

AGENDA ITEM NO 4

TAVISTOCK TOWN COUNCIL BUDGET & POLICY COMMITTEE 14th NOVEMBER 2017

BUDGET PREPARATION & PRECEPT SETTING 2018/19

1. PURPOSE OF REPORT

To provide the Committee with an opportunity to consider the emerging draft Budget for the 2018/19 financial year prepared pursuant upon the Committees previous deliberations as at October 2017 together with related Council Fees and Charges.

2. CORPORATE POLICY CONSIDERATIONS

The effective management of resources and appropriate forward planning underpin the delivery of the Council's Strategic Plan 2017-2021 and support its commitment to value for money, the promotion of best value and continuous organisational improvement.

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 to the Committee at its Meeting in October. They include the impact of reductions in income arising from the localisation of Council Tax, the effects of inflation, staff costs, continuing challenges to commercial income streams, organisational capacity and a considerable capital/repair programme as well as uncertainties arising from devaluation/localism and property acquisitions.

Please also refer, in particular, to the appended Capital Report. More specifically attention is drawn to the capacity issues arising and projected shortfall in funding for the Council's Capital Programme. There is also the projected shortfall in the following (2019-20) financial year of (potentially) in the order of £60,000

(and every year thereafter) arising from the delivery of the Guildhall Project.

The Tax Base for the next financial year remains to be advised.

4. RESOURCE ISSUES

The Resource issues associated with this report are as set out in the attachments and previous reports. They principally comprise organisational capacity, a shortfall in current (capital) and future (revenue) funding.

In particular it is noted that due to the funding shortfall it has been necessary to temporarily reduce the general reserve (in this year from £474,000 to a little under £300,000 and next to iro £162,000) which is below the thresholds advisable for a Council such as Tavistock.

5. COMMUNICATIONS ISSUES

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

6. RECOMMENDATIONS

The Budget & Policy Committee consider, amend and recommend that the Council endorse, as appropriate:-

- i. The treatment of matters relating to the Capital Programme (Appendix 1 refers).
- ii. Any proposed variation in the level of Fees and Charges for Council services to apply in 2018/19 (Appendix 2 refers).
- iii. The submitted Draft Council Budget 2018-19 prepared on the basis of an increase of 9.5% per Band D property (subject to making a final recommendation with respect to the Precept at it's next December Meeting).
- iv. Any surpluses available as at year end and not otherwise identified be rolled over into the rolling Capital Programme (or Property Maintenance Reserve as appropriate).
- v. Such other related matters as the Committee considers appropriate.

1. BACKGROUND

- 1.1 The approach proposed for the Budget setting process has been considered by the Committee previously. In particular the Council has taken the view that with regard to finances and, as a minimum on a like for like basis, the Council should adjust the Precept to avoid the adverse impact of reductions from the localisation of Council Tax.

- 1.2 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 Reports submitted to the Council indicating in year direction of travel and cash flow alongside related appendices. Given the timing, especially in relation to a dynamic capital programme, the budget reports necessarily represent a working draft subject to Member comment.

2. ISSUES AND OPTIONS

- 2.1 Attached to this report are appendices giving details of:-
 - a) Capital-
 - i. Capital Programme and Reserves (Appendix 1):
 - ii. Rolling Capital Programme (Appendix 1A).

 - b) Council Fees and Charges – current and proposed (Appendix 2).

 - c) Budget detail by:-
 - i. Combined Account Code for 2016/17, 2017/18 and proposed for 2018/19 (Appendix 3).
 - ii. Cost Centre for 2016/17, 2017/18 and proposed for 2018/19 and Summary by Centre (Appendix 4).
 - iii. Budget Summary, Gross Revenue and Expenditure for 2017/18 and proposed for 2018/19 (Appendix 5).

 - d) Other documents to be circulated at your next meeting will be
 - i. Schedule of Earmarked Reserves;
 - ii. Fixed Asset Register;

- iii. Any Correspondence from West Devon Borough Council regarding Council Tax Support Grant.
- 2.2 Item (d¹ above) has been developed pursuant to the last Meeting of this Body and following meetings with the Council Management Team and our Accountants. Matters regarding Capital are more fully addressed in the relevant report(s). Insofar as possible the intention has been to provide informed projections for:-
- a) Current year-end out-turn.
 - b) Spend (Budget) in the next financial year.
- 2.3 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. In so doing attention is drawn, in particular, to:-

Expenditure

- i. Capital Programme – Reserves
It had been projected that a significant number of Capital Projects would be completed in the 2016/17 and 2017/18 financial years. Although not all those projects have been completed considerable progress has been made and Members will be aware from reports elsewhere of the extent of capital/maintenance commitments undertaken (and projected to be undertaken) by the Council.

