

**TAVISTOCK TOWN COUNCIL
BUDGET & POLICY COMMITTEE**

24TH OCTOBER 2023

BUDGET PREPARATION AND PRECEPT SETTING 2024/25

A. PURPOSE OF THE REPORT

To provide the Committee with an opportunity to consider and agree, in principle and subject to final due diligence, the emerging draft Budget for the 2024/25 financial year consistent with the Committee's 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 continuous organisational improvement as articulated in the service planning process. 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, for several budget setting rounds, major uncertainties have existed. Not least amongst some of the most substantial revenue cost heads (e.g. including insurance, energy (gas/electricity)), difficulty in accurately costing (in the current environment) essential building works, and the legacy of a major loss of commercial income arising from the pandemic.

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. The past 4 years have been characterised by a highly challenging and rapidly changing financial environment. However, subject to maintaining the prudence and rigour applied by the Council in managing its finances, the next budget period offers the potential for a move toward more normal (pre-pandemic) budgeting practice. Albeit necessarily contingent on : recent/new existential financial impacts not recurring/heightening, and continuing financial discipline.

There remains the impact of both general and sector specific inflation, of a possible economic downturn (upon commercial income streams), and the need to reconstitute reserves to levels appropriate for a Council the size of Tavistock.

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 Council's Management Team and Accountant. It is based upon a review of the financial position as at the half year (end September) and 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 consideration in

December or January subject to availability of the Council Tax base figures) as appropriate: -

- a) The submitted draft Council Budget 2024/25 enclosed as prepared and:
 - Incorporating adjustments arising from the previous deliberations of the Council; and
 - Providing for:
 - i. The normalisation of the General Reserve at 12 months net expenditure in 2024-25, subject to availability of funding;
 - ii. the reinstatement of the programmed annual Rolling Capital Programme contribution, to £100,000;
 - iii. any surpluses (if available) as at Year End, and not otherwise identified, being carried forward into the Rolling Capital Programme (RCP) to support the minimum capital reserve previously agreed.
- b) The appended Schedule of Fees and Charges for Council Services.

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 have been extensively documented in previous reports.
- 1.3 Attention is drawn, in particular, to para (i) of Minute No. 212 (2022) which established the governing principles for the preparation of the draft budget for the 2023-24 financial year and which still applies, most especially:
 - *dealing with any revenue shortfalls in the year in which they occurred from revenue, rather than deferring the issue to future years;*
 - *continuing commitment to seek to adhere to the prior aspiration to avoid setting a rate of increase of the Precept above that of inflation*

- 1.4 Preparation of the draft Budget is underpinned by the foregoing principles supporting the Council's commitment to protecting the ratepayer and ensuring the organisation's capacity to deliver services to the community.

2. ISSUES AND OPTIONS

- 2.1 Insofar as possible in developing the draft budget the intention has been to provide informed projections for
 - a. Current (2023/24) year-end out turn by Cost Centre and Budget;
 - b. Income and Expenditure (Budget) in the next financial year (2024-25).
- 2.2 The Committee will 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. Some may be more susceptible to uncertainty in this year than others – for example Guildhall costs (since the Council took back responsibility for the Interpretation Centre this month), electricity (the current contract comes to term July 2024), and the cost base associated with assuming responsibility for public conveniences at the Guildhall Car Park.
- 2.3 Consequently it is important to highlight that:-
 - a) Any projected balances as at year end are necessarily contingent on the issues identified above; meaning
 - b) The facility to contribute to the General Reserve, or RCP, is in part related to same.
- 2.4 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 acknowledging the constraints identified above. In light of events over recent years the Council will also wish to have regard to the potential for unscheduled and/or unavoidable cost pressures which could arise in view of the scope and scale of its operations/estate, as well as general cost pressures.
- 2.5 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. 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).

ACCOMPANYING INFORMATION

- 2.6 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 2022/23, 2023/24 and proposed for 2024/25 (Appendix 1);
 - Budget Detail by Cost Centre for 2022/23, 2023/24 and proposed for 2024/25 and Summary by Centre (Appendices 2-3);
 - Rolling Capital Programme (RCP) (Appendix 4) – provisional for the reasons identified above (2.3 refers);
 - Phased Budget Report to 30th September, 2022 (Appendix 5)
 - A Schedule of proposed Fees and Charges 2024-25 (Appendix 6);
 - Fixed Asset Register (Appendix 7);
 - Note – in the event any changes are proposed a revised schedule of earmarked reserves (EMR) will be presented to a future meeting when financial due diligence is more advanced.
- 2.7 Looking forward, and following the deliberations of the Committee and Council in the current round of Meetings, a report will be brought to Council when the Council Tax Base is known, recommending the 2024-25 Budget and Precept. Note - it is difficult to reliably anticipate the Council Tax Base at this time. Increased pressure on benefits for low income households (and extension of benefit eligibility by the Billing Authority) together with higher mortgage costs mitigate toward a reduction in tax base. However, subject to take up, new housing developments coming on stream toward an increase.
- 2.8 As with the current year, prudence mitigates that, for budgeting purposes, the Council Tax Base for next year can appropriately be treated as not less than that of the current (for Member

information the increase in Tax Base last year was in the order 162 Band D equivalents).

