

**TAVISTOCK TOWN COUNCIL
BUDGET & POLICY COMMITTEE
12th JANUARY 2021**

BUDGET PREPARATION AND PRECEPT SETTING 2021/2022

A. PURPOSE OF REPORT

To provide the Committee with an opportunity to consider and agree, for recommendation to Council, the Budget for the 2021/22 financial year prepared pursuant to the Committee's previous deliberations as at October/December 2020, and subsequent consideration by Council. It should be read in conjunction with those reports, the prior Emergency Financial Planning report and the Phased Budget report.

B. 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 arising from the impacts of the Coronavirus pandemic all elements of the Strategic Plan are engaged.

C. LEGAL AND RISK MANAGEMENT ISSUES

These remain as set out in the report to the Committee at its Meeting on 1st December, 2020 – please refer to same for detail.

In short they are without precedent, in many cases potentially volatile and major. The core priority for the Council is necessarily maintenance of a prudent approach to, and rigorous oversight of, the management of scarce resources and the proper planning of the replenishment of appropriate reserves to safeguard both the organisation and ratepayer.

D. 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 pressure on commercial income streams, organisational capacity, inflation, the demands of the capital programme and future (revenue) funding aligned to the need to rebuild reserves and fund the shortfall arising from organisational commitments and associated spend arising from the pandemic. The Committee will also be mindful that, if economic issues persist, there may be future need to address the possibility of a structural deficit.

E. 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.

F. COMMUNICATION ISSUES

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

G. RECOMMENDATIONS

The Budget & Policy Committee and Council endorse and approve;

- i. the draft appended Budget for Tavistock Town Council 2021/22 incorporating the savings, assumptions and projections as previously submitted to/endorsed by Council and those further listed in para 3.1 below;
- ii. the appended schedule of fees and charges 2021/22.

1. BACKGROUND

- 1.1 Historically Tavistock Town Council has each year made extensive use of its commercial income to subsidise services to the community. Because of the effect of Coronavirus on those income streams the budget preparation process 2021/22 has been particularly challenging and, although mitigation measures have been unprecedented, there remains an impact on the precept - albeit because of the scale of the mitigations fortunately less than originally projected.
- 1.2 More generally, the approach adopted for the budget setting process has previously been reviewed by the Committee and Council and the substantial impacts of the Coronavirus pandemic on Council services, income streams and financial resilience and the community are extensively documented. The budget has accordingly been under continuing close review throughout the financial year.
- 1.3 It can be further noted Coronavirus also means that the level of confidence with which future projections can be made is diminished from what could normally be expected. This reflects the impact of current and continuing factors outside the control of the Council such as the progress of the pandemic, roll out of the vaccination programme, Government restrictions, resilience of high street retail etc.
- 1.4 In an effort to address these matters prior decisions of the Council have put in play a range of measures to mitigate the

situation. These are listed in more detail in the previous report to this Committee on 1st December. Consequently, this final budget report is therefore set in the organisational context (to date) including of:

- a) No more contribution receivable in connection with the localisation of Council Tax;
- b) Prior reallocations from available reserves;
- c) Operating on a much reduced staffing footprint;
- d) Major value engineering on extant capital projects;
- e) Deferment of the commencement date for the operation of the Guildhall Gateway Centre, and for the assumption of the Guildhall Public Conveniences;
- f) Attempts to draw in additional grant funding from all available sources;
- g) Commitment to make minimum £200,000 revenue savings in-year;
- h) A fully committed Rolling Capital Programme;
- i) Active deployment of the General Reserve.

1.5 Progress against agreed measures and mitigations, together with additional support arrangements as previously discussed (but not till now determined) by Council are set out in Section 3. These are now included in the appended final version of the draft budget building on, and from, the decisions of the Council already made. Also included in the documentation are amendments arising from recent grant awards, as applicable so as to provide a final basis on which to proceed.

2. FEES & CHARGES

A schedule of proposed fees and charges for next year, and relating to each Department, is enclosed (Appendix 1 refers).