The overall position is set out in more detail in Appendices 1-1A. It is also acknowledged that there have been marked impacts upon the Capital Budget in terms of amount and/or timing of spend which were not previously foreseen e.g. purchase of Molly Owen Centre and accompanying allocation for refurbishment/repair and provision for glass doors to the Pannier Market.

- ii. Capital Programme - Contingencies
In view of the extent of the Council's Capital Programme Council will wish to have regard to the

¹ And includes adjustments agreed in relation to staffing costs and provision of £25,000 for a Neighbourhood Development Plan

potential for unscheduled and/or unavoidable overspends which could arise given the number and scope of projects being undertaken which relate to historic and/or listed buildings. Capital issues are addressed more fully in Appendix 1.

iii. Capital Programme – Funding (general)

As indicated in the accompanying Report there is a significant shortfall in funds (£554,664.00) available to meet the extent of Capital commitments entered into by the Council. Whilst it is the case that not all of these commitments arise at once there is a recognisable level of risk that the Council will not be able to fully fund these without significant adjustment to issues of either timing and/or delivery. The potential impact of precept "Capping"² could disproportionately impact upon same either in terms of ability to raise capital monies or finance debt.

iv. Unforeseen calls on Funding

There remains the growing likelihood that as austerity measures cut deeper in the public sector the Council may be called to take on other services/costs. It is important to recognise at present the Council has neither the reserves nor the capacity to expand its delivery base.

v. Economic Support

A provision has been made in the sum of £50,000 to enable support to be given to associated business interests should it be appropriate.

vi. Bad Debts

This provision is in the sum of £20,000 to better reflect the existing position.

Income

vii. Market Tolls

These have continued to be resilient over the past year. However it is important to recognise that works

² However, it is noted the Secretary of State has indicated he is not minded to introduce capping this year

to the Pannier Market under the THI could provide adverse impacts (and it will also be necessary to be mindful of the position of those trading into the Pannier Market surround).

The Committee will also be aware that, in the current financial year (and the first month of the next), the relocation of Pannier Market Traders to the Butchers' Hall will involve

- Reduced levels of income as well as consequential impacts on income in related host facilities (ie Town Hall)
- VAT becoming payable which will proportionally reduce the level of income received by the Town Council on a like for like basis
- alongside any other reductions arising in that time.

viii. Rents

Landlords continue to operate in a challenging economic climate. The propensity toward shorter lease terms, reduced rent levels and greater pressure for Tenant break clauses reported last year is continuing.

ix. Car Park Fees

As previously reported, car parking income is projected to reduce to some extent to enable certain works to the Guildhall to take place (albeit this may now be late in the next financial year).

x. Other Fees and Charges

A schedule setting out current and, if/where proposed revised fees and charges is appended for consideration.

xi. General and Other

Council will be aware of changes which have been mooted associated with Precept "Capping". There are also the dependencies which potentially arise from

both partnership working and the extent to which that places its own increased demand upon Council resources in building, sustaining and delivering lasting partnerships.

- xii. Good financial management requires the Council to have in place a minimum "General Reserve". This is, in effect, an emergency/contingency reserve to enable it to cover unforeseen eventualities (e.g. failure to receive Precept payment on the due date or delays in receiving monies from HLF etc.). Last year this was reduced from 15 months to 12 months and it is not recommended that any further changes be made given the significant exposure of Tavistock to a range of income sources.

Notwithstanding this the General Reserve is projected to reach very low levels over the next year (para 4 of the introduction refers). This reflects that the without this reserve the Council would otherwise be running a budget deficit in the order of £175,000 this year and £138,000 next. Given the level of risk such generates Council is strongly advised to commit to rebuild same to prudent levels from the next financial year.

- xiii. There continue to be a number of areas relating to the management of the Council's historic estate which provide the possibility for increased costs (such as related to the enforcement of legal obligations under the terms of leases). Whilst the number of debtors to the Council has improved the economic climate suggests that this should be kept under review alongside the potential for consequential impacts arising from works to Council properties. There is also the matter of building price inflation identified in the previous Report to this Committee.
- xiv. The Committee will also be aware that, as the THI Scheme develops, cash flow management is

becoming increasingly important as the Council must meet third party claims before it is able to reclaim eligible costs. It also holds the "Common Fund" which will run down over the course of the Scheme and is not replenished. The effect of the former in particular may be to temporarily distort the balances of the Council at any given moment in time as Scheme money flows through it.

