

**TAVISTOCK TOWN COUNCIL
BUDGET & POLICY COMMITTEE**

8TH NOVEMBER 2022

BUDGET PREPARATION AND PRECEPT SETTING 2023/24

A. PURPOSE OF THE REPORT

To provide the Committee with an opportunity to consider and agree, in principle, the emerging draft Budget for the 2023/24 financial year consistent with the Committees previous deliberations, and the subsequent determinations by Council. Accordingly it should be read in conjunction with prior reports.

B. CORPORATE POLICY CONSIDERATIONS

The effective management of resources and forward planning underpin the delivery of the Council's Strategic Plan 2017-2023. They support its commitment to the economic, efficient and effective use of resources, the promotion of best value, and continual organisational improvement as articulated in the service planning process. In view of the particular and continuing exceptional pressures affecting the finances of the Council all elements of the Strategic Plan are potentially engaged.

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 the Council. The Council will also be aware that major uncertainties exist amongst some of the most substantial revenue cost heads (e.g. including insurance, energy (gas/electricity) and annual subsidy/grant to THT), alongside difficulty in accurately costing (in the current environment) essential building works. Such challenges, alongside difficulties in fully remobilising services post-pandemic, materially add to the legal, risk management, financial compliance and capacity issues facing the organisation.

In the preparation of this report your officers have been mindful of the organisational risk register and the Council's core priority to maintain 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. Non-standard factors principally comprise (insofar as budget setting is concerned), specific areas of exceptional increases in certain (mainly revenue) cost centres (running at several hundred percent), alongside construction cost inflation, general inflation and the impact of any possible recession upon commercial income streams. Capacity to deal with such challenges has been further impacted by the prior effects (a loss of £400,000-£600,000 income), and timing (immediately following upon the application of Council reserves to fund Town Centre improvements), of the pandemic leaving the Council without recourse to more normal levels of reserves.

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, nor can a Council borrow for revenue purposes).

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. COMMUNICATION ISSUES

The content of this report has been developed in association with the Councils Management Team and Accountant. It is based upon a review of the financial position as at the half year (end September) pursuant to the prior instructions of Council.

G. RECOMMENDATIONS

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

- i. The submitted draft Council Budget 2023/24 enclosed as 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 that
 - For the 2023/24 financial year the Council's contribution to the Rolling Capital Programme be resourced, on a temporary basis, from any increase arising from positive changes in the underlying Council Taxbase; and
 - Thereafter, and for future years any increase in Precept arising from increases in the Council Tax base being applied to the Rolling Capital Programme until such time as the Council is able to return to an annual allocation of not less than £60,000 per annum.
 - Such other related matters as the Committee considers appropriate.
- ii. In accordance with Minute no 73(c) the proposed transfer of £65,585 from the RCP to meet the unbudgeted revenue budget shortfall in the current financial year;
- iii. Authorise the purchase of a ride-on mower in a sum not exceeding £5,000 from the vehicle maintenance reserve (with a corresponding adjustment in the funds previously allocated for vehicle maintenance);
- iv. Same subject to consideration of a schedule of proposed fees and charges at the next meeting.

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, together with the Phased Budget Report

indicating in-year direction of travel and cashflow alongside related appendices.

- 1.2 The detailed challenges facing the Council in both the current, and the next financial year were outlined in previous reports to this Committee, in particular on 30th August and 4th October, 2022.
- 1.3 Attention is drawn, in particular, to para (i) of Minute No. 212 which established the governing principles for the preparation of the draft budget 2023-24 which follows.

2. ISSUES AND OPTIONS

- 2.1 Accordingly, the emerging draft budget has been developed with the Councils Management Team and your Accountant. Insofar as possible the intention has been to provide informed projections for
 - a. Current (2022/23) year-end out turn by Cost Centre and Budget;
 - b. Income and Expenditure (Budget) in the next financial year (2023-24).
- 2.2 If Members have any questions on the detail of the report they are requested 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.
- 2.3 The Committee will also be aware that, at this (half year) stage, full reliance cannot be placed on projected year-end figures for income/ expenditure which are necessarily estimates. Moreover, these will be more susceptible to uncertainty in this year than most by virtue of the re-tendering of the insurance contract, uncertainties over energy consumption (weather affected), and the lack of an historic operating base to assess the costs associated with both the Guildhall premises and related subsidy/grant to Tavistock Heritage Trust (THT).
- 2.4 In the interests of clarity 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). This also will be the first year for several that provision has not been made for grant flows between National Lottery Heritage Fund and the Council.

