. Additionally, the propensity previously identified toward shorter lease terms, reduced rent levels, increased incidence of voids and greater pressure for tenant break clauses is continuing.

This matter was discussed at the finance workshop. Accordingly the projected shortfall arising from Coronavirus in the current year against budget has been assessed at a possible £90,000 and the same (as compared to current year base budget) next. This reflects anticipation of continuing difficult conditions for the high street.

xiv. Car Park Fees

Car parking fees have not changed for some time and, following reduction in the capacity of the car park, will lead to reduced income. The Council may wish to consider whether current rates (60pence per hour, 30pence per half hour), which have been in place for over 10 years, may need adjustment. However, if they are amended there will be costs associated with the necessary advertisement and notices.

xv. Other Fees & Charges

A Schedule will be brought to your January meeting. However, in the current economic environment the ability to increase fees and charges is limited.

3. CONCLUSION

- 3.1 Last year this report said '2020/21 represents the most challenging budget round in recent years and marks a very clear entry into a

period of 'austerity'. At that time the unprecedented and dramatic impact of Coronavirus was not anticipated.

- 3.2 To meet the (now double) challenge the resulting mitigations and savings introduced by the Council demonstrate a commitment to prudent financial management and evidence the value of long term financial planning. However, the Council continues to face considerable challenges:
- i) Most especially the unpredictability of current and future commercial income streams and associated factors;
 - ii) the accurate costing of supporting early years revenue spend for delivery of the Guildhall Project as THT develops a long term and more sustainable business model;
 - iii) The possibility of unscheduled additional costs arising from major capital projects (in current year) and potential for unexpected, unfunded or unplanned calls on resources;
 - iv) Lack of staffing capacity.
- 3.3 Additionally, there are the ambitions of the Council in areas such as neighbourhood planning, climate change and elsewhere. Whilst some matters will be clearer in January many will not and the unique circumstances of the Town Council make budgeting especially uncertain. However, the discipline and rigour with which the Council has acted give a measure of stability in year and, on the basis of the emerging draft budget, a degree of resilience for much of next.
- 3.4 It therefore falls to this Committee and Council to review the draft budget (acknowledging fees and charges are yet to be submitted) and how it intends to proceed.

**CARL HEARN
TOWN CLERK & RFO
TAVISTOCK TOWN COUNCIL
NOVEMBER, 2020**