2.1 The Committee is requested to note that Pannier Market fees are subject to a recommendation for review in the new financial year. No adjustment in projected income has been factored in because it is recognised that the trading and health environment will necessarily inform the actions of the Council at that time. A decision now (either way) would therefore be both premature & inappropriate prior to more information arising over the next two quarters and associated stakeholder consultation.

2.2 So far as the Town Hall and Butchers' Hall are concerned no changes are recommended and the decision was made at last Council regarding car parking tariffs. Depot fees and charges (Cemetery applying an annual uplift) are also included.

3. MEASURES IN YEAR & NEXT

Attached are the budget documents comprising copy budget summary (Appendix 2), detailed budget by code and cost centre (Appendices 3-4) and rolling capital programme (Appendix 5). Additional Measures, as now factored into the foregoing as listed include:

3.1 New Savings in-year:

There are two remaining areas where Council has previously identified the possibility of further savings. Namely the allocations made to operating the Guildhall Public Conveniences (cost centre 304, code 4120) and the underwrite grant support for THT in the Guildhall (which will not now open this financial year – cost centre 107 code 4099).

Notwithstanding a risk element in reallocation it is recommended that: -

- a) The 2020/21 Budget allocated in connection with cost centre 304 (code 4120) (£30,000) be reallocated to reserves in order to support the financial position of the Council;
- b) The 2020/21 Budget allocated in connection with cost centre 107 be adjusted by the reallocation from it to reserves of £31,000 in order to support the financial position of the Council.

By endorsing the draft budget Council will adopt the foregoing transfers.

3.2 Guildhall Costs

Grant Application to 'Kick-start' in-year, as the Committee will recall this comprised various components, some relating to additional cost arising from Coronavirus, others representing uplifts/variations in scheme scope. An announcement from DCMS is awaited. In the circumstances the budget reflects an anticipated (albeit at risk) award in the sum of £130,890. Assuming the application is successful please note that because it related to additional costs (i.e. over and above those originally budgeted) and/or scope changes there is no saving to current budgets (rather that Council has avoided having to increase those budgets to meet unplanned costs). Other Awards – have been made from WDBC regarding audio visual iro £30,440 and visitor centre fit out iro £16,800 which assist in meeting the shortfall arising on project funding (which is now believed to be fully funded barring unforeseen eventualities).

3.3 **Treatment of reserves** in-year

Earlier in 2020, and in anticipation of the challenges arising from Coronavirus, all unallocated funds (£123,000) were transferred to hold with the General Reserve. At that time, it was unclear what the position would be regarding capital project costs, Coronavirus costs or indeed income loss.

3.4 Having reviewed the position with the Accountant, and now in view of capital grants received/expected (para 3.2 above refers) the reports before you reflect the facility exercised to now apply this unallocated sum to mitigate the year end shortfall. The overall effect of this being to substantially reduce the deficit to a considerably more manageable amount (£62,514 this year, £100,000 next) than was previously envisaged across both financial years.

3.5 **New costs**

A TTC matching contribution £7,700 has been allocated to the Guildhall project. This, when added to the £7,300 previously allocated to THT staffing (since repurposed) now forms part of a match contribution with NLHF in connection with Guildhall Coronavirus costs.

3.6 **Extant Savings** in year

Having reviewed progress against budget to the end of November with your Accountant your officers believe that the projected savings already agreed to by the Council can substantially be achieved (ie 85% plus). No recommendations are being brought forward for additional savings (other than those previously agreed and those listed for approval above) in the other areas previously referenced ie property/grounds/equipment maintenance. That is because these budgets are coming under intense pressure (refer to the General Manager's Report to Council for details).

4. CONCLUSION

4.1 The Council has undertaken an ongoing thorough review of its financial position in developing the draft budget for 2021/22, alongside extensive in-year emergency measures to respond to the Coronavirus pandemic.

