

**TAVISTOCK TOWN COUNCIL
BUDGET AND POLICY COMMITTEE**

**TUESDAY 15TH OCTOBER, 2019
BUDGET PREPARATION & PRECEPT SETTING 2020/21**

1. PURPOSE OF REPORT

To provide the Committee with an opportunity to consider the basis upon which the draft Budget & Precept for the Financial Year 2020/21 should be developed and related matters.

2. CORPORATE POLICY CONSIDERATIONS

The effective management of resources and forward planning underpin the delivery of the Town Council's Strategic Plan 2017-2021. They support its commitment to the economic, efficient and effective use of resources, the promotion of best value and continuous organisational improvement as evidenced in the service planning process.

3. LEGAL AND RISK MANAGEMENT ISSUES

The Council is under an obligation to consider, approve and adopt a Budget including, where appropriate, necessary authority for the issue of a Precept upon the relevant Authority. Other applicable issues are picked up elsewhere in this Report.

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

The Committee will be aware from the service planning process, individual project risk registers and this report, of the substantial level of short/medium term risk being taken by the organisation in delivering an ambitious programme within an unchanged establishment and highly constrained finances.

4. RESOURCE ISSUES

The resource issues associated with this report are set out therein, they principally refer to availability of finance, staffing/capacity, skills sets and the associated impact of work programme constraints. Attention is drawn, in particular, to the significant challenges in funding (both capital and revenue) available to support the Council's projected activities and the potential that staffing resource may be overstretched or harmed.

In addition, and as previously acknowledged, the rebuilding of reserves remains a priority for the Council.

5. ENVIRONMENTAL ISSUES

The Budget and Medium Term Financial Strategy which, this year, is being developed alongside it afford opportunity to review, through the activity of the appropriate Working Group, issues arising in connection with sustainability and the environment.

6. COMMUNICATIONS ISSUES

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

7. RECOMMENDATIONS

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

- a) Any principles it would wish to be applied, or areas of change identified, for the development of a draft 2020/21 Budget proposal and associated Precept;
- b) A preliminary review of matters pertinent to the current in-year (please refer to phased budget report submitted to the last Council) and projected Capital Programme 2019/20 – 2020/21.

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

1. BACKGROUND

- 1.1 The approach being proposed for the Budget setting process for the 2020/21 financial year is aligned to past practice, namely:-

- a) Stage 1 – The Committee consider the principles to be applied in, and priorities attached to, the development of the 2020/21 budget (together with such other matters as may require specific consideration at this stage with regard to current “in-year” spend);
- b) Stage 2 – Subject to, and informed by (a) above at the next meeting the Committee consider the projected out – turn for the current financial year (based upon adjusted half year figures), together with a draft revenue budget and together with overall Capital allocations;
- c) Stage 3 – Subsequently to consider and recommend;
 - The 2020/21 Tavistock Town Council Budget;
 - The Town Council Precept 2020/21.

1.2 As indicated in this Report last year the Capital Programme of the Council is fully in “delivery” phase across a range of substantial and ambitious stretch projects, all of which require appropriate planning, co-ordination and resourcing. It is recognised that the parallel running of multiple large projects and initiatives, for a small organisation such as the Town Council, necessarily increases complexity, risk and demand upon resources – both now and in the future. These in turn contribute to a challenging period in respect of both work and compliance.

1.3 Looking forward there remains the Guildhall Car Park Public Realm, and the Guildhall Gateway Centre Project (with a combined value of approaching £2 million). There are also the (currently) continuing demands of the Accountable Body work stream for the THI, embedding of the restructuring of the Town Hall and Events Team, development of the delivery relationship with THT¹, public conveniences and any concluding arrangements necessary in connection with the wind-down of the THI.

1.4 The report also acknowledges the policy constraints within which the Budget is set, most especially the firm commitment previously made to rebuild financial reserves to safe, and then on to acceptable levels.

1.5 Undoubtedly the Council is in an unprecedented period of demand upon its resources and challenge to its ability to deliver both

¹ Tavistock Heritage Trust

“business as usual” alongside ambitious projects. Combined with no uncommitted reserves and increasing projected revenue costs the level of financial/organisational risk attaching to the next budget period and beyond, and related strain upon staff and capacity, will be considerable and will need to be kept under active review by this Committee.