- 2.5 In drawing up the Budget your officers have sought to respect the overall framework and resource envelope of previous years, together with the guidance issued at your last meeting (subject to the constraints identified above). In so doing attention is additionally drawn, in particular, to the Rolling Capital Programme (Priority Projects). The Council has previously agreed (subject to the availability of funding) three priority projects for essential health and safety/maintenance works. These are, in order:
- Works in association with lightning conductors to various Council premises (in hand);
 - The Market Road Retaining Wall (approaching the planning application stage); and
 - Internal structural repairs to the Museum (scope being identified).
- 2.6 For more information please refer to the Rolling Capital Programme (RCP). However, it is important to note that uncertainty over construction cost pressures means that these projects will, in accordance with the directions of Council, only be initiated at the point that all necessary funds are in place and assured.
- 2.7 The General Manager is exploring the possibility of supplementary financial assistance from the Environment Agency toward the Market Road project, and investigations are being undertaken with the Museum Trust regarding the possibility of identifying grant funding to support that.
- 2.8 Linking to the above, but turning also to revenue, the Council will wish to have regard to the potential for unscheduled and/or unavoidable cost pressures which could arise (as evidenced both in the priority/essential capital projects listed above, and major revenue pressures previously identified (bearing in mind some revenue budgets link to property maintenance of a more general nature)).

ACCOMPANYING INFORMATION

- 2.9 Attached to this report are Appendices setting out, in various formats (such as by Cost Centre and Code, and by Summary), details of the proposed:

- Budget Detail by Combined Account Code for 2021/22, 2022/23 and proposed for 2023/24 (Appendix 1);
- Budget Detail by Cost Centre for 2021/22, 2022/23 and proposed for 2023/24 and Summary by Centre (Appendices 2-3);
- Fixed Asset Register (Appendix 4);
- Rolling Capital Programme (RCP) (Appendix 5);
- Phased Budget Report to 30th September, 2022 (Appendix 6)

NOTE THE: a Schedule of Proposed Fees & Charges will be brought to the next Meeting which will consider the final position, alongside a Budget summary, in order to recommend to Council the final Budget and Precept and subject to input in the current round of meetings.

- 2.10 With regard to the Council Tax base it is difficult to anticipate changes at this time. Increased pressure on benefits for low income households mitigates towards a reduction in tax base, new housing developments coming on stream toward an increase. Having discussed the matter with the Billing Authority prudence suggests that, for budgeting purposes the Council Tax base for next year can appropriately be treated as not less than that of the current (for Members information the increase in Tax Base last year was in the order of 154 Band D equivalents).

3. CURRENT FINANCIAL YEAR

- 3.1 Before moving onto 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 2022-23 Year End (projected) as indicated on the enclosures.
- 3.2 The Committee will be mindful that the Budget shown for the current financial year in the circulated report has been adjusted to reflect the potential changes in out-turn, together with the implementation, as applicable, of previous decisions of the Council. Attention is drawn, amongst others, in particular to: -

INCOME

- 1040 Market Tolls – a reduction in projected income reflecting current takings and that January/February are

traditionally poor months when there is a £1 reduction in space fees;

- 1061 Park & Ride income – a reduction to reflect actual;
- 1090 Income from interest on reserves has been projected to increase following recent changes to the base rate
- 1091 Neighbourhood Development Plan – inclusion of the Locality grant;
- 104 Town Hall Bar – a reduction in projected outturn reflecting lower levels of activity;
- Income received from WDBC in connection with seating/bench maintenance has been transferred to an earmarked reserve with drawdown to revenue at the rate of £2,000pa;
- Bedford Square income has been adjusted to reflect the loss of the Burger Van concession.
- 403 Town Hall income – a significant reduction in projected outturn reflecting lower levels of activity.

