

**TAVISTOCK TOWN COUNCIL  
BUDGET & POLICY COMMITTEE  
27<sup>th</sup> NOVEMBER 2018**

**BUDGET PREPARATION & PRECEPT SETTING 2019/20**

**1. PURPOSE OF REPORT**

To provide the Committee with an opportunity to consider the emerging draft Budget for the 2019/20 financial year prepared pursuant upon the Committees previous deliberations as at October 2018. It should be read in conjunction with that report and the capital assets report to the July Meeting.

**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 devolution/localism and property acquisitions.

Please also refer, in particular, to the appended Rolling Capital Programme. More specifically attention is drawn to the capacity issues arising and projected shortfall in funding for that programme.

With regard to revenue there is also the projected shortfall in due course of potentially:-

- in the order of £60,000 each year<sup>1</sup> arising from the delivery of the Guildhall Project and associated costs of support to THT and loan servicing;
- up to in the order of £110,000 (excluding capital costs) arising from the possible acquisition of public toilets from the Borough Council.

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 aligned to the need to rebuild capital reserves and associated impact on levels of local taxation.

#### **5. COMMUNICATIONS ISSUES**

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

#### **6. RECOMMENDATIONS**

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

- i. The submitted Draft Council Budget 2019-20 (subject to making a final recommendation with respect to the Precept at its next December Meeting) prepared on the basis of an increase of 10% per Band D property in order to fund Guildhall Project costs.
- ii. The treatment of matters relating to the Capital Programme as
  - a. outlined in the Rolling Capital Programme; and
  - b. confirm how it recommends the Capital funding shortfall be met (para 2.3(iii) refers (a or b as appropriate));
- iii. The Schedule of Earmarked Reserves;
- iv. Any surpluses available as at year end and not otherwise identified being rolled over into the Rolling Capital Programme;
- v. The variations as proposed in the level of Fees and Charges for Council services to apply in 2019/20;
- vi. The Fixed Asset Register;
- vii. Initiation of a Consultation exercise regarding potentially taking on any, all or no Public Conveniences from West Devon Borough Council in 2020/21;
- viii. A review of Market Tolls be undertaken on the basis outlined in the report;

---

<sup>1</sup> After 5 years uncapped underwriting

- ix. 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 and endorsed by Council 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<sup>2</sup>.
- 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.
- 1.3 Given the timing, especially in relation to a dynamic capital programme, the budget reports necessarily represent working drafts subject to Member comment.

## **2. ISSUES AND OPTIONS**

- 2.1 Attached to this report are appendices giving details of:-
- a) Capital - Rolling Capital Programme (Appendix 1).
  - b) Budget detail by:-
    - i. Combined Account Code for 2017/18, 2018/19 and proposed for 2019/20 (Appendix 2);
    - ii. Cost Centre for 2017/18, 2018/19 and proposed for 2019/20 and Summary by Centre (Appendix 3);
    - iii. Budget Summary, Gross Revenue and Expenditure for 2018/19 and proposed for 2019/20 (Appendix 4);
    - iv. Schedule of Earmarked Reserves (Appendix 5);
    - v. Fixed Asset Register (Appendix 6).
  - c) Council Fees and Charges – current and proposed (Appendix 7).
  - d) Other documents to be circulated at your next meeting will include any correspondence from West Devon Borough Council regarding Council Tax Support Grant.
- 2.2 The above has been developed pursuant to the last Meeting of this body and following meetings with the Council Management Team and your Accountants. Matters regarding Capital are more fully

---

<sup>2</sup> A further decrease of 8.6% is anticipated next year

addressed in the relevant report. 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 2016/17-2018/19 financial years. Considerable progress has been made (as reflected in the reduced number of projects remaining in the Capital Programme). However, this progress is necessarily balanced by the scale of the remaining projects (in excess of £2m) and potential for impact on projected costings.

