



Budget Working Party Report

Background

This year, producing a balanced budget is exceptionally challenging. The impacts of Covid-19 on the Council and its current year's budget have been significant and remain difficult to predict accurately. Members will recall the report submitted last month dealing with the predicted income reduction from our public halls which is indicative of the financial constraints in which the council finds itself. Additionally, there has been some significant use of the Council's Capital and Earmarked Reserves this year which has added to complications in seeking to ensure that all monies have been journalled into the correct pot. Much work has been done seeking to reconcile the Reserves which remain subject to audit.

It has already been confirmed by Government that the parish and town sector will not be subject to the referenda criteria for excessive Council Tax increases this year although there is no guarantee that this will continue. With the seemingly loosened purse strings of central government being announced, it must be hoped that this stance will continue but it cannot be relied upon.

The Council is requested to advise the Precepting Authority (East Hampshire District Council) of the level of Precept it wishes to charge by the end of January 2021. This also remains best practice. Legally this decision must be made by the end of February although leaving it this late causes some difficulties and issues for the Precepting Authority bearing in mind that it has to confirm its own budget and advise central government of its needs before the first tranche of the new Precept's are distributed in April.

Members will be aware that it is regarded as good practice to keep Revenue Reserves at 3-6 months operating costs. It is widely regarded though that larger councils, do not need to keep quite such a high proportion of revenue reserves once the good practice calculation produces a reserve figure in excess of £200K. Bearing this in mind with projected revenue expenditure of approaching £1.3million which would suggest a revenue reserve figure of around £315K, plus the exceptional circumstances in which the Council finds itself with Covid-19 and all those uncertainties, I have looked to trim this to just over £150K in the budget, working on the assumption that the year end outturn estimate may be a little cautious.

Once all the various committee's budget requests were added into the budget for 2021/2022 along with all the other essential items of expenditure that we have to incur to keep operationally safe and efficient, the result was a potential Precept request of £1,176,852 or an increase of 38.5% on a Band D property (increase of £5.64 per month). It is recognized that following the substantial increase in Precept agreed last year combined with the difficult year experienced as a result of Covid-19, that such a figure is quite unrealistic. Having said that, the Council is under an obligation to set a balanced and reasonable budget to meet its desired objectives and fulfil its functions and services to the public. There has been a small increase in the number of properties paying Council Tax as a result of the recent developments in the town although the additional housing numbers have been reduced by the number of people claiming benefit as a result of Covid-19 and the impact of this on the proposed Precept is shown below.

Precept 2020/21	£ 849,852	Band D Tax Charge £149.57
First Draft Budget Precept 2021/22	£1,176,852	Band D Tax Charge £203.14

The Working Party considered in some detail all of the items proposed by the various committees within the budget for 2021/22. Some amendments have been made but the vast majority of the proposed expenditure is retained. The Working Party proposes that the Precept increase to the Band D equivalent figure be kept to modest levels at just below 2.5% with the remainder of the increase being funded by withdrawing some of the investment funds (£260K) from the Rathbones investment. Whilst it is recognized that this is clearly not sustainable as a general course of action and would not normally be recommended, the exceptional circumstances confronting the Council this year in producing a reasonable budget would seem to suggest the action to be appropriate. It does of course come with a consequence in that the originally estimated income from the investments within the budget has been reduced.

Income

Some of our tenancy or lease agreements allow for RPI increases only and others cannot be altered between rent reviews, so room for manoeuvre is limited. The current level of inflation is still at modest levels. It is proposed that a small increase of 2% be made this year to all hire charges for our halls and grounds charges, apart from those where agreement already exists.

It should be borne in mind that a further increase of 1% to our prices for next year would realise an additional £1,350 income.

With the huge uncertainty that still exists over Covid-19 and its impact on hall hires and events into the next financial year, it is recommended that the budgeted level of income from public halls be reduced by 50%. This reflects a loss of £63K income. In the event that the hire of the public halls remains difficult or impractical as a result of Covid-19 the loss of this budgeted income will be met by deferring the hire of the Festival Hall Programmer and Technician until such time as this situation changes. This seems a practical and pragmatic approach to dealing with the possible loss of this income.

Total income from our various activities is budgeted at £394,036 – a decrease of just over £100K. Other areas where the income budget has reduced are events (£5K), Festival Hall office lettings (£15.5K) and interest (£15K) reflecting the current reduction in income from the Local Authorities Property Fund and in bank interest.

Expenditure

Attached is also a list of all the budget codes currently used. For the benefit of comparison, the budget figures for each code both for the current year's budget as well as the proposed budget are provided. There is to be some minor amendments to these codes reflecting how to best manage and deal with the various types of expenditure incurred which is being managed by the Finance Officer. In preparing the revenue budget, every cost code has been examined and reviewed. With some it is difficult to assess the likely expenditure for the next financial year due to the impacts of Covid-19 and how things are expected to develop as the country moves out of its current levels of restriction at some point within the next year.

In studying the revenue codes, most need no explanation. Where there is a significant increase from last year's budget estimate, or there is considered to be a need to outline more detail, the explanations are as follows:

4000/01/02 – Staffing costs: F & GP and Council approved a total staffing budget of £631,902. This does include funds for the Festival Hall Programmer and a Technician which, as mentioned above will be deferred if economic activity is such that the Staff Panel deems it inappropriate to proceed with these appointments. There will be a need to appoint someone to undertake administrative & reception duties at some point in the year but the timing of this appointment will again be considered by the Staff Panel.

4011 – Business Rates: it is not known at this stage how much additional rates will be charged for the use of the first floor offices but it is not expected to be a huge sum. The budget estimate may be a little conservative.

4029 – Staff Uniform:	historically this has always been contained within the safety budget but it is considered to be appropriate to give it a code on its own. The budgeted sum for safety (4028) has reduced accordingly.
4041 – Other Grounds Maint:	main items contained within this heading are tree warden support (£5K), ditch clearance and hedge cutting (£3.5K), Sussex Meadows maintenance (£5K), dog bin replacement (£5K), Heath Management Plan implementation (£20K), general sports pitch maintenance, plant purchases, Millennium Path maintenance (£3K), pest control and similar activities.
4044 – Litter Collection:	the increased cost reflects the numbers of visitors to the Heath in particular and the need to have retained additional skip clearance visits for a longer period of time during the year.
4046 – Vehicle Maintenance:	reflects the need for an additional vehicle for the grounds team and also the increased cost and use of fuel with the team having covered a wider area within their work and operating more equipment.
4047 – Consumables:	this is a new code introduced to place more emphasis on the cost of routine equipment and materials used by the grounds and halls teams within their operation. It includes basic grounds maintenance materials, fuel for hand tools, lights for the Festival Hall and Avenue Pavilion. Much of this previously would have been swallowed up within Other Grounds Maintenance, Property Renovation & Maintenance or Equipment Purchases.
4050 – Equip Repairs/Maint:	small increase reflects provision for CCTV maintenance
4051 – Plant & Equip Hire:	increase caters for leasing cost of a 3 rd grounds vehicle
4052 – Equipment Purchase:	provides provisions for office furniture renewal/replacement, seats and litter