3. CURRENT FINANCIAL YEAR

- 3.1 Before moving onto the draft budget for the next financial year the Committee will wish to review and anticipate the position both now (half-year figures applying – actual) and at 2023-24 Year End (projected) as indicated on the enclosures.
- 3.2 In doing so it will be mindful that the Budget shown for the current financial year in the appended report (Appendices 1-3 refer) has been adjusted to reflect the potential changes in out-turn, together with the implementation, as applicable, of previous decisions of the Council.
- 3.3 Attention is drawn, amongst others, in particular to: -

INCOME

In broad terms projected outturn is consistent with budget subject to, in particular:

- Code 1050 Car Park Fees – this is impacted (upwards) by the periodic receipt of payments in connection with card payments (in this case reflecting income from the last financial year);
- Code 1081 Garden Festival Income, much as above - the takings spanned two financial years;
- Code 1090 Interest Received – the figures shown reflect higher than projected interest rates and the facility to keep some reserves in deposit longer than anticipated prior to meeting capital works costs;
- Note re 1091 Neighbourhood Development Plan this line reflects external grant income;
- Code 1020 Letting Income includes adjustments (down) to reflect continuing vacancy during works of a Market Road Cottage, and (up) to reflect increased/anticipated performance at Bedford Square/Guildhall.

EXPENDITURE

- Code 4001 Salaries – a projected underspend against budget reflecting delay in reaching full establishment and

an (anticipated) slightly more affordable settlement in year than potentially provided for;

- Code 4004 Wages – a projected overspend against budget reflecting increased mobilisation in areas utilising casual/occasional staff;
- Code 4008 Courses/Training – projected spend has been reduced in the current year and professional and other training courses deferred into the next financial year;
- Code 4012 Water Rates – this includes a risk item as there is a disputed invoice from the water company (iro £4,000) alleging that the Council failed to properly disconnect a metered supply (no water has been used) in commercial premises leading to technical liability for the rates; Negotiations are in hand with the service provider.
- Code 4014 Electricity – the projected figure includes best estimates. Relief is no longer available from the (now discontinued) Government Business Rate Energy Relief Scheme. The underlying assumption is that electricity consumption is less sensitive to seasonal changes/weather than gas;
- Code 4015 Gas – the projected figure includes best estimates. Relief is no longer available from the (now discontinued) Government Business Rate Energy Relief Scheme. The underlying assumption is that 2022-23 was an exceptionally mild winter leading to minimal consumption that may not be repeated;
- Code 4025 Insurance – the projected amount reflects recent re-tender values;
- Code 4011 Rates – There is an adjustment to reflect actual spend including that anticipated from October onwards for the Guildhall;
- Code 4020 Miscellaneous Expenses reflects, in particular, Goose Fair Expenditure. By way of explanation for the changes the current year budget figure shown reflects a virement out of Goose Fair Cleaning to 4016 (see also next section), the 24-25 draft budget figure reflects the anticipated adjusted spend derived from current year actual;
- Code 4029 Town Advertising – the projection reflects lower take up of the incentive scheme this year;

- Code 4815 CAP New Plant and Vehicles – reflects purchase in year of a new vehicle for the Works Dep't.
Note: normally this would be funded from the equipment/vehicle replacement earmarked reserve. However, as an equivalent sum was held as a (restricted) capital receipt from the sale of cobbles at the Guildhall Car Park previously, that has been deployed instead in order to maintain the reserve and discharge a restricted holding;
- Code 4846 – G'hall Toilets Refurb – spend has not yet been incurred pending clarification from the principal authority of shared refurbishment works. The projection has been adjusted (up) to reflect 50% share of anticipated revised costs following a pricing exercise;
- Code 4092 Irrecoverable VAT, provision reinstated.

NEXT FINANCIAL YEAR

REVENUE

3.4 Insofar as the projected draft Budget for the next Financial Year (2024/25) is concerned, some of the core assumptions which have been adopted/issues identified relate to: -

INCOME:

- Code 1010 Rent Received – this has been kept broadly the same in recognition of a difficult trading environment;
- Code 1040 Market Tolls – two years ago Council took the opportunity to review Market Tolls and increase them by a little over 11% (from £9.00 to £10.00 per trading space). Last year a further increase was made of 5% to £10.50 (ie iro 16.7% cumulative).

