



LEIGHTON-LINSLADE TOWN COUNCIL

Policy and Finance Committee

Date: 16 November 2020

Title: Budget Setting Process

Purpose of the Report: To help inform Members of the work to date in respects of the budget setting process and current financial position.

Contact Officers: Mark Saccoccio - Town Clerk
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Corporate Objective/s	.	Aim 1: To consolidate processes and procedures, ensuring operational efficiency and a structure which will underpin future service delivery by the Town Council.
Implications:		
Financial	√	
Human Resources	√	
Operational/Service delivery	√	
Procedural/Legal	√	
Risk/Health & Safety		

1.0 RECOMMENDATIONS

Should the Policy and Finance Committee be minded:-

1.1 To note the report

1.2 That each standing committee with budgetary responsibility be presented with its own draft budget for consideration and thereafter, for the draft budget to be returned to this committee on 18th January 2021 for its further consideration.

1.3 That the Covid-19 Earmarked Reserve to the sum of £128,010 be considered for the purposes of meeting the anticipated budgetary deficit for the period 2021-22.

1.4 To acknowledge that the draft budget for 2021/22 is responding to the current pandemic situation with expenditure lines to the value of £46,425

deleted for the coming financial year but anticipated to return for the financial year thereafter.

2.0 CONTEXT

2.1 The purpose of this report is twofold:

- To offer a position in terms of projected outturn for the current financial year 2020-21.
- To inform Members of the Budget Setting Process for the financial period 2021-22.

Projected Outturn

2.2 Since lockdown measures were first introduced on 16th March 2020, the Town Council's ability to generate income and continue to deliver services and capital projects has been severely compromised. In response to the situation and to safeguard the Town Council's own financial position, the Policy and Finance Committee resolved at its meeting held 20th July 2020:

To endorse the creation of an Earmarked Reserve (from the 2019/20 revenue underspend) to the sum of £128,010 for the purposes of meeting the anticipated shortfall in income caused by the Covid-19 pandemic.

2.3 Contextually, the Town Council finds itself well placed with income generation (£333,000) representing 13% of a total expenditure of £2,495,328 (2019/20 budget). With the world in a state of flux and the future uncertain, Members agreed that an earmarked reserve be created whose purpose was to meet any potential shortfall in income caused by the pandemic. In accordance with the resolution made by the Policy and Finance Committee, the revenue underspend for the period 2019-20 was ringfenced for this very purpose.

2.4 To help inform Members of the current financial situation, the Draft Annual Budget for the period 2021-22 includes the anticipated outturn for the current financial year also. With fixed costs remaining constant, the most striking differences being in income and expenditure (when comparing agreed to projected). Quite simply, income generating activities (except for cemetery functions), event expenditure as well as capital project delivery have all but stopped.

2.5 Despite the loss of income, the Town Council finds itself well placed with an anticipated positive outturn of circa £16,188. This is unusual and comes about because of circumstance. In arriving at the positive outturn, Spending Officers were required to critically review each of their budget lines recognising that the "new normal" is likely to continue until the end of this financial year and into the next. Consequently, income and expenditure budgets have been amended because of the current situation with Spending Officers working toward the projected budget targets where possible. The critical review is unprecedented and brought about by circumstance.

2.6 With a quarter of the financial year remaining, the projected outturn is subject to change. Despite this, the Town Council is well placed in having a Covid-19 Earmarked Reserve to which it can turn should it be necessary (as set out at para. 2.2). As will be considered later in this paper, there is every likelihood that next year's budget will run with a budgetary deficit based on reduced income targets (25% of a typical year) and a modest increase in the tax base. Should Members be minded (and this will be a consideration at the January meeting of the Policy and Finance Committee), a potential recommendation being that the Covid-19 Earmarked Reserve be carried forward to meet the anticipated budgetary shortfall.

BUDGET SETTING PROCESS:

2.7 In accordance with established practice, the Town Council will be expected to have set a precept and notified the billing authority (Central Bedfordshire Council) of that amount by mid-January (albeit the principal authority has been made aware that this information will not be forthcoming until 26th January 2021 at the very earliest).