4.2 Nationally there are few local Councils which have been impacted by the Coronavirus pandemic to the extent that Tavistock has. The unprecedented one off mitigations/savings/transfers undertaken by the Council represent an anticipated reduction in the deficit of a sum in excess of £400,000 this financial year (and accordingly an equivalent potential reduction in strain on the ratepayer). The budget proposal to bring the current and next year deficit down accordingly demonstrates the commitment of the Council to

addressing what has been an existential crisis to the services it delivers to the community and placing the organisation on a sound and sustainable financial footing.

- 4.3 Whilst it is acknowledged that major variables sit outside the control of the Council (in particular as regards predictability of commercial income) your officers believe that, on the information currently available, the appended draft budget represents a prudent and proportionate approach underpinned by:
- Extensive/emergency support measures undertaken by Council this financial year to address the in-year shortfall;
 - Planned support measures next financial year to address the projected next year shortfall.
- 4.4 In practice the reports indicate that to date the Council is expected to have mitigated a shortfall in projected income of over £400,000 (on the Pannier Market and Commercial rentals alone) to achieve, by all the measures deployed and proposed, a reduced deficit of a little over £60,000 (2020-21).
- 4.5 However, that does not mean that the challenge of addressing the shortfall projected for the next budget year (2021-22) of £100,000 should in any way be underestimated. However, the important point arising is that the success of the Council's measures mean these shortfalls can now be met temporarily through the General Reserve (see below) alongside an appropriate precept.
- 4.6 To address the shortfall, the appended budget seeks to achieve a balanced budget over a *two-year* time frame whilst maintaining adequate reserves which, as this financial year has shown, are essential in managing in a crisis. By way of context the sector range of General Reserve for a town council like Tavistock is between an absolute minimum (but not at the lower threshold for those with commercial exposure like Tavistock) of £383,227 and £766,454 (Note this is 6-12 months' income equivalent). For smaller councils it can be 3-12 months. In recent times the Council has held £450,000.
- 4.7 Looking to the budget, as recommended available reserves will reduce to £410,655 next financial year. Whilst falling below the current organisational reserve threshold it is submitted this represents a level defensible at audit and, most importantly, provides facility for some emergency support if needed. It also represents a small margin over the 'absolute minimum' (para 4.6 refers) in the event of another 'lockdown' period either this

financial year or next (Note since the time of report preparation another such lockdown has been announced by Government commencing 6th January). To achieve that means a precept increase for 2021-22 of in the order of 9.02% (or 28.77 pence per week, (£15.00 per annum) per band D property). Looking to the two-year basis outlined there is then a reasonable expectation that in the following financial year 2022/23 (the last of this Council term) in the absence of new spending commitments no more than an inflationary increase would then be required at most.

- 4.8 In other words, over the next two years combined, an overall precept increase - likely pro rata equivalent to 4.6-5.5% per annum which aligns (over the two years) with the 5% pa Government expects larger principal authorities such as the County Council to raise their Council Tax. The reason for the bulk of the rise in 2021/2 for Tavistock being to address the exceptional circumstances of the pandemic, the shortfall arising/unavailability of government support and provide a stable financial base going forward.
- 4.9 It is acknowledged this is above what the Council would undoubtedly prefer to levy at this time. However, it reflects the emergency caused by the pandemic, is substantially less than once anticipated, and should enable a return to the more normal subsidising of Council services from commercial income in the future. It is also close to the recent national average increases in precept for the local council sector of iro 4-5%pa when assessed over the two-year settlement period proposed. By way of context had the Council been able to access the income support scheme available to principal authorities it could have secured in excess of £300,000 (as compared to the £28,000 equivalent which has actually been available to date). It is submitted that, in the circumstances, the budget submitted strikes a necessary balance between the level of Precept and organisational safety on the one hand, and affordability/value for money for the Council Tax payer on the other.
- 4.10 As outlined elsewhere, future financial administration will require both rigour and discipline to rebuild reserves and capacity to deliver new initiatives. The submitted budget, derived from the thorough and ongoing deliberations of the Council represents a substantial step in that direction, minimises any council tax increase next year and, potentially, returns the Council to a more 'normal' financial position as early as 2022-23.
- 4.11 The instructions of the Committee and Council are sought.

**CARL HEARN
TOWN CLERK
DECEMBER 2020**