The overall position is set out in more detail in Appendix 1. It was also previously acknowledged that there have been marked impacts upon the Capital Budget in terms of amount and/or timing of spend.

ii. Capital Programme - Contingencies

Linking to the above Council will wish to have regard to the potential for unscheduled and/or unavoidable overspends which could arise given the scope of projects being undertaken which relate to historic and/or listed buildings. Capital cost issues are addressed more fully in Appendix 1. In particular a preliminary re-visit of Guildhall costings has identified potential uplifts of iro £83,500<sup>3</sup> which is not funded and so, if it materialises, will require 'value engineering' to bring the cost down to the allocated amount. There also remains the possibility that 'opening up' reveals other previously unidentified costs in a project which has a modest contingency base.

iii. Capital Programme – Funding

As indicated in the accompanying Rolling Capital Programme there is a significant projected shortfall in

---

<sup>3</sup> Not included in the budget information as it is assumed if costs increase in some areas compensatory value engineering will be required

funds estimated to be iro £534,000 (ie against all capital projects whenever they fall) at the end of 2018/19, adjusting to £404,000<sup>4</sup> at the end of 2019/20. Because the bulk of spend falls in the latter year that has been adopted as the benchmark for funding purposes. The Committee will recall previous reports in connection with funding, in short the options available to the Council are either (and/or):

- a) To dispose of assets to the value of the shortfall, most likely<sup>5</sup> this would take the form of either
  - i. two residential units previously acquired to support the Guildhall project which is now proceeding (but acknowledging a potential long term 'marriage' value<sup>6</sup>); and/or
  - ii. the Drake Road Offices<sup>7</sup>.
  
- b) To raise a loan<sup>8</sup> of £400,000<sup>9</sup> and repay as promptly as possible to minimise the adverse long term impact on the ratepayer. On that basis this could be repaid in 11-11½ years with annual repayments starting at a little under £40,000pa<sup>10</sup>.

It is acknowledged that there is a potential impact for precept "Capping"<sup>11</sup> which could disproportionately impact either in terms of ability to raise capital monies or finance debt. The Committee will also note that the budget previously allocated to the extraordinary maintenance budget is being reallocated (£50,000) to reducing the capital shortfall. £50,000 has however been retained in the land acquisition fund.

#### iv. Revenue Funding

The Borough Council has indicated its intention in the 2020/21 financial year to have disposed of all public conveniences to Town/Parish Councils, or to have closed

---

<sup>4</sup> Note – the reason the Rolling Capital Report shows a figure of £454,124 is because the £50,000 allocation from earmarked reserves (extraordinary maintenance fund) has not yet technically been made yet.

<sup>5</sup> In view of the previous capital assets report to the committee

<sup>6</sup> Potentially worth iro £350,000

<sup>7</sup> Potentially worth iro £200,000, notwithstanding there would be some tenancy matters to address

<sup>8</sup> Note the Budget has been prepared on the basis of a loan being the preferred route to funding in view of previous decisions of the Council, in principle, to utilise this form of funding.

<sup>9</sup> Current interest rate iro 2.19%

<sup>10</sup> Half yearly £19,767.48

<sup>11</sup> However, it is noted the Secretary of State has once more indicated he is not minded to introduce capping this year

them. Those in Tavistock presently cost WDBC iro £114,000pa<sup>12</sup> to operate (excluding capital costs).

It is therefore suggested that the Town Council consider initiating a public consultation on whether to take on the toilets and, if so which units and the associated costs to inform thinking in the 2020/21 budget setting process.

v. Staffing

The budget shown indicates an increase in cost at the higher end of expectations reflecting national arrangements to consolidate pay arrangements flowing from increases in the minimum wage plus an additional £35,000 comprised of:

- The costs associated with the previous decision of Council in connection with the extension of hours in the Administration Team for an Administrative Assistant role (iro £8,200 including on-costs);
- An error in the calculation of staffing equivalents in the Works Department arising from the incorrect allocation of a General Hand based in the Pannier Market to the Works staff roll when developing the new operating structure. This Budget is premised upon 5.5 entry level staff in the Works Department - if Council wished to reduce this to 4.5 the net effect would be the loss of one of the posts proposed<sup>13</sup>.

