

**TAVISTOCK TOWN COUNCIL  
BUDGET & POLICY COMMITTEE  
16<sup>TH</sup> OCTOBER, 2018**

**BUDGET PREPARATION AND PRECEPT SETTING 2019/20**

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**1) PURPOSE OF REPORT**

To provide the Committee with an opportunity to consider the basis upon which the draft Budget and Precept for the Financial Year 2019/20 should be developed and related matters.

**2) CORPORATE POLICY CONSIDERATIONS**

The effective management of resources and forward planning underpin the delivery of the Town Council's Strategic Plan 2017-2021. 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.

**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. Other applicable issues are picked up elsewhere in this report.

A phased budget report outlining actual and committed spend against budget is reviewed at each Meeting of Council. In addition, it is important to note that the extent of the Council's projected forward Capital Programme and Accountable Body status for the Townscape Heritage Initiative Scheme add significantly to those legal, risk management, financial, compliance and capacity issues facing the organisation. Attention is drawn, in particular, to the significant shortfall in funding available to support the Council's Capital Programme and projected increases in revenue costs.

The Committee will be aware from the service planning process, and individual project risk registers, of the substantial level of short term risk being accepted by the organisation in delivering an ambitious programme.

**4) RESOURCE ISSUES**

The resource issues associated with this report are set out therein, they principally refer to availability of finance, staffing/capacity and the associated impact of work programme constraints. As previously acknowledged by Council the rebuilding of reserves remains a priority for the Council.

**5) COMMUNICATION ISSUES**

The content of this report has been developed in association with the Council's Management Team.

## **6) RECOMMENDATIONS**

This Report is primarily scoping in nature in order that the Budget & Policy Committee can consider:-

- a) Any principles it would wish to be applied or areas of change identified for the development of a draft 2019/20 Budget proposal and associated Precept;
- b) A preliminary review of matters pertinent to the current in-year (please refer to phased budget report submitted to last Council) and projected Capital Programme 2018/19 – 2019/20.

To that end, and subject to a) – b) above, it is recommended that Tavistock Town Council adopt and endorse the content of the following Report.

### **1) BACKGROUND**

1.1 The approach being proposed for the Budget setting process for the 2019/20 Financial Year is aligned to past practice, namely:-

- a) Stage 1 – The Committee consider the principles to be applied in, and priorities attached to, the development of the 2019/20 Budget (together with such other matters as may require specific consideration at this stage with regard to current 'in-year' spend).
- b) Stage 2 – subject to, and informed by a) above, at the next meeting the Committee consider the projected out-turn for the current financial year (based upon adjusted half-year figures) together with a draft revenue Budget and together with overall capital allocations.
- c) Stage 3 – subsequently to consider and recommend:
  - the 2019/20 Tavistock Town Council Budget;
  - the Town Council Precept 2019/20

Note – in the past individual Grants to be made to community groups and organisations, within the parameters established in the emerging budget, would also have been subject to recommendation from this Committee to Council. However, this process has been changed and a Grants Panel reporting directly to Council has since been established.

1.2 With the completion of the Butchers' Hall, Pannier Market and Duke Street projects the Council has now moved fully from 'development' to 'delivery' mode across a range of substantial and ambitious stretch projects, all of which require appropriate planning, coordination and resourcing. Notwithstanding positive progress to date<sup>1</sup> it is recognised that the parallel running of multiple large projects and initiatives will necessarily increase complexity, risk and demand upon resources in the future. This is, in turn, likely to contribute to a challenging period in respect of both work and compliance.

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<sup>1</sup> Including permission to start for the Guildhall

1.3 Looking forward, there remains the Pannier Market Public Realm, Guildhall Car Park Public Realm and the Guildhall Gateway Centre Project (with a combined value of £2-£2.5m). There are also the continuing demands of the accountable body work-stream for the THI, restructuring of the Works Department and challenges posed by partnership working, temporary operating arrangements for the Town Hall and Pannier Market arising from staffing changes and associated interim arrangements.

1.4 Consequently the Council is moving further into an unprecedented period of demand upon its resources and challenge to its ability to deliver both 'business as usual' alongside ambitious projects. Combined with a significant capital shortfall<sup>2</sup> and increasing projected revenue costs the level of financial/organisational risk attaching to the next budget period and beyond, and related strain upon staffing capacity, will be considerable.