2. ANALYSIS

External Environment

2.1 There continue to be a number of external variables that have the potential to impact upon the Council over the course of the next budget period. These include, but are not necessarily limited to:-

- a) Statutory Constraints – The Secretary of State has the power to introduce regulations to “cap” the ability of the Town/Parish Council sector to raise the Precept above a set amount. Whilst this is still a “reserve” power, the impact, if implemented, should not be under estimated.²
- b) VAT³ – the Committee will also be aware of continuing uncertainty regarding the position of HMRC in connection with where markets (which can currently provide space without being subject to VAT) might be brought under the VAT provisions in respect of fees and charges. If successful, this would require changes in relation to the Pannier Market operating arrangements (and the possibility of HMRC seeking to claw back previous year’s tax from authorities presently operating within the law).

By way of context if such a change were to arise the potential liability of the Council would be in the order of approaching £100,000 per annum (with consequential increases should back dating also be applied)⁴. Internal enquiries are also being progressed to identify whether any liabilities have arisen in relation to the treatment of irrecoverable VAT in connection with the conduct of restoration works to the Pannier Market.

2 i.e. a referendum cap of 2% would limit the Council to raising a little over an additional £10,000 per annum set against a revenue budget of in the order of £1.6 million and Capital Projects exceeding £2 million. Indications are that this provision will not arise for the next financial year.

³ Value Added Tax

⁴ Anticipated over 4 years to be iro £400,000-500,000

- c) Statutory Consents – most consents for building works have been secured. However, there do remain some potential planning/listed building/ancient monument requirements together with such other consents from partners and funders (such as National Lottery Heritage Fund⁵ or Public Works Loan Board⁶) which necessarily fall out-with the control of the Council.
- d) Economy – there continues to be a degree of uncertainty in the economy at both the national and regional level which has the potential to impact upon Council income streams:
- i. Historically the Pannier Market has continued to generate a consistent level of income in a challenging economic environment. However, there has been a change in traders, including some anchor businesses together with the necessary disruption caused by works undertaken to improve the Market and Surround. It remains to be seen as to the extent to which income patterns return to historic norms.
 - ii. Commercial properties - more generally it continues to be evident that tenant turnover has been running at higher than historic levels (with associated costs to the Landlord) and continuing downward pressure on the value of leases and lease terms.
- e) Constitutional – the focus of Government on international issues has led to a much more limited approach to potential legislation in the Town and Parish Council sector. For example, the proroguing of Parliament led to the loss/set back of the Bill seeking to remove the requirement to pay business rates (NNDR) on public conveniences.
- f) Localisation of Council Tax – following a consultation from West Devon Borough Council it is anticipated that the payment of Council Tax Support Grant will cease going forward. This places an increased burden on Council Tax finances (in order to restore lost Precept income) of an amount equating to approximately 4% on a Band D property.

⁵ NLHF

⁶ PWLB

- g) Wage settlement – the current national settlement runs to March 2020. Negotiations are taking place between the employer and staff sides in connection with the next financial year. Whilst it is too soon to make a prediction with a high level of certainty, it is believed that the differential pay rates applied in recent years at lower ends of the salary scale have come to an end. Consequently, a reasonable estimate is likely to be an increase in the order of 2½% on the pay bill excluding incremental progression.
- h) Increased Regulatory Burdens – these continue, but currently at a lower level given the focus of Government on international events.
- i) Partnership Working – the successful achievement of Council goals and objectives continues to be increasingly dependent (but not exclusively) upon developing and sustaining effective Partnerships with other Public Sectors (e.g. Devon County Council, West Devon Borough Council, National Lottery Heritage Fund) and voluntary/not for profit (e.g. Tavistock Heritage Trust, Tavistock Area Support Services, Chamber of Commerce, BID Company, etc.) bodies.

The success of this Council is increasingly measured by its ability to work effectively with such organisations to support the delivery of shared goals and objectives, some of which may appropriately be led by the Council, some by others. It should also be noted, that many of these organisations are themselves impacted by public sector/funding cuts which, in most cases are expected to continue alongside the period of 'austerity' this Council itself will enter in the next financial year.

One emerging example of prospective collaboration is around preliminary officer level scoping discussions⁷ taking place around the potential of co-locating Town and Borough Council services at Kilworthy Park. Which, if an appropriate arrangement were found, could enable both Councils to reduce premises costs, protect public services for the community and improve efficiency and co-working between the organisations to the benefit of the community and its hinterland.