EXPENDITURE

- 4008 Courses/Training – projected spend has been reduced in the current year and professional and other training courses deferred into the next financial year.
- 4014 Electricity – the projected figure includes best estimates and assumes eligibility for the Government 6 - month Business Rate Energy Relief Scheme.
- 4015 Gas – the projected figure represents a best estimate (and assumes under its contracted rate the Town Council will not receive support from the Business Rate Energy Relief Scheme).
- 4025 Insurance – the projected amount reflects re-tender values over and above the prior budget.
- 4011 Rates – There is an adjustment to reflect actual spend.
- 4031 Other Advertising – the projection reduces budget in year reflecting current spend.
- 4034 Public Relations – adjustment for no projected spend in year.
- 4099 THT Grant – the projected in-year spend reflects known/currently anticipated demands in connection with the payment of staff related costs as/if the Trust becomes unable to meet these costs itself. Because of the

challenges being encountered by the Trust in income generation both current (and projected) premises costs are being budgeted for through the relevant cost centre heads at this time irrespective of to whom the cost technically falls. Whilst this is not the normal approach it more accurately reflects the potential liabilities of the Council. Note – in practice the projected 'surplus' will be redeployed to tenant premise costs when the means of apportionment has been established. For more information please refer to later sections of this report.

- 4120 WDBC Public Toilets – for the current financial year it has been assumed that the discussions between the General Manager and Borough Council regarding timing of handover will be progressed (ie in the next financial year and following upon a joint refurbishment project prior to handover).

NEXT FINANCIAL YEAR

REVENUE

3.3 Insofar as the projected draft Budget for the next Financial Year (2023/24) is concerned, the core assumptions which have been adopted/issues identified relate to: -

3.4 INCOME:

- Market Tolls – the Council for the current financial year took the opportunity to review Market Tolls and increase them by a little over 11% (from £9.00 to £10.00 per trading space). This followed a prolonged period of disruption to trading due to works to the market and its environs, and the trading environment is currently challenging. Looking to next year, and as discussed at the last meeting, the Market Reeve has been tasked with increasing occupancy over budget by 5% to boost market income rather than increase fees at this time. However, unless Council decides to review that approach beforehand then looking ahead to the next (2024/25) budget setting round it would be realistic to anticipate that, all other factors notwithstanding, a further review of Market fees would be appropriate. Fees and charges are being brought to the next meeting.
- Interest received on the general and earmarked reserves is expected to increase on recent years in recognition of an

expected near term rise in the base rate. Council recently decided to maximise that opportunity by adjusting the Treasury Management Policy to enable a larger holding in CCLA.

- In the current (2022-23) financial year a one-off additional contribution to the play equipment revenue was made (£10,000) which means an equivalent 'saving' (reduction in spend) on next years budget.
- Tax Base – as previously noted this is not expected to fall and there is a reasonable anticipation it will increase to enable a positive contribution to the RCP.
- Town Hall & Town Hall Bar – applying a prudent approach, a reduction in the income budget reflecting difficulties in meeting target this year for both bar (104) and Town Hall (403).

3.5 EXPENDITURE

- Energy Costs – although rates per kilowatt hour (kwh) are fixed until July 2023 there remains significant uncertainty. This is both over whether or not suppliers will hold those rates at that time, and also consumption in the next financial year. This is compounded in some part by potential weather conditions, absence of Guildhall data, also that over the past 3-years (because of the pandemic), there has not been a representative period of "typical" usage. The Budget for next year is therefore underpinned by two primary assumptions – that there will be no business energy support scheme after March 2023, and that energy will continue to be available to the Council at a not greater cost per kwh than it is currently contracted for. These, together with the usage figures already referenced, mean there is a much higher level of uncertainty in these estimates than would normally be the case.
- Code 4001 Salaries – in view of the current year pay award, cost of living pressures and structural breakdown of the workforce (i.e. relative to high pay authorities like West Devon which (for the most recent available period) had a median pay rate of £15.98 per hour as compared to the Town Council median pay rate of £10.21 per hour) suggest an uplift of up to ten percent based on current pay claims and the consumer price index (cpi).