- xv. The Committee will also be aware of previous discussions with the Borough Council regarding assets over which both Authorities have interests. These have not progressed other than insofar as the former TIC building at Court Gate is concerned. However, this matter is now under review pending developments in relation to the Guildhall proposal.
- xvi. The Committee will be aware of an outstanding matter as between the Council (Landlord) and Tenant which has the potential to incur significant legal costs.
- xvii. The current Council Precept related income is £571,472 comprising Precept (£539,547) and Government Grant (£31,925). This equates to a band D Parish rate of £123.45.
- xviii. The projected reduction in localisation of council tax grant for the next financial year equates to a reduction which is yet to be advised by the Borough Council and therefore a prudent assumption has been made in the figures.
- xix. In view of the comments made at the last meeting an increase of 9.5% per Band D property would enable Council services identified to be delivered – this is an increase of £11.73 per band D property.

3.CONCLUSION

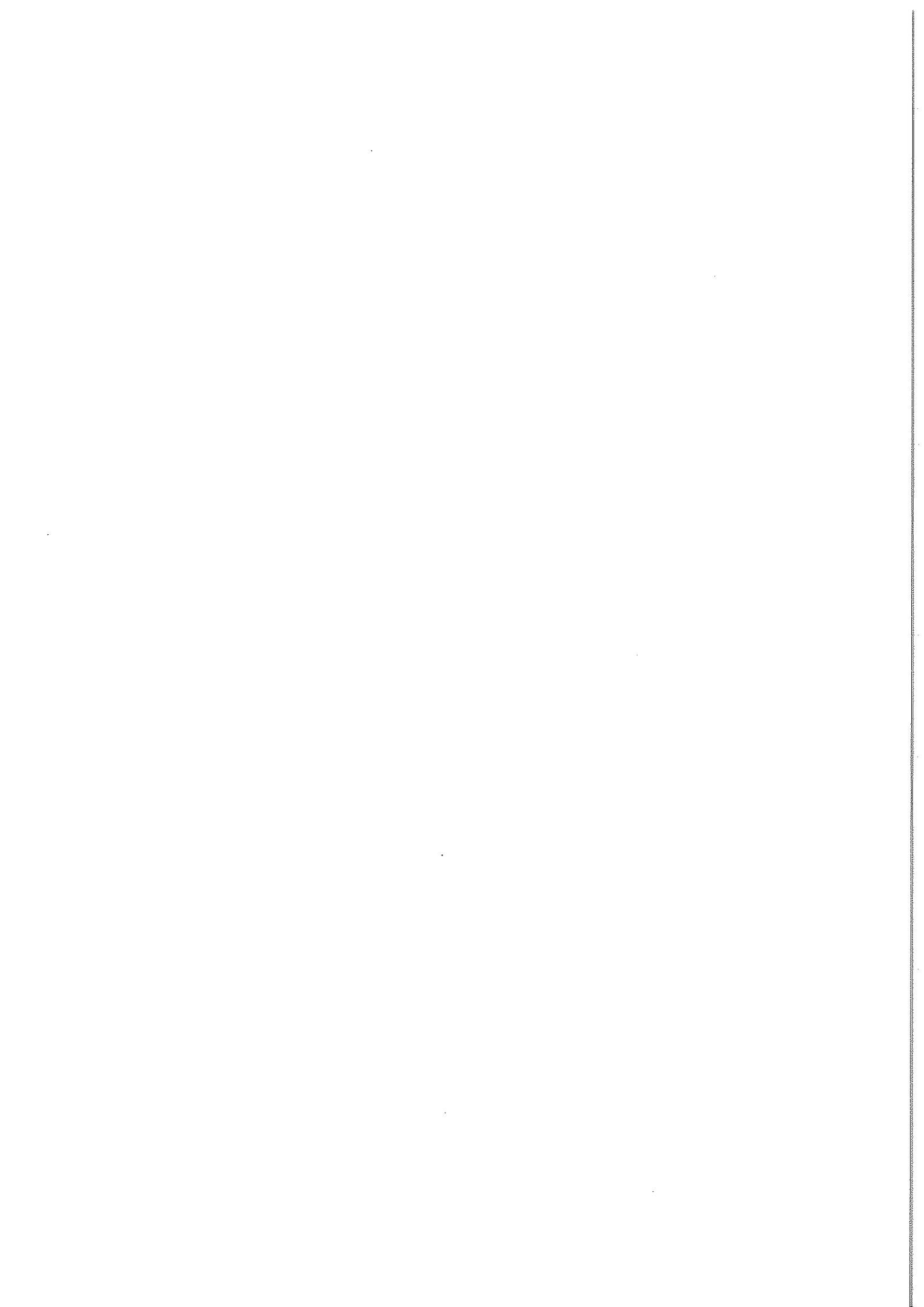
3.1 In short the Council currently finds itself in the position that (disregarding future spend beyond the next financial year) an increase in the Precept of 9.5 % could enable the appended budget to be delivered absent unexpected financial shocks. However, the Council will also be mindful of:-