⁷ Ie without prejudice or commitment

- 2.1 Inflation - in addition to the foregoing, consumer price inflation - CPI (as at April) continues to run at around 2%, retail price inflation (RPI) approximately 3%. Given the extent of projected spend on capital projects (building inflation being understood to be running at a higher rate in connection with both materials and labour) this could have a significant impact on spend at a time, when, in any event, the overall environment facing the Council continues to be challenging. This could also be impacted by potential changes in the value of sterling arising from political uncertainty nationally. The prospective impact of inflation increases as initiatives move fully to delivery phase. As the Council increasingly looks to external/alternative sources of funding, these constraints and associated costs/capacity implications will necessarily grow.
- 2.2 Austerity - similarly the "knock - on" effect of staff and service cuts to other bodies alluded to above is expected to continue. As referenced last year it is important to note that in other places this has had a substantial impact on the sector as, in some instances, principal Authorities have said, with little or no notice to communities: "either you fund this service/take on this liability or we cut it/dispose of it".

Organisational Environment

- 2.3 Austerity for Tavistock Town Council. Projects and other initiatives – a range of these are being taken forward by the Council with a view to delivery over the short- medium term and beyond. To manage both these and increasingly scarce resources the Council has committed to the discipline associated with the development and introduction of a medium term financial strategy (MTFS). At the time of writing current projections suggest that the requirements of the capital programme can be met (just) within existing budgets and subject to application for the previously agreed loan in the sum of £400,000 from the Public Works Loan Board. However, at this stage no funds are yet available to deal with overspends or to take forward a range of other anticipated commitments (capital and revenue) not least:-
- Public Conveniences
 - revenue costs;
 - capital/refurbishment costs;

- commitment to rebuilding reserves (capital to £500,000)
- Loss of Council Tax Support Grant;
- Funding a Neighbourhood Development Plan⁸;
- Meeting the necessary costs of legal proceedings,
- Meeting the necessary costs of funding THT⁹,
- The potential for end of capital contract variations/adjustments to add to project costs;
- Any cost based initiatives which might flow from the work being undertaken around sustainability and the environment;
- Addressing organisational capacity issues;
- Risk areas, such as the Market Road riverbank boundary, emergency building maintenance/repairs, VAT etc;
- Various other goals and objectives agreed by the Council and as listed in the Strategic/Service Plan.

2.4 Consequently the Council finds itself in an intensely (particularly with regard to finance but also capacity/staffing pressures in areas such as policy, project management etc) challenging environment. Clearly not all of the above can be fully funded, whilst others must be delivered by virtue of the strict contractual or legal obligations they impose. Therefore (and subject to the MTFS) it is suggested that the Council introduce a control mechanism for those items which represent 'discretionary' spend. Namely, utilise the 'localism' budget head to dedicate an affordable sum (amount to be decided but unlikely to exceed £25,000) from which Council may draw to fund items each year such as NDP, environmental initiatives etc.

2.5 More generally within the organisational context the attention of the Committee is drawn at this time in particular to:-

a) The Guildhall

- i. The Council has committed to delivering the Guildhall Gateway Centre Project based upon the restoration, repair and bringing back into public use of the Guildhall complex incorporating a World Heritage Site Visitor Centre. Delivery of the project to budget, in

⁸ NDP

⁹ See para 2.5(a) below

the present financial circumstances, is critical, as is the active support of Tavistock Heritage Trust – anchor partner.

By way of recap, the Council has an unlimited liability to provide funding to THT for the current stage and for three years after opening, following which it has agreed an arrangement which caps the annual subsidy at an additional £35,000 per annum¹⁰ in respect of “necessary operating costs”. The Committee will be aware that the Council is bound by its contract with National Lottery Heritage Fund to deliver the “approved purposes” associated with the Scheme, any failure to do so having the potential to result in a requirement to repay Grants received. It is provisionally anticipated that to operate the scheme once opened Council will need to find an additional sum (taking into account Grant repayment) of in the order of £60,000 per annum.

ii. Additionally, as outlined above, the funding shortfall in the project will necessitate the Council raising a loan from the Public Works Loan Board (in the sum of approximately £400,000¹¹).

b) Council Depot – the Council has acquired the Molly Owen Centre site to accommodate its Depot Services and no doubt will, when funds and capacity become available, review the operation and occupancy of the remainder of the site.

c) Townscape Heritage Initiative:-

i. Accountable Body Status by becoming the “Accountable Body” for the Scheme the Council has taken on the responsibility for ensuring the probity, good governance and effective operation of a £2.2 million THI Scheme for a period of up to five years and associated liabilities. Notwithstanding the availability within the Scheme of provision to meet

¹⁰ Plus the necessary cost of servicing the £400,000 loan – iro £25,000pa.

¹¹ Note – the cost of servicing this is factored into the £60,000 referred to above.

certain direct staffing/administration costs, it continues to necessarily be the case that a significant and continuing amount of resource will be required from the Council for proper delivery and completion. Previous difficulties in recruitment mean that elements for the Project Manager role are now being delivered under a consultancy with other aspects being picked up by, already pressed, Town Council staff. It is exceptional (and believed to be unprecedented) for a "local¹²" council to deliver such a Scheme.