## **2) ANALYSIS**

### **External Environment**

- 2.1 There continue to be a number of external variables that have the potential to impact upon the Council over the course of the next budget period. These include, but are not necessarily limited to:-
- a) Statutory Constraints – the Secretary of State has the power to introduce regulations to 'cap' the ability of the town/parish council sector to raise the Precept above a set amount. Whilst this is still a 'reserve' power the impact, if implemented, should not be underestimated.<sup>3</sup>
  - b) VAT – the Committee will also be aware of continuing uncertainty regarding the position of HMRC in connection with whether markets (which can currently provide space without being subject to VAT) might be brought under the VAT provisions. If successful, this would require changes in relation to the Pannier Market operating arrangements (and the possibility of HMRC seeking to claw back past years' tax from authorities presently operating within the law). By way of context, if such a change were to arise, the potential liability of the Council would be in the order of approaching £100,000 per annum (with consequential increase should backdating be applied<sup>4</sup>).
  - c) Statutory Consents – at this stage of the capital programme most consents for building works have been secured. However, there remain some potential Planning, Listed Building, Ancient Monument, etc requirements together with such other consents from partners and funders (such as Heritage Lottery Fund or Public Works Loan Board) which necessarily fall out-with the control of the Council.

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<sup>2</sup> To be clarified for the next meeting following further work by your Accountant

<sup>3</sup> i.e., a Referendum Cap of 2 per cent would limit the Council to raising a little over an additional £10,000 per annum set against a Revenue Budget of in the order of £1.6 million and Capital Projects in excess of £2 million.

<sup>4</sup> Anticipated to be for 4 years (ie £400,000-£500,000)

- d) Economy – there continues to be a degree of uncertainty in the economy at both the national and regional levels which has the potential to impact upon Council income streams:-
- i. Historically, the Pannier Market has continued to generate a consistent level of income in a challenging economic environment. There has been a reduction more recently, reflecting relocation during refurbishment works in the early part of this year and there may be an impact from additional works to the Public Realm in the early part of next year.
  - ii. It continues to be evident that tenant turnover has been running at higher than historic levels (with associated cost to the Landlord) with downward pressure on the value of leases and lease terms.
- e) Localisation of Council Tax – confirmation from West Devon Borough Council is yet to be received regarding the impact next year. However, it is understood there will be a further reduction in projected income associated with the Precept resulting from the continuation of Government measures for the localisation of Council Tax Benefits. In previous years this has been in the order of 8-11 per cent of the relevant sum.
- f) Wage Settlements – the current national settlement extends to include the next financial year. In general terms, the settlement for the sector for the next financial year will be 2 per cent for higher paid staff, with a variable increase for the lowest paid (equating to more than 2 per cent). There continues to be a reduction of the current 'entry point' pay scales for junior staff, including those workers engaged on a casual basis, thereby raising the cost of employment for affected roles to greater than the average. This has also been associated with a review of the national salary scales introducing new spinal column points which will have to be blended into existing workplace arrangements with, in some cases, consequential impacts upon costings through availability of an additional increment. Given the manual worker profile of the Council changes for the lowest paid workers will have a knock on impact on the salary budget. Your officers are, therefore, working on 3.5%-4% per cent overall increase for budget-setting purposes.
- g) Increased Regulatory Burdens – most recently there has been the introduction of the General Data Protection Regulation. It remains to be seen whether or not the recent trend toward imposing additional layers of costs/bureaucracy for this sector of Local Government continues.
- h) Partnership Working – the successful achievement of Council goals and objectives continue to be increasingly dependent (although not exclusively) upon developing and sustaining effective partnerships with other public sector (e.g. Devon County Council, West Devon Borough Council, Heritage Lottery Fund) and voluntary/not for profit (e.g. Tavistock Heritage Trust, Tavistock Area Support Services, Chamber of

Commerce, BID Company, etc.) bodies. The success of the Council is increasingly measured by its ability to work effectively with such organisations to support the delivery of shared goals and objectives, some of which may appropriately be led by the Council, some by others. It should also be noted, that many of these organisations are themselves impacted by public sector/funding cuts which, in most cases, are expected to continue.

- 2.2 In addition to the foregoing, consumer price inflation continues to run at over 2 per cent.<sup>5</sup> Given the extent of projected spend on capital projects (building inflation being understood to be running at a higher rate in connection with both materials and labour) this could have a significant impact on spend at a time when, in any event, the overall environment facing the Council continues to be challenging. The more so as Council initiatives move fully to delivery phase. As the Council increasingly looks to external/alternative sources of funding, these constraints and associated costs/capacity implications will necessarily grow.
- 2.3 Similarly, the 'knock-on' effect of staff and service cuts to other bodies alluded to above is expected to continue. It is important to note that in other places this has had a substantial impact on the sector as, in some instances, principal Authorities have said, with little or no notice to communities: "either you fund this service/take on this liability or we cut it/dispose of it".