- a) In-year uncertainties around matters such as:-
 - i. Inflation,
 - ii. Potential for litigation,
 - iii. Pressure on income streams,
 - iv. Uncertainties associated with a substantial Capital Programme,
 - v. Dependency on external funding – either by way of grant or loan,
 - vi. The potential impact of further public sector devolution/austerity,
 - vii. Capacity to deliver / organisational over-reach,
 - viii. The Butchers Hall coming on-stream in the next financial year,
 - ix. Potential for asset disposal (Drake Road).

- b) Subject to the Guildhall Project proceeding as anticipated the future (2019 on) impact of associated increased costs per annum which are estimated at in the order of £60,000 per annum (with the potential to rise to £100,000)³. In the circumstances the Council will wish to consider the Precept which it sets in the current financial year alongside what it considers to be fair and necessary in the next financial year in order to meet these and other scheduled commitments.

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TOWN CLERK
NOVEMBER 2017

³ But could potentially be offset/reduced by the Butchers Hall offer income and/or a financially resilient partner bodies contributions toward costs.



TAVISTOCK TOWN COUNCIL

BUDGET & POLICY COMMITTEE

14th NOVEMBER 2017

CAPITAL PROGRAMME AND RESERVES

1) PURPOSE OF REPORT

To provide an update in relation to the Council's Capital Programme, the availability of reserves, anticipated capital funding requirements and the identification of areas where prospective savings could be made.

2) CORPORATE POLICY CONSIDERATIONS

The Tavistock Town Council Strategic Plan 2017-2021 identifies a range of objectives which underpin the various projects and programmes incorporated within the Capital Programme for the Council. Sitting alongside and informing all of these is Council priority Ec1.4 Best Value - "the Council will work to minimise costs and provide value for money services which are relevant, efficient, economic and effective. In doing so it will reflect good employment and business practices".

3) LEGAL AND RISK MANAGEMENT ISSUES

The Council is under a continuing obligation to secure economy, efficiency and effectiveness in the use of Council resources. Associated legal and risk management issues include, but are not limited to, procurement/health and safety, law, the availability/application of suitable measures of assurance and control, project management, capacity and funding availability. There are also obligations and risks which may arise from contractual arrangements with third parties as well as organisational capacity and/or resources to deliver.

4) RESOURCE ISSUES

The present Capital Programme is the most challenging and ambitious that the Council has adopted in its current form. In addition there are external dependencies beyond the control of the Council such as the availability of/success in bidding for grant funding, Public Works Loan Board support, prospective capping of the precept etc. The preliminary financial implications of the Capital Programme are as set out in the body of the report. Attention is drawn, in particular, to the shortfall arising as between projected spend and available capital to meet those obligations.

In short the Council has a shortfall of funds for its overall capital programme in the current financial year amounting committed to an estimated £554,664.00 (prior to any loan application, saving, capital receipt etc).

5) COMMUNICATION ISSUES

Communication and consultation upon the constituent parts of the Capital Programme have been/are being/will be undertaken as appropriate. The Council's Accountant has contributed to this report and your Internal Auditor has reviewed outstanding commitments.

6) RECOMMENDATIONS That the Budget and Policy Committee review the Capital Programme (Appendix 1A) and prioritise/amend as necessary to secure savings against the capital programme for recommendation to Council and endorse the recommendations as listed in section 5.

1) BACKGROUND

1.1 This Committee has been tasked by Council with responsibility to oversee and recommend arrangements for the coordination and delivery of the Capital Programme of the Council and related matters so as to:

- Maximise efficiency, economy and effectiveness and promote best value;
- Ensure appropriate levels of capacity to deliver and promote a managed approach to the delivery of Council projects;
- Review existing priorities and make recommendations as to the priority to be attached to those projects not already subject to the earmarking of funds.

