

**TAVISTOCK TOWN COUNCIL
BUDGET & POLICY COMMITTEE
14th JULY 2020**

CAPITAL PROGRAMME 2020/21

1) PURPOSE OF REPORT

To provide the Committee and Council with an opportunity to undertake a preliminary review of the capital programme as at financial year end and begin to understand the emerging financial challenges facing the Council so as to inform corrective action.

2) CORPORATE POLICY CONSIDERATIONS

The effective management of resources and appropriate forward planning underpin the delivery of the Councils Strategic Plan 2017-21 and support its commitment to value for money, the promotion of best value and continuous organisational improvement.

3) LEGAL AND RISK MANAGEMENT ISSUES

These are broadly as set out in previous reports and, in particular, the Rolling Capital Programme (attached) and relevant sections of the unaudited financial statements of the authority (previously circulated). The Committee will, inter alia, be mindful of dependence on external funding streams, also that Covid 19 has impacted project programmes and revenue generation streams. There is a substantial and growing financial risk associated with the Covid 19 pandemic.

4) RESOURCE ISSUES

The resource issues associated with this report are as set out within. Further reports will be made regarding associated matters such as revenue generation, recent, current and projected as we move toward the budget setting round.

5) ENVIRONMENTAL ISSUES

There are no environmental issues directly arising in connection with this report. All areas of spend are subject to review and recommendation at the time of resource allocation through the corporate reporting framework.

6) COMMUNICATION ISSUES

The content of this report has been developed in association with the Councils Management Team and Accountant and is derived from the recent deliberations of the Committee and Council.

7) RECOMMENDATIONS

That

- a) the Committee and Council note the current situation, comment as appropriate, and receive further reports on the financial status of the organisation to inform financial planning;
- b) in the circumstances the Council agree to commissioning its Accountant to provide ongoing review and reporting of the financial position of the Council for the remainder of the financial year.

1) **BACKGROUND**

- 1.1 The Council is at the end of a multi-year, multi-million £ investment programme in the town generally, and Council properties in particular. This report is based on the financial position as at 31st March, ie financial year end and prior to the main impacts of Covid 19 but does take the opportunity to look ahead where there is a higher level of certainty.

2) **COMMENTARY**

Rolling Capital Programme

- 2.1 The appended Rolling Capital Programme (RCP) indicates that, as at 31st March and subject to substantial external funding (including a loan to the Council of £400,000 currently being drawn down) there is a projected cash surplus in the RCP of £109,675.

Earmarked Reserves

- 2.2 Turning to the unaudited financial statements of the Council (previously circulated) these show earmarked reserves (emr) outwith the RCP of

○ Land acquisition	£50,000
○ THI properties sinking fund	£107,500
○ Guildhall sinking fund	£51,000
 TOTAL	 £208,500 ¹

Plus vehicle replacement and other emr which are not separately listed here but shown to total £221,902.

General Reserve

- 2.3 Although not a capital reserve fund as such, the General reserve is set at £450,000.

The Underlying Financial Position

¹ Note – the THI Common Fund earmarked reserve (EMR) is included within the RCP

2.4 As you will see from the above as at 31st March, 2020 the Council should theoretically have held balances in cash capable of covering approximately:

£109,675+

£208,500+

£221,902+

£450,000 (Total £990,077) whilst recognising ongoing variations in creditors, debtors and deferrals/accruals.

2.5 This is broadly consistent with our year end bank reconciliations of £621,581 and General Reserve of £450,000 (ie £1,071,581)

Capital Project Costs

2.6 For information these are shown on the RCP as comprising:

○ RCP carry forward	£144,075
○ NLHF funding (Guildhall) of	£363,836
○ THT grant funding (3 rd parties)	£100,000
○ NLHF Public realm	£238,695
Total	£848,605
Plus	£400,000 (PWL B Loan)

3) REVIEW

3.1 At first sight the foregoing suggest a healthy financial position.

However, it is important to acknowledge that:-

- a) The financial statements indicate that £215,842 of the General Reserve at 31st March is necessarily used to fund the working capital requirement of the difference between debtors and creditors (ie is not available to support spending). NOTE this is a normal consequence of trading activities and does not relate to Covid 19;
- b) The Guildhall project is shown on the RCP as approximating to £1,631,666. However, this is the projected capital cost. The actual cost (ie capital plus fees/activities/other costs etc²) is projected at £1,885,462. This difference (£253,796) falls to the Council to meet in full;³
- c) The Council is currently (Covid 19 impact) expected to lose (ie wholly irrecoverable) in the order of £260,000 or more income over the first two quarters of 2020;
- d) Separate from (c) above the impact of deferred rental agreements in the first two quarters (and prior to coming due at the end of the financial year) is expected to be approaching £200,000⁴

² See appended project summary costs and funding

³ ie it exceeds the maximum figure agreed for HLF intervention

⁴ More generally the overall budget is premised upon a series of assumptions regarding income and expenditure which are largely or wholly in doubt.

e) There continue to be many of the normal fixed and operating costs of the Council (eg wages, rates, utilities etc).

3.2 In summary the figure referred to in para 2.5 therefore reduces by the sum of the above iro total £929,638 or (if one excludes deferred rent as at year end) iro £729,638.

3.3 However, both of these figures assume no further loss of income and/or ongoing reductions which is unlikely to be the case in the pandemic. They also assume no uplift in capital project costs, nor any significant emergency/unforeseen spend.

3.4 As these are unlikely to be realistic assumptions it is important for Council to recognise that (disregarding other revenue income/spend and subject to the timing of capital outgoings) this calendar year it may find itself in a position where it has no reserves as such – capital or general to fall back on and is wholly dependent on the final precept payment (September) until rents⁵ start to come in during the third quarter.

4) CONCLUSION

4.1 As indicated in previous reports the Council faces an⁶ unprecedented pressure upon its budgets in this and the next financial year.

4.2 In short, the impact of the pandemic on a Council which has always sought to utilise commercial income to deliver public services is highly disproportionate. Prudent and robust financial management have better placed the Council than many others to weather that event. However, the challenge for an organisation which typically generates approximately £2 commercial income to each £1 public precept is considerable and potential dependence on either economic recovery or major corrective action in year should not be underestimated⁷.

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TOWN CLERK
JULY 2020

⁵ And Market fees albeit at reduced levels due to social distancing etc

⁶ In recent years, certainly this century

⁷ The Committee will also be aware of sector wide representations being made to government seeking support for Councils (not currently included in the principal council support scheme) impacted by Covid 19.