- Insurance – the Committee and Council will be aware of the dramatic increase in the cost of insurance (notwithstanding no claims being made) experienced by the Council at the start of the current Financial Year. Therefore, the projection made for 2023-24 is consistent with the current price, together with a percentage uplift. However, until the service is retendered after Christmas (and recognising recent volatility in the sector), this area of spend also carries with it a high level of uncertainty.
- Legal fees – these have not been reviewed for some time and it is expected that these will rise in due course for new cases. More information will be provided as it becomes available.
- Guildhall Gateway Centre – as previously referenced it has been necessary to make a “whole budget” provision for the cost not only of the area occupied by the Town Council, but also that under lease by Tavistock Heritage Trust. The Trust is working to generate income and it is anticipated that discussions will progress with a view to the possibility of charging for entry. It is therefore very much to be hoped that the Trust will be in a position to make a material contribution toward those costs which, in better times, would fall to be met by it under the terms of the agreement with the Council. If charging for entry were introduced a reasonable budget would appear to be £10,000 to offset its (and by virtue of underwrite therefore the Council’s) expenditure. However, the Committee will also be mindful that with effect from December of this year the grant which had been previously utilised by the Trust for meeting the staffing costs of the Gateway Centre will expire. Thereafter, subject to the agreements between the parties (and unless other monies become available) the Council can become liable for meeting the costs of staffing (so far as is represented in the designated “necessary operating costs”), alongside various tenant premises costs. It should also be noted that the actual percentage of premise costs which would ordinarily be met by the Trust are in the process of being worked through by the partners/parties to the agreement. Efforts continue to secure a NNDR valuation for the premises but the Valuation Office remains glacially slow.

- Goose Fair – with recent declines in Park & Ride income Goose Fair continues to be challenging to operate on the historic “breakeven” basis.
- Community Grants – the budget has been retained to reflect the facility to support eligible community initiatives financially.
- Managers budgets have been reduced by 25% to contribute to savings.
- Localism – the budget has been retained as requested at £20,000. It is anticipated that the primary utilisation of this will be to support costs as may be agreed by the Council for the operation of the Neighbourhood Development Plan (NDP). Also, arrangements to support Coronation celebrations for His Majesty King Charles III. *Informative* – when the Neighbourhood Development Plan (NDP) draws down grant monies these will periodically be vired from the localism budget to the NDP budget.
- Inflation (general) – this is difficult to predict a year or more in advance. However, indications from the Bank of England suggest it likely that by the beginning of the new financial year inflation, by the Consumer Price Index measure, is likely to still be running at in the region of double figures. However, this necessarily masks potentially quite varying levels of inflation within individual cost heads. It is therefore recognised that areas such as property maintenance and grounds maintenance budgets may come under pressure as a result (as will any Capital Project activities).
- Business Rates – these typically rise in line with inflation and accordingly represent an additional (after energy, salaries, insurance, subsidy) area of material cost increase.
- Grounds Maintenance has been increased on a one year basis (by £5,000) reflecting increased arboricultural works.
- An increase of £2,000 has been applied to vehicle running costs reflecting that, although the fleet is under partial replacement, the remainder is significantly ageing.

OTHER ISSUES

- 3.6 The Committee and Council will be mindful, from previous reports and both the emerging draft Budget and the RCP, that anticipated urgent works to the Market Road retaining wall and the Museum are likely not fully funded (i.e. the funds indicated as allocated in the RCP are unlikely to prove sufficient). If, as previously referred to, grants can be secured to supplement Council resources this could materially improve the situation. However, if not the Council will be aware that residual funds within the RCP will need to be deployed and it may therefore not be possible to take forward at this time other desirable initiatives such as either all works to the Town Hall (or all works to the Town Hall excepting only the essential roof cladding works associated with the Mayors' Parlour). Arrangements with regard to the future funding of the RCP are addressed elsewhere in this report.
- 3.7 VAT – there is, as the Committee and Council will recall, an element of uncertainty/risk associated with 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 long-standing impact of austerity measures across the Public Sector the Council may be called upon 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).
- 3.9 The cost of a ride on mower (up to £5,000) for the Works Department is to be capitalised from the RCP.
- 3.10 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 and, subject to the nature of any agreement with West Devon Borough Council, could be considered

for funding from the extraordinary maintenance reserve as a matter of last resort should the RCP not be sufficient (the current most likely application of that reserve being in the event of main boiler failure in either the Town Hall or Drake Road).