The foregoing sat within a wider framework whereby the Council anticipated increasing to £11. If implemented for next year this would represent an additional/further increase of a little under 5% - or iro 22.3% cumulative over the three years). In view of, on the one hand, the clarity of commitment to £11 and, on the other, the currently difficult trading environment, there is not a consensus amongst your Officers as to whether this is best recommended for 2024-25, or instead reconsidered in a future Budget round. The instructions of the Committee and Council are sought.

Note the Market Reeve was previously tasked with increasing occupancy over budget by 5% to boost market income rather than increase fees.

- Code 1050 Car Park Fees – as acknowledged in the prior section there is a certain lack of clarity arising from when electronic payments are received (and in what sum) from the service provider, a provisional adjustment has been made;
- Code 1090 Interest Received – the figures shown reflect best estimates derived from Bank of England projections regarding anticipated interest rates, and maintenance of appropriate reserve levels.

3.5 EXPENDITURE

- Code 4001 Salaries – in view of the current year (2023-24) expected pay award (not yet agreed nationally), accompanied by anticipated affordability issues for the Employers' side, an uplift of five per cent is suggested for 2024-25. Note - in practice it is likely that any award may follow recent practice (ie a fixed amount per employee and not a % of salary so as to advantage the lower paid) ie staff at different levels will receive a different % uplift. Note also re cost centre 402 (Guildhall) adjustments have been made to reflect the allocation of staff costs to that area, as such they are not a new Establishment cost, but a reallocation of cost base (see also Code 4016 below);
- Code 4004 Wages – in recognition of increased need for casuals as services have remobilised post Covid the budget has been increased. Note – in general increased costs should be offset by increased income associated with events;
- Code 4005 Agency Staff – in view of the organisation moving to full staffing levels no provision has been made;
- 4011 Rates – the figure shown has been uplifted to reflect anticipated billing in the next financial year. It includes provision for the Guildhall (Note – previously the business rates for a significant part of those premises were met by a tenant);
- Codes 4014 Electricity and 4015 Gas – refer also to prior section. Note Electricity prices are fixed til July 2024 (and

so will require renegotiation next year), gas to July 2025. If the Committee/Council consider the revised budget to be either too cautious, or too optimistic adjustments can be made. This is very much a matter of 'best estimate' in all the circumstances. In setting the budget last year the unusually high level of uncertainty was noted;

- Code 4016 – Cleaning and Rubbish. Whilst the budget line appears broadly consistent with previously, its composition has changed insofar as previously there was a £10,000 allocation in connection with the Guildhall, most of which was reflected in partial payment of a cleaner. Subsequently the Council brought that post onto the Establishment. As a result the cost of the post now falls to 4001 and £9,000 has been transferred to that Code, leaving a residue of £1,000 for consumables. In addition:-
 - An historic anomaly meant Goose Fair Cleaning costs were not listed under 4016 (they were posted under 4020). These have now been regularised under 4016. This in the current year represents an addition of £11,662 (actual) and in 2024-25 is projected at iro £13,000);
 - ○ An increase of iro 8.5% has been applied in anticipation of further cost pressures.
- Code 4020 Miscellaneous Expenses – see 4016 above;
- Code 4030 Recruitment Advertising – the adjustment reflects moving to a full Establishment and potential reduced recruitment activity;
- Code 4031 - Other Advertising, provision has been made for a dedicated budget line for the Guildhall/WHS Interpretation Centre (402);
- Code 4032 – Website Design/Maintenance provision has been made for a dedicated budget line for the Guildhall/WHS Interpretation Centre (402);
- Code 4036 – Property Maintenance – this has been increased in response to representations from the Works Manager in connection with legacy works/inflation;
- Code 4043 Vehicle Running Cost – an adjustment to reflect increased running costs of an ageing fleet (note a similar increase was applied last year(404));
- Code 4037 – Grounds Maintenance - this has been increased in response to representations from the Works

Manager in connection with legacy/upcoming works (eg tree survey)/inflation.

However, please Note this was uplifted by £5,000 last year also. Consequently, unless there is a compelling business case, no new/additional increases are recommended thereafter, and there may be a case for review downwards next year.

- Code 4038 Contract Maintenance – increased in view of anticipated cost pressures;
- Code 4045 IT Maintenance/Support for a dedicated budget line for the Guildhall/WHS Interpretation Centre (402);
- Code 4056 Legal Expenses – whilst no change is made it is acknowledged that some legacy work remains outstanding and in progress and may be required to be separately addressed;
- Code 4067 Community Grants – the budget has been retained to reflect the facility to support eligible community initiatives financially;
- Code 4078 – Localism – the allocation has been maintained to support relevant initiatives eg Neighbourhood Development Plan, DDay Landing Anniversary etc. When the Neighbourhood Development Plan (NDP) draws down grant monies these will periodically be vired from the Localism budget to the NDP budget;
- Code 4092 Toilet Cleaning Cont (WDBC) – the provision reflects the anticipated grant the Council makes to support these facilities;
- Code 4099 THT Grant – the adjustment reflects changed operating arrangements. Any applications for future financial assistance to be addressed through the annual grant application process (4067 refers);
- Code 4108 – Christmas Lights – the adjustment reflects increasing costs and ageing asset base;
- Code 4120 Ex WDBC Public Toilets – the adjustment reflects that transfer has not yet taken place and so a reliable cost base is not yet available.