vi. Unforeseen calls on Funding

There remains the growing likelihood that, as austerity measures cut deeper in the public sector, the Council may be called on 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.

vii. Legal Fees

This year this budget head has been distorted by non-standard/legacy work. Looking forward, and subject to progress, it is anticipated that 2019/20 should provide for a more 'routine' pattern of work as reflected in the proposed budget. However, the potential that a case or cases could arise giving cause to non-standard spend

---

<sup>12</sup> Note this would potentially reduce by iro £7,000 if Government follows through on its pledge to remove business rates on toilets.

<sup>13</sup> Agenda Item No 4 refers

should not be overlooked, also that extant issues might carry forward.

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

ix. Bad Debts  
This provision continues in view of the economic climate.

#### Income

x. Market Tolls  
As a result of works to the Pannier Market the current year expectations were reduced. The projected budget figure has been increased accordingly for the next financial year, albeit recognising a period of public realm work will carry forward - giving rise to a slightly less than full allocation.

Given that works are continuing and the retail economy generally is under pressure no changes in market tolls are recommended in this year. However, it is recommended this Committee undertake a review of market tolls prior to the budget round next year to better inform how best to proceed when works have completed (including the related option outlined in para xiii below).

xi. 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 previously is continuing<sup>14</sup>.

xii. Car Park Fees  
Car parking income is projected to reduce to enable certain works to the Guildhall to take place (and subsequently to the car parking area itself as part of the public realm programme).

xiii. Other Fees and Charges

---

<sup>14</sup> Looking further ahead, and subject to Council policy (and availability of monies to fund conversion), there is the potential for letting of the unoccupied parts of the former Molly Owen Centre.

A schedule (Appendix 7 refers) is appended outlining proposed changes to Fees & Charges for Council services in the areas of Town Hall, Butchers Hall<sup>15</sup> and Cemetery.

No increase is currently proposed regarding Pannier Market Tolls (or Car Parking) as Public Realm Works are yet to be completed. It has been proposed elsewhere (x above) that Members look at Market Tolls in relation to the 2020/21 financial year. One option might then be to look at a staged incentive based increase - for example to combine an increase with moving to digital payments. For traders taking up digital payment in year 1 no increase that year, for those staying with cash the increase applies. At the end of year 1 the increase and digital payments to apply to all traders thereby moving the market to a cashless operation<sup>16</sup>. A watching brief will need to be maintained in relation to developments nationally on VAT with HMRC.

#### RECOMMENDATION

For the Town Hall (and also applying to the Butchers Hall), in addition to those charges listed there will also be corkage charges (unchanged) at the rate of:

- Wine £6.50 per bottle;
- Champagne £8.50 per bottle;
- Bucks Fizz £2.00 per bottle;
- Beer & Cider £2.25 per pint.

Work will also be undertaken on a 'Drinks Package' for other drinks (such as Pimms) where standard corkage does not readily apply and the Committee is invited to delegate authority to the General Manager, in consultation with the Mayor and Deputy Mayor, to introduce same.

#### Other

- xiv. 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

---

<sup>15</sup> Notwithstanding that these premises are becoming better used they are not expected to provide a positive income stream in the next financial year

<sup>16</sup> Thereby future proofing the operation against the increasing reluctance of banks to take high volumes of cash and potentially providing higher level of probity and efficiency in service delivery.