### **Organisational Environment**

- 2.4 Projects and Other Initiatives – a range of these are presently being taken forward by the Council with a view to delivery over the short-medium term and beyond. A report will be brought before the next meeting of the Committee outlining the implications of the emerging capital programme for the Council, with particular regard to the availability of funds and by implication organisational resources and capacity. At the time of writing initial projections suggest a capital programme shortfall as at financial year end of in excess of £500,000. The Committee has previously considered a report reviewing issues and options in connection with same and a further report will be brought forward when your Accountant has had the opportunity to finalise work in this area. The attention of the Committee is drawn at this time, in particular, to:-

- a) Townscape Heritage Initiative:-
- i. Accountable Body Status – by becoming the 'Accountable Body' for the Scheme the Council has taken on responsibility for ensuring the probity, good governance and effective operation of a £2.2 million THI Scheme for a period of up to five years and associated liabilities. Notwithstanding the availability within the scheme of provision to meet certain direct staffing/administration costs, it

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<sup>5</sup> 2.4 per cent in August.

continues to necessarily be the case that a significant and continuing amount of resource will be required from the Council for proper delivery. This has been exacerbated by the resignation in 2018 of the Project Manager and accompanying need to appoint consultancy support to partially fill the staffing gap, with Council staff taking on other and additional responsibilities. It is exceptional (and believed to be unprecedented) for a 'local' Council to deliver such a scheme. Moreover, the inflationary pressures referred to above in relation to Council capital spend are already evident in this scheme with potential consequential impacts on project scope.

- ii. The Council as Landlord – in addition to i. above the Town Council, in its capacity as landlord of critical buildings and areas of the public realm, has committed to a major programme of works. The re-roofing of the former Auction Rooms and fit-out and re-roofing of the Pannier Market (both now complete) together with improvements to the Guildhall Car Park and Pannier Market Surround are the most significant. Cumulatively, the largest and most ambitious programme of repair and restoration undertaken by the Council.
- iii. Match Funding – the Town Council is itself contributing £300,000 over a 5-year term to the 'Common Fund' of the THI Scheme. In addition, there are circumstances where it may become liable for match funding commitments from other organisations in the event that they fail to materialise (in its capacity as the Accountable Body)<sup>6</sup>. The Council is therefore in effect simultaneously running a series of capital projects for itself under this scheme alongside delivering the overarching programme of projects scheduled for both Council and private sector landlords. Within this, it needs to be recognised that there are potentially considerable impacts, not only upon the organisation itself, but also in its relations with (through consultation, negotiation and engagement) licensees, tenants and other key partners whose activities may be affected by the up-coming works to Council premises and the essential due diligence associated with an historic estate.

It will be particularly important to manage the programme and works on Council-owned land (Public Realm) so as to minimise the adverse impact upon stakeholders and reduce the potential for consequential issues.

b) The Guildhall:-

- i. The Council has successfully secured, together with its partner of choice, Tavistock Heritage Trust, Permission to Start (PTS) from Heritage Lottery Fund toward the delivery of the detailed Gateway Centre bid based upon the restoration, repair and

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<sup>6</sup> Although at this stage of the project this is now considered unlikely

bringing back into public use of the Guildhall Complex incorporating a World Heritage Site Visitor Centre. The Committee will be aware that there have been a number of challenges in bringing the project to this stage. Most significantly at this time the considerable financial pressure arising from changes in the capital cost and expected status of the delivery partner on Council finances. This has resulted in projected increased Capital costs in excess of one third of a million pounds (over and above the £488,000 previously budgeted) alongside increased running costs over the 20-year contract term<sup>7</sup> (principally associated with support to THT).

In summary, the Council has an unlimited liability to provide funding to THT for the early development stages and for three years after opening, following which it has agreed an arrangement which caps the annual subsidy at £35,000 per annum in respect of 'necessary operating costs'. The Committee will be aware that the Council is bound by its contract with Heritage Lottery Fund to deliver the 'approved purposes' associated with the scheme, any failure to do so having the potential to result in a requirement to repay grant received. It is provisionally anticipated that to operate the scheme once opened, Council will need to find an additional sum of in the order of £60,000pa.