1.2 Furthermore Council previously affirmed that no significant new capital (beyond those previously agreed) or other resource heavy projects be progressed without putting in place compensatory capacity and other resources to facilitate delivery. This has proven to be a challenging target, not least with the acquisition of the Molly Owen Centre.

1.3 The Committee will be aware that a range of formal commitments to Capital Projects have been entered into (Appendix 1A refers) and, as projected in the next 2 financial years, amounting to in excess of £2m¹ in total with a projected shortfall in funding of approximately £554,664.00² to be raised from other sources.

1.4 With reference to Appendix 1A it is helpful to note that the figures are compiled on the basis that all spend occurs in the one year. In practice

¹ Note this figure does not include the grant funded component of the Guildhall proposal – only the landlord funded element.

² This figure will be reduced proportionately when the Council takes out a loan of £350,000 in respect of the Guildhall proposal and the appendix therefore shows a shortfall of £204,664 post loan.

of course the spend is incurred over more (in the main two financial years). This brings into play two variables:

- Whether or not the Council will be able to resource fully the £215,000 budget allocation to the capital programme this year and next³.
- Whether or not the Council applies for a loan in the sum of £350,000 toward the Guildhall Project.

1.5 Assuming that those allocations are achievable *and* the loan is taken out the Council would have a budget surplus of some £10,336⁴ as at the end of the next financial year based on current estimates. This underlines the importance of the Council not entering into any more new/additional financial commitments until the capital programme is much further advanced.

2) NEW COMMITMENTS

2.1 Since the last budget round the Council has entered into certain new/additional and/or altered commitments. These are primarily:

- (a) **Pannier Market doors** - the Council has recently agreed to make available an additional sum in the order of £100,000 for the provision of electric doors to the Pannier Market.
- (b) **Rundle Room** - the Council has budgeted to spend up to in the order of £20,000 on improvement and refurbishment of the Rundle Room. However, should it proceed with the full scheme which has been developed, the cost of this project may be expected to rise to in the order of £40,000 or more.
- (c) **Molly Owen Centre** – acquisition of these premises to provide a base for the Town Council’s Works Department Services. Whilst the acquisition cost, when added to money set aside for repair works, is consistent with that originally budgeted for in the event a new build were progressed there are additional factors to be taken into account.

Namely, the level of investment that might be required (over and above repair) to bring the premises fully into Council use and the timing of the acquisition (which had the effect of bringing forward a significant capital spend somewhat earlier than was otherwise likely to have been the case with associated impact on cash flow/availability of reserves).

³ On the basis of current budgeting this is achievable but with significant consequential impacts on the General Reserve

⁴ Alongside a much depleted General Reserve

2.2 In the alternative there is the potential that by virtue of not proceeding to occupy the Guildhall as originally envisaged (and therefore not constructing the new extension) the Council could make a saving in the order of £125,000⁵.

3) OTHER MATTERS

3.1 In its consideration of the capital position the Committee will also be mindful of:-

- a) The potential that, subject to receipt of section 106 monies (the availability of which is being explored by the Works Department) a project may come forward for the provision of play equipment in the Meadows. Provided this is fully funded by section 106 monies this will have no impact upon costs for the Council but would have some resource/capacity implications.
- b) Vehicle replacement - the Council presently has an ageing fleet of vehicles and the Works Department is undertaking a review of their operation going forward. It is increasingly likely that active consideration will need to be given to the basis upon which one or more may need to be replaced.
- c) The Council has previously discussed (but not determined) how it might wish to proceed in relation to the retention and/or disposal of the Drake Road Offices. Some time ago a preliminary valuation of the premises estimated it at in the order of £200,000 if sold for business use. There being the potential to further increase that if sold with the benefit of a planning consent enabling conversion into residential use and build over the "car parking" area to the rear (notwithstanding this would require significant investment in professional fees).
- d) The potential that, given the extent of the capital programme on historic buildings unforeseen additional expenses will arise⁶.
- e) The impact of any new spending commitments – capital or revenue on ability to meet funding obligations.

4) OVERVIEW

4.1 By way of context and in broad terms the capital related programme for the period now - mid 2019 is dominated by:

⁵ Note – this saving is already factored into the deficit figure shown above.