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

- xv. 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.). In view of the emphasis placed upon this by Council and the priority it attached to rebuilding to prudent levels an allocation of £450,000 has been made to the CCLA Deposit Fund to ensure that these monies are not inadvertently mixed with general capital and reserves.
- xvi. As noted in previous years 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<sup>17</sup>). Similarly the wider economic climate suggests that debtor levels 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 and potential for increases on budget when tenders are received for major works.
- xvii. The Committee will further be aware that, as the THI Scheme develops and Guildhall project comes on-line, cash flow management is becoming increasingly important as the Council must meet third party/contractor claims before it is able to reclaim eligible costs. It also holds the THI "Common Fund" which will run down over the course of the Scheme and is not replenished.
- xviii. A reduction to projected rental income has been made reflecting the temporary arrangement for THT occupation of the former TIC building at Court Gate.

More generally your officers are proposing to work toward (for 2020/21) inclusion in the year end accounts of identification of the 'in kind' benefit granted by the

---

<sup>17</sup> Or indeed high historic value scheduled assets such as Betsy Grimbals Tower

Council to community organisations in the form of rents at less than full market value. This is to help better articulate the 'hidden' quantum of support to community organisations.

- xix. The Committee will be further mindful of
  - a. an outstanding ongoing matter as between the Council (Landlord) and Tenant which has the potential to incur additional legal costs;
  - b. previous debate regarding the operation of the West Devon Borough Council Dog Warden Service. Council will be aware that each year the Council makes a contribution of approximately £3,623 to the provision of services on Town Council owned land<sup>18</sup>. That Council has advised of activities and projected next steps<sup>19</sup>
- xx. The current Council Precept related income is £619,993 comprising Precept (£590,814) and Government Grant (£29,179). This equates to a band D Parish rate of £135.30.
- xxi. In view of the comments made at the last meeting an increase of 10% per Band D property would enable the Council services identified to be delivered.

---

<sup>18</sup> For clarity this is not a contribution toward such services elsewhere in the Town which are picked up as part of the normal statutory responsibilities of West Devon Borough Council

<sup>19</sup> 'As you are no doubt aware, WDBC does not have a dedicated Dog Warden and the functionality and responsibilities or that previously dedicated role are now shared by the 4 x Mobile Locality Officers and 1 x Environmental Protection Officer who cover West Devon,. Over the previous 12 months, the mobile locality officers have carried out over 250 hours of patrols within the Meadows and the surrounding footpaths, and the officers are also present in Tavistock on a daily basis carrying out other inspections. Such is the nature of their role, even when they are carrying out toilet inspections, or investigating a fly-tip, they are still actively looking out for dog walkers, talking to them and providing a visible deterrent for any potential offenders. The officers have recently carried out the Police CSAS accreditation, which gives them more powers to question offenders and request their personal details for the purpose of issuing a fixed penalty notice. This accreditation has provided the officers with additional training, confidence and a police approved uniform to help tackle the issue of dog fouling under the PSPO (Public Space Protection Order) legislation. Most of the inspections that are carried out by the team are during normal office hours, however we realise there is a requirement to carry out targeted early morning and late evening operations to catch the persistent offenders. These operations will involve pooling officers from the South Hams to gain the maximum impact. Throughout the next 12 months we also hope to provide more resource to the street cleansing contract monitoring which has a clear link into ensuring that pavements are clear from dog fouling, particularly in the key Town Centre areas.'

### **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 10%<sup>20</sup> could enable the appended budget to be delivered (alongside loan or other funding of iro £400,000) absent unexpected financial shocks. If minded to adopt this approach the Council will also be mindful, inter alia, 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. Potential for asset disposals;
  - ix. Future uncertainties around matters such as public convenience provision.
  
- b) 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 and future financial years in order to meet these and other scheduled commitments.

CARL HEARN  
**TOWN CLERK**  
NOVEMBER 2018

---

<sup>20</sup> Looking to the next financial year and beyond if all public conveniences are taken on it can be expected at least one more double figure increase in precept will be required (2020/21), hence the recommendation of a public consultation exercise. Beyond that if the Council tax base remains unchanged a similar level increase. Alternatively if development currently proposed takes place and the Council tax base increases significantly an increase by a lesser amount in 2021/22.