- ii. Additionally there will be a need to raise a loan from the Public Works Loan Board or monies from other sources toward the capital cost of the project in order to meet the capital funding shortfall.
- c) Council Depot – the Council has acquired the Molly Owen Centre site to accommodate its Depot Services.
- d) THI/Guildhall/Tavistock Heritage Trust – the Committee will be aware that a core building block of both foregoing capital schemes (a)-b)) has been the involvement of Tavistock Heritage Trust. The Council continues to work with and support the work of the Trust as a collaborative umbrella organisation for heritage interests associated within the Town. That organisation itself is going through a period of rapid growth and has now become constituted on a long term basis as it moves toward 'business as usual'.
- e) Strategic Planning – the Council has this year added to its own Strategic Plan and recently placed its Neighbourhood Development Plan on hold pending further developments with both the Local Plan and a review of the Conservation Area Management Plan and

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<sup>7</sup> Potentially iro £1.2m

Appraisal. As such, there is no current funding allocation proposed to the Neighbourhood Development Plan.

f) Precept Level:-

- As noted previously, Council has taken the view that, as a minimum, the Precept should continue to increase each year by such amount as will enable it to keep a constant level of precept income after allowing for reductions arising from the annual loss through the localisation of Council Tax. Notwithstanding the other draws upon Council resources your officers would continue to recommend that Councillors are mindful of the extent of the (now much increased) spending commitments it faces and potential inflationary pressures from specific areas of spend.
- Council will also be aware that the anticipated new (i.e., unbudgeted) commitments associated with the Guildhall Project regarding funding/support of Tavistock Heritage Trust in its role as Delivery/Anchor Partner) will add significantly to annual expenditure.<sup>8</sup>
- As noted previously West Devon Borough Council is looking to dispose of toilets costing up to £50,000 per annum in the next Financial Year (and, presumably, all other units in the following year). By way of indication those in Tavistock currently cost the Borough Council in the order of £114,000 per annum<sup>9</sup> which represents iro 20% of your precept value.
- The Council has already acknowledged the priority to be attached to rebuilding reserves to acceptable, and then appropriate levels.
- These factors suggest that a double figure increase of precept over each of the next two, and possibly 3 years, may be necessary to meet existing Council commitments alongside additional measures to build reserves.

g) Capital Programme Discretionary Spend (summary) – by way of context the Committee will recall that Council approved additional (unbudgeted) capital spend in the last financial year, including:-

- The Molly Owen Centre Fit-out – up to £100,000,
- Pannier Market Doors – approximately £100,000,
- Meadows Safety Resurfacing - £50,000,
- Butchers' Hall Fit-out - £85,000.

These, alongside an increase in Guildhall project costs have principally led to the funding shortfall on the capital programme.

h) Other Material Factors – Long-Leases: the Council continues to negotiate with one<sup>10</sup> of its tenants in connection with the

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<sup>8</sup> Previously, this was estimated at £61,200 per annum.

<sup>9</sup> As compared to an annual Council Tax Precept of in the order of £590,814 per annum.

<sup>10</sup> Having recently concluded matters regarding the other matter extant at this point last year



rationalisation of long-leases previously granted with a view to securing equity for both landlord, tenant and community. There remains the possibility of a need to provide additional resources to support legal proceedings to protect the position of the Council/ratepayer should that become necessary. The Committee will be mindful of the extent of spend already in the current financial year with regard to legal matters, some new,<sup>11</sup> others relating to addressing longstanding issues.

- i) Commercial Income – this was previously referenced in relation to external factors. The Committee will also be cognisant of the potential impact of seeking to bring the Butchers’ Hall thematic market offer on-stream at a time when Public Realm Works are likely to impact for 3-4 months. In view of the past (and projected) works to the Pannier Market and surround, and the potential for impact upon footfall, there is no recommendation to raise Pannier Market fees and charges at this time. It is anticipated that, over the course of the next year, a more realistic appraisal can be made of Butchers’ Hall costs and income.
- j) Funding – it continues to be the case that the Council’s Capital Programme and significant other initiatives are not fully (or, in some cases, at all) funded yet. There is an acknowledged level of dependence on monies to be raised by way of Precept, grant applications, disposals, an increase in debt or other sources of income to meet an otherwise potentially significant funding shortfall.
- k) Staffing – the staffing establishment has undergone significant change over the past 12 months and will undergo further change prior to the end of the current Financial Year. Through a combination of circumstances the Works Department is presently being re-structured in consultation with unions and interim arrangements applied following the departure of staff in the area of the Town Hall/Pannier Market/Butchers’ Hall. This also coincides with the loss of the Project Manager for the THI and necessity to move to an alternative delivery arrangement of more limited scope and engagement of the Guildhall delivery team. The next 12-24 months, therefore, represent a period of potentially unprecedented challenge for Council staff in delivering both the ‘day job’ and ‘added value’. This coincides with a more general period of transition where new and/or different skills are becoming increasingly relevant. An overall review of the staffing establishment and job evaluation scheme will be necessary.
- l) Council Fees and Charges – a Schedule of Existing Fees and