2.8 This budget is being prepared at a time when uncertainty prevails and little assurance as to when the return to "normality" is anticipated. For the purposes of budget setting, normality is defined as when income generating opportunities return to pre-covid levels; that is, unfettered room hire, events and market generating income for example.

2.9 Given the current restrictions, it is highly unlikely that income will come anywhere near a typical year. Based on current business activity, income for next year will be reduced by 75% to 25% of a typical year. The exception being cemetery income which has largely remained constant.

2.10 The following provides a timeline for those committees with budgetary responsibility:-

- Partnership Committee to be presented with its draft budget on Thursday 10th December 2020.
- Grounds and Environmental Services Committee to be presented with its draft budget on Monday 14th December 2020.
- Cultural and Economic Services Committee to be presented with its draft budget on Monday 7th December 2020.
- Planning and Transport Committee to be presented with its draft budget on Wednesday 9th December 2020.
- Community Safety Sub-Committee to be presented with its draft budget on Monday 11th January 2021.

2.11 Thereafter, the draft budget will be returned to this committee for its consideration (Monday 18th January 2021). Subject to committee approval, the budget will then be taken to Full Council for its ratification. Throughout this process, Members are actively encouraged to approach Officers should they seek clarification on any budgetary matters.

Precepting:-

- 2.12 On 20th October 2020, the Town Council received details of the tax base for the forthcoming financial year. The tax base has increased by 0.24% from 14,472 dwellings to 14,607 (a net increase of 35 dwellings).

Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Tax Base and year on year % increase in dwellings	13,438	13,826 (+2.8% = 388)	14,141 (+2.3% = 315)	14,270 (+0.9% = 129)	14,456 (+1.29% = 186)	14,572 (+0.8% = 116)	14,607 (+0.24% = 35)

- 2.13 As set out above, the increase in the tax base is modest (+35) albeit representative of current circumstance. Anecdotally, of the 79 parishes in Central Bedfordshire, 40% have seen a reduction in their tax base.

The Draft Budget

- 2.14 The draft budget comprises the operational costs of running the Town Council's services and includes within it an annual contribution of £200,000 toward its capital projects programme. The detail of the projects together with their spend profile can be found within the dedicated 5 Year Plan which will be presented to the January meeting.

Council Tax Calculation

- 2.15 The following model assumes a 0% increase in council tax.

Council Tax	Council Tax Base	Precepting Amount £ 155.50 x 14,607	£2,521,844 (expenditure) minus £177,525 (income)	£2,344,319 (net expenditure) minus £2,271,388 (precepting amount based on a 0% increase in council tax)
£155.50	14,607	£2,271,388	£2,344,319	£72,931

2.16 The draft budget finds itself in a deficit scenario with spending exceeding revenue by £72,931.

2.17 Draft Budget Headlines

Income

- Market income reduced by 75%
- Pavilion hire reduced by 75%
- Sports income reduced by 33%
- Café in the park reduced by 50%
- Tactic hire and activity income reduced by 75%
- Cemetery and allotment income remain unchanged

Expenditure

- Salary budgets have all been increased by 2% to allow for any future pay increases – Employers pension rate increased by 1%, annual increments have been allowed for.
- Canal Festival – £19,925, Big Lunch – £9,000, Movies for the More Mature – £4,500, Event salaries – £13,000. To help balance the heavily reduced income for 2021/22 these budget lines have not been included in next year's budget. The costs will be met from this year's budget that we will roll forward into an Earmarked reserve. These budget lines will be put back in to the 2022/23 budget.
- Rates – 3% increase has been added across the board
- Telephones – Astral Park budget reduced due to new contract
- Market Promotion – new budget line, made up of existing Publicity & Themed Markets.
- Market Bank charges – new budget line, made up of existing Bank charges & Market IT support to support the cashless payments.
- Internal audit reduced as only 4 visits per year.
- Remembrance – new budget line as per Council resolution on 24th August.
- Bus shelters budget line deleted.
- Dog bins budget line deleted as these costs can be met from Benches & Bins budget line.

End.