- ii. The Council as Landlord – in addition to (i) above the Town Council in its capacity as Landlord of critical buildings and areas of the public realm, committed to a major programme of works. These are now largely complete, excepting Guildhall Car Park Public Realm. In that case it is recognised that the Council will need to tailor the works to budget, or find an additional (unbudgeted) up to (est'd) £60,000.
- iii. Complementary Initiatives – are being delivered in conjunction with THT and other Partners.
- iv. Match Funding – the Town Council itself contributed £300,000 over a five year term to the "Common Fund" of the THI Scheme. In addition there were circumstances where it might become liable for match funding commitments from other organisations in the event that they failed to materialise. These are not now considered to be a material risk factor.
- v. General -the Council has therefore, in effect, been simultaneously running a series of capital projects for itself for the scheme alongside delivery of the overarching programme of projects scheduled for both Council and private sector landlords to benefit the Town. Within this it needs to be recognised that there have been and may continue to be, potentially considerable impacts not only upon the organisation itself, but also in its relations with (through consultation, negotiation and engagement) licensees, tenants, the public (especially car park users) and

¹² ie non principal

other key partners whose activities could be affected by works to Council premises and the essential due diligence associated with an historic estate.

d) Strategic Planning – the Council previously placed its Neighbourhood Development Plan on hold pending further developments with both the Local Plan and a review of the Conservation Area Management Plan and Appraisal. As such there is no budget allocation in 2019/20 to support a Neighbourhood Development Plan. Therefore if this is a matter which the Council wishes to take forward, a budget will need to be made available. The same applies in relation to matters otherwise listed in para 2.4 above.

e) Precept Level:-

- As noted previously, Council has taken the view that, as a minimum, the Precept should continue to increase each year by such amount as will enable it to keep a constant level of Precept income¹³ after allowing for reductions arising from the annual loss through the localisation of Council Tax. Notwithstanding the other draws upon Council resources your officers would continue to recommend that Councillors are mindful of the extent of the (now much increased) spending commitment it faces and potential inflationary pressures from specific areas of spend in addition to those matters listed at para 2.3
- the Council has already acknowledged the priority to be attached to rebuilding reserves to acceptable, and then appropriate levels¹⁴;
- These factors¹⁵ continue to suggest that a double figure increase in Precept over each of the next two (and likely more) years, is expected to be necessary to meet existing Council commitments¹⁶.

¹³ This year approximating to 4.23% on a Band D property

¹⁴ £500,000 capital

¹⁵ Para 2.3 refers

¹⁶ Ie before taking into account new projects such as NDP, environmental initiatives etc

- f) Other Material Factors – long leases: the Council continues to negotiate with one of its Tenants in connection with the rationalisation of long leases previously granted with a view to securing equity both for Landlord and Tenant. There remains the possibility of the need to provide additional resources to support appropriate action to protect the position of the Council/ratepayer should that become necessary. More generally the Committee will be mindful of the extent of spend already in the current financial year with regard to legal matters, in part driven by higher tenant turnover/market trends as well as the resolution of longstanding issues;

- g) Commercial Income – this was previously referenced in relation to external factors. The Committee will also be mindful of potential impact of seeking to bring the Butchers' Hall Market offer on-stream at a time when the local economy generally is finding trading hard. Because the Council is 'geared' 2:1 commercial vis precept income any reduction in commercial income has heightened impacts.

- h) Funding – as indicated it continues to be the case that beyond the immediate capital programme other initiatives are not fully funded (or in some cases not at all) yet. Many of these Projects may be discretionary, however the Council will be mindful that it has specific obligations in relation to Betsy Grimbal's Tower (Scheduled Ancient Monument) and Market Road (both highway and watercourse related). Not least for the latter the identification by the Environment Agency of potential structural issues has the potential to require significant/substantial spend;

- i) Staffing – the Staffing establishment has undergone, and continues to undergo significant change as the Council reorganises, but fundamentally, does not restructure. The Works Department was reviewed approximately eighteen months ago and, more recently the Town Hall/Market and Events Team. These changes have taken place largely within existing budget, notwithstanding difficulties the

Council has had in recruiting to the THI Project Manager and Properties and Open Spaces Manager positions. More generally an overall review of the organisational job evaluation scheme is underway, acknowledging that no review has been undertaken in the past fifteen years.