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<sup>11</sup> By way of example the cost of legal services alone in agreeing the lease/sla for the Guildhall Gateway Centre has been in the order of approaching £20,000.

Charges and Proposed New Fees and Charges for the 2019/2020 Financial Year will be brought before the next round of meetings for consideration.

#### Compliance

- 2.5 Linking to para k above the recent loss of the THI Project Manager and associated interregnum as we move toward the end of the Scheme in December 2019 demonstrates the reliance of the organisation upon a small number of key roles. Whilst the Council has re-structured aspects of its service delivery to accommodate a more demanding environment it is recognised that, as a small organisation, the adoption of such an extensive programme of works, projects and initiatives places considerable strain upon parts of the organisation alongside the need to internally reorganise. This Committee has been tasked with keeping such matters/ capacity under on-going review in order to mitigate and minimise the potential for failures to arise within critical paths.
- 2.6 It remains the case that organisational compliance across a range of regulatory and quasi regulatory areas needs attention to avoid disconnection between operations and good practice. There is currently no organisational capacity to adequately support this area.

### **3) CONCLUSION**

- 3.1 Given their nature, scale and complexity the foregoing issues represent the core priorities for your officers over the remainder of this and the next financial year(s) and well into the next Council term. Alongside finance, because of the capacity issues previously outlined, other ways of supporting/resourcing any new or increased demands (if at all) will be needed alongside a robust appraisal of current priorities appropriate to an organisation of this size.
- 3.2 In short there is no a facility to take on new projects. Even those which may not appear onerous or demanding can have a disproportionate impact upon limited resources. Additionally (unless new sources of funding are realised and capacity found) there is in any event no potential for new unfunded projects to be taken on until the shortfall in funding and workload peak have been addressed and the Committee will wish the Council to ensure discipline in this regard. For both these reasons items such as prospective public toilet provision represent major challenges.
- 3.3 It continues to be the case that additional attention is needed in areas such as control, compliance, policy development and performance management, together with acknowledgement that other areas still require effective support.

#### Next Steps

- 3.4 This stage of the budget setting process represents the principal opportunity to scope and identify the strategic and financial framework within which the Tavistock Town Council Budget and Precept 2019/2020 will be developed, to agree any principles which might inform more in depth future deliberations, and set parameters for budget development as appropriate.
- 3.5 In addition, it provides an opportunity to consider how the Council will set a precept<sup>12</sup> and/or secure additional income to fund the various matters listed above, most critically (in summary):
- a) Estimated long-term additional revenue costs of the Guildhall at in the order of £60,000<sup>13</sup> each year;
  - b) Any on-going revenue costs associated with delivering public toilets if taken on by the Town (estimated by the Borough Council as in the order of £114,000 per annum) and associated capacity to deliver;
  - c) Shortfall in the Capital Programme (*estimated* in the region of up to £670,000 but more work is being undertaken by your Accountant) assuming no further increase in costs;
  - d) Any short term reduction in income/consequential costs deriving from works to Council premises or other factors;
  - e) Significant current year overspend on certain professional services<sup>14</sup>;
  - f) The longer term re-building of reserves to acceptable levels – it is suggested for an authority with the scope and responsibilities of Tavistock capital reserves should be not less than £500,000.
- 3.6 The instructions of the Committee and Council are sought.

CARL HEARN  
**TOWN CLERK**  
**OCTOBER 2018**

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<sup>12</sup> Current Precept before adjustment for Council Tax Support Grant being £590,814 or £135.30 per Band D property after adjustment.

<sup>13</sup> Mid-range projection but note this will not come into effect fully until the next Financial Year.

<sup>14</sup> In particular as longstanding legal issues are worked through.