⁶ Additionally some prospective past projects such as Betsy Grimal's Tower are not included

- **Butchers' Hall** fit out October – December 2017;
- **New Depot repair** works and site made good November 2017⁷ – April 2018
- delivery of **Pannier Market roofing** (January-April 2018); and
- relocation of Traders to **Butchers Hall** (January-April 2018);
- (Subject to receiving HLF stage 2 pass) commencement of the **Guildhall Gateway Centre Scheme** (January 2018 - April 2019);
- Completion of **Townscape Heritage Initiative Scheme** – through to end 2019;
- **Pannier Market Surround** Public Realm works (Spring 2018)
- Roll-out and launch of **Butchers' Hall thematic Market** offer June 2018 – 2019
- **Guildhall Public Realm** works April 2019
- Alongside other projects such as the Rundle Room (capital) and repairs to the outer fabric of the Museum (emergency repair reserve).

4.2 This represents an unprecedented and immensely challenging and condensed capital programme including regarding funding, capacity and scheduling. It does not include longer term works to the Molly Owen Centre which, for the reasons outlined below, lend themselves to a longer timeframe.

4.3 As regards the Molly Owen Centre – various views have been expressed regarding future usage (i.e. beyond Depot/Works Department) for these premises. These have included relocation of the Council's Corporate Services to the site, creation of a Council Chamber, provision of space for community facilities, storage space, demarcation of the building to provide lettable units (either for office or light industrial use) and co-location.

4.4 Having regard to para 4.1 and from the perspective of finance, capacity and achievability it is submitted it would be inappropriate to proceed with a major conversion programme to these premises at this time. The initial focus necessarily being on securing the premises and making it fit for occupation by the Works Team.

4.5 The building has served an important past function in the community and the development of a proposed future use which draws upon that heritage, whilst providing a robust and sustainable base for the delivery of Council services, will require significant consideration, development and engagement with the community in order to achieve best outcome. That consultation will also be a necessary prerequisite of

⁷ And early vacation of existing units

securing whatever funding may be required from the Public Works Loan Board in the absence of capital reserves⁸.

5) NEXT STEPS & RECOMMENDATIONS

5.1 To provide the necessary capacity, funding and other resources alongside a co-ordinated and strategic long term perspective it is suggested that the Council undertake the following approach:-

- a) **Guildhall** - subject to the outcome of the application to HLF the Council proceed on the basis that,
 - i. Upon receipt of permission to start from HLF and subject to Council agreeing to proceed the Council make application for a loan of £350,000 from the PWLB repayable over a 25 year term (equal instalments of principle basis - estimated repayments presently iro £23,135pa based on an interest rate of 2.61%)
 - ii. for the duration of the refurbishment works, it will continue to occupy the second floor on a similar basis as at present (thereby ensuring presence of key staff to work alongside the Project Manager);
 - iii. it then review the position regarding occupation in the period thereafter with particular regard to the possibility it either
 - continue as at (i) above; or
 - it relocate the Drake Road Team to that location and current staff to the Molly Owen Centre
 - or other – subject to meeting the operational requirements of any HLF award.
- b) **Molly Owen Centre** –
 - iv. current works to the Molly Owen Centre focus upon necessary repair/weatherproofing and such internal works as necessary to enable full occupation by the Works Department within the allocated budget;
 - v. the Council defer further plans for the premises pending greater organisational capacity and clarity around matters such as the Guildhall, public consultation and any future possibilities around co-

⁸ An additional advantage being that an interregnum of 2 years could quite possibly enable works to be undertaken to be funded by reserves accumulated over that time thereby avoiding the taking on of long term debt.

location with public sector partners at the Molly Owen Centre

- c) **Drake Road Offices** – the Council commission it's Surveyors to undertake
- vi. an up to date market valuation (sale);
 - vii. an assessment of the letting potential of the premises if let in part or as a whole;
 - viii. a preliminary assessment of the potential of the site to be redeveloped for residential use, any uplift in value that could arise and an estimate of the costs of preparing same
 - ix. and then review the position.
- d) **Capital Programme Savings** – the Council review the capital programme and areas where savings can be made, with particular reference to areas of new/increased spend arising in the current financial year (section 2 refers) and identify such savings as can be made.
- e) **Other** – the Council affirm its commitment to enter into no further commitments with significant financial or capacity implications in the next financial year and thereafter to prioritise the rebuilding of the General Reserve

6) CONCLUSION

- 6.1 The Council finds itself in a position where it faces dual challenges of capacity and funding and it would be imprudent to ignore the associated risks. However, if the opportunity is taken to progress along the lines outlined in section 5 above this has the potential to better place it in relation to ability to deliver it's commitments and provide a more resilient basis for future activity.
- 6.2 The instructions of this body and Council are sought.

CARL HEARN
TOWN CLERK
NOVEMBER 2017