Looking ahead the next twelve months represent a period of considerable challenge for those staff occupying key roles in delivering both the “day job “ and “added value” around projects and initiatives. To date the approach of the Council not to add establishment resource to support higher level administrative skills¹⁷ has been justified by progress against major projects and (for those) partial replacement of internal resource with consultancy services. However, there has been a detrimental impact on wider organisational governance, residual capacity and increased organisational vulnerability. Also, the ambitions of the current Council point also strongly in the direction of skills which are in either short supply or not held within the Council and which, until reserves are rebuilt, may not be fundable.

- j) Council Fees and Charges – a schedule of existing fees and charges and proposed new fees and charges for the 2020/21 financial year will be brought before the next round of meetings for consideration. In the largest area of income generation (Pannier Market) your officers are currently reluctant to recommend an increase following the disruption caused by works to both to the Pannier Market and the Pannier Market Surround. This reflects the timetable for works which was necessarily extended from that originally anticipated and as a gesture of good faith to traders. In the circumstances it is suggested that a review of pitch fees now be undertaken next year.

- k) Compliance – whilst the Council has restructured aspects of its service delivery to accommodate a more demanding environment it is recognised that, as a small organisation, the adoption of such an extensive and diverse programme

¹⁷ such as policy development, research, analysis, communications, grant sourcing, project management, community/capacity building, compliance etc

of works and activity places considerable strain upon parts of the organisation.

In particular compliance with statutory and other regulatory standards. This Committee has been tasked with keeping such matters/capacity under on-going review in order to mitigate and minimise the potential for failures to arise within critical paths. It remains the case that organisational compliance across a range of regulatory and quasi regulatory areas needs attention to avoid disconnection between operations and good practice in the absence of organisational capacity to adequately support this area.

3. CONCLUSION

- 3.1 As indicated previously there is no capacity currently to take on new projects and it is uncertain whether existing initiatives can be adequately resourced. Additionally (unless new sources of funding are realised and capacity identified) there is in any event no potential for new unfunded projects to be taken on until the shortfall in funding and workload peak (spring/summer 2020 have been addressed). For both these reasons new items such as prospective public toilet provision, underwriting THT (and associated funding) represent major challenges.

- 3.2 Given their nature, scale and complexity the core priorities for your officers over the remainder of this and the next financial year are necessarily THI, Guildhall, reserve levels and public conveniences. New ways of supporting/resourcing other, or increased demands (if at all), will be need to be developed alongside a robust appraisal of current priorities appropriate to an organisation of this size¹⁸. That will require a genuine discipline and rigour in the development and application of the medium term financial strategy. It may also need to be accompanied, in view of the changed financial outlook and priorities of this Council, by a more fundamental reassessment of 'what business are we in' and 'what skills and resources do we need to deliver it?'

¹⁸ Noting that relative to the sector the Council is much diminished in size relative to 10 years ago,

Next Steps

- 3.3 This stage of the Budget setting process represents the principal opportunity to scope and identify the strategic and financial framework within which the Tavistock Town Council Budget and Precept 2020/21 will be developed, to agree any principles which might inform more in depth future deliberations, and set parameters for budget development as appropriate.
- 3.4 In addition it provides an opportunity to consider how the Council will set a Precept and/or secure additional income to fund the various matters listed above, most critically (in summary);
- a) Estimated additional revenue costs of the Guildhall Gateway Centre (up to £60,000 per annum);
 - b) Estimated additional
 - o revenue costs for delivery of public conveniences (up to £60,000 per annum - but more information will become available as the tasked Sub-Committee undertakes its work)
 - o capital costs – to be identified
 - c) Anticipated increased costs (over allocated budget) regarding Guildhall Car Park Public Realm;
 - d) Replacement of monies lost by virtue of the withdrawal of Council Tax Support Grant (£26,670);
 - e) Any end of contract variations/additional costs on capital works¹⁹;
 - f) Any costs associated with delivering/developing a Neighbourhood Development Plan (notwithstanding some grant availability a realistic estimate might be a TTC allocation of £7,500-£15,000pa));
 - g) Maintaining appropriate reserves to deal with outstanding legal matters;
 - h) Longer-term re-building of reserves to acceptable levels – the Council has agreed that these should be not less than £500,000 in order to cope with either shocks (bearing in mind the size and scale of its liabilities) or future aspirations;
 - i) The cost of any other projects or initiatives which the Council might wish to promote²⁰.

¹⁹ For example on one of the TTC THI Schemes there is a potential contractor dispute

²⁰ Such as in connection with environment and sustainability

3.5 The instructions of the Committee and Council are sought.

**CARL HEARN
TOWN CLERK
OCTOBER 2019
TAVISTOCK TOWN COUNCIL**