4. COMMENTARY

4.1 The enclosed draft Budget satisfies the key principles set by Council at its last meeting (Minute No 212 refers). In doing so it acknowledges:

- For the reasons listed several cost heads carry a higher than usual level of uncertainty/volatility;
- The General Reserve target minimum has been restored to a level in excess of 9 months income (but not yet reached 12) after the depletions of Coronavirus, in order to provide a sufficient level of resilience against potential future shocks;
- The major revenue costs are largely (at least for the medium term) 'baked in', ie they will not reduce - business rates are on a multiplier; energy is supplied on fixed term contracts with a supplier cancellation clause (ie rates can go up, but not down) salaries are under pressure and the insurance market is 'tight'. Consequently it is reasonable to assume that these will also be material considerations in the 2024-25 budget setting and potentially beyond.

However, by addressing the revenue shortfall 'in-year' for 2023-24 the Council will place itself in the most financially sustainable position going forward, and thereby best mitigate the long term effect on the ratepayer. Subject to the outcome of the next (December/January) meeting round, and on the basis listed above, it is expected the Council will likely be able to achieve this at a rate of increase in Precept broadly consistent with the average for Devon when taken over the two year period of 2022-23/2023-24 inclusive, and at below CPI for the period.

- It will appropriately fall to the new Council in 2023 to review the longer term structural options and issues which might shape its vision for the following Council term.

4.2 The uncertainty of Guildhall costs has been touched on elsewhere in this report. However, it may assist to bring together and

summarise the various points as this is a significant new budget head:

- i. the premises have not yet been open and operating for a year, consequently the 'normal' operating cost base is unclear;
- ii. this is compounded by virtue of factors such as early teething problems with the building management system and issues with the energy contract which make consumption assessment difficult;
- iii. similarly some inspections/servicing etc are under warranty, actual costs will become clearer over time;
- iv. the Valuation Office has yet to notify the Council of its revaluation (NNDR) for the premises;
- v. the arrangements for meeting costs (ie invoicing) of the tenant and delivery partner, THT, are in the process of being arranged. In theory this could mitigate a significant part of the premises cost base (theoretically over 40%). However, in practice as referenced in para 3.5 this is not expected to be the case in the next financial year. Code 402 Guildhall sets out the projected position this year and anticipated next. This will necessarily vary, according not only to the accuracy of the projections, but also the ability of THT to generate income to meet its obligations to TTC and the outcome of the Valuation Office review;
- vi. cleaning arrangements for the Guildhall presently subsist on an interim basis. There is a budget of £10,000 for cleaning and consumables which contributes to, but does not meet the full cost of, a temporary & part time resource which sits outside of the approved staffing Establishment. The General Manager will bring forward a report early in the new Council outlining future options from June next year.
- vii. If circumstances persist it may be appropriate at some stage for consideration to be given to alternative ways of generating income to support the costs of the asset.
- viii. Similarly, at the point annual running costs become clearer, alongside occupier apportionments, it may become appropriate to consider a cap on subsidy/grant to protect the Councils financial position in the first 3 years of operation.
- ix. the billing mechanism for recovery of monies due from THT (as opposed to underlying apportionments which are being

addressed separately) and accounting treatment is also presently under review.

5. CONCLUSION

- 5.1 For three years now, your Officers have 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”. Previously these remarks were due to the impact of extensive improvement works which drew down Council reserves, principally to support Town Centre regeneration, and followed in close succession by the impact of the pandemic.
- 5.2 Furthermore, in both this year and next, the Council has been disproportionately impacted by a small number of cost heads. By way of illustration had the long-term agreements for insurance and energy alone not reached term in this financial year the Council would have avoided something in the order of £190,000 per annum projected additional (over prior spend) revenue costs. Inadvertently, the breadth and depth of the Councils service offer to the community (as it did in relation to ineligibility for Government support during the pandemic) has disadvantaged Council finances.
- 5.3 However, notwithstanding the various “uncertainties” previously referenced, the accompanying budget, by adhering to the two principles set by Council of addressing revenue issues in the year in which they occur, and setting a Precept at below the rate of inflation at the time of setting, is expected to meet those tests.
- 5.4 Accordingly, 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 base for operations in 2023/24 under a new Council.
- 5.5 Further to the indicative schedule of fees and charges previously distributed a formal draft Schedule will be brought to the next Meeting of this Committee in order that, on the basis of all available information, Council will be able to set the Budget and Precept for 2023-24 at its January Meeting.
- 5.6 The instructions of the Committee and Council are sought.

**CARL HEARN
TOWN CLERK
NOVEMBER 2022
TAVISTOCK TOWN COUNCIL**