OTHER MATTERS

- 3.6 Fees and Charges – a schedule of Fees and Charges for 2024-25 is enclosed incorporating recommended changes. Attention is drawn, in particular, to the Guildhall and Market Tolls.
- 3.7 Inflation - remains a significant variable in budgeting. That is not just because CPI is running substantially ahead of target. But also because for some time now sector inflation relating to core cost centres (such as building works, energy, insurance and professional services) has been running at much higher levels than CPI. Likewise, the approach adopted by the Employers in formulating the national pay award materially disadvantages the Town Council financially relative to high wage authorities such as the Borough Council, for the reasons outlined in last year's report.
- 3.8 VAT – there is, as the Committee and Council will recall, an ongoing 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, continue to 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.
- 3.9 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 can lead to unforeseen calls on funding (as has already been evident). Recognition of this is reflected in the long term (emergency/contingency) reserves policy. By way of example Council will be aware of potential damp/water ingress issues at Courtgate, potential for property safety works elsewhere and the upcoming challenges for a listed estate posed by EPC remediation measures.
- 3.10 Guildhall - more generally regarding the Guildhall the Committee will note a number of adjustments have been made in relation to the Guildhall (402) cost centre in recognition of changed

arrangements. Some are reflected above, others include under 402:

- 4017 provision for a licence to conduct weddings (over three years (£2,000 total))
- 1020 provision for letting income;
- Various other provision for staff uniforms/training etc (4006).

4. COMMENTARY

4.1 Attention is drawn, in particular, to progress against Minute No 212 (para 1.3 refers) and the associated strategic priorities. Most especially that:

- Subject to final due diligence the General Reserve target has been substantially restored (12 months' expenditure) following the depletions of Coronavirus. As such the Council is now better placed to provide a sufficient level of resilience against potential future shocks;
- Contributions to the Rolling Capital Programme have been reinstated at the recommended level of £100,000pa. Longer term the Committee and Council will be mindful of the Council's commitment to providing a baseline capital reserve of £500,000 to cater for the unexpected/ emergencies in view of its extensive asset base (such as Market Road Retaining Wall or Museum Emergency Repairs). As such this return to normal practice represents positive progress and is a welcome first step.

Note: - the RCP as circulated shows adjustments made eg match funding of Guildhall Public Conveniences refurbishment costs. Also an additional £3718 to ICT Infrastructure/Website in view of the requirement to replace the website in the next financial year (thereby providing a budget of up to the revised balance). However, it does not yet show all spend against the three priority works projects (Market Road, Town Hall and Museum) incurred to date.

4.2 More broadly and by way of context last year the equivalent report observed:

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'

- 4.3 The progress outlined above, most especially in connection with the necessary/safe reserve position, indicates that through the diligence and discipline of financial management adopted by the Council, tangible progress is now in hand.
- 4.4 Looking forward, and on the basis of the appended draft budget, it is anticipated that any potential % increase in Precept will, in accordance with the instructions of Council, be less than inflation. Furthermore, (both as a % and in real terms) it will also be less than that of Devon County Council if, as expected, DCC again takes up the facility to apply the Adult Social Care Precept provided for under the Local Government Finance Policy Statement <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25#:~:text=We%20can%20confirm%20that%20the,up%20to%202%25%20per%20year.>
- 4.5 Final figures will become available when the revised Council Tax Base is notified to the Council.

5. CONCLUSION

- 5.1 The past year has seen the Council move toward full mobilisation, successfully undertake and complete a range of essential capital projects, and take on responsibility for operation of the Guildhall Gateway Centre.
- 5.2 Although final figures are being worked up, the draft Budget as appended, demonstrates both compliance with the parameters set by the Council and significant positive progress after a prolonged period of challenge. Notwithstanding the variables previously referenced, 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, the Budget is projected to meet those tests.

- 5.3 Accordingly, the foregoing report represents a prudent approach for the Council and provides a robust and encouraging basis for the delivery of a sustainable financial base for operations in 2024/25.
- 5.4 Subject to the deliberations of the Committee and Council, the final Budget proposal will be brought forward when the Council Tax Base for 2024-25 becomes available.
- 5.5 The instructions of the Committee and Council are sought.

**CARL HEARN
TOWN CLERK
OCTOBER 2023
TAVISTOCK TOWN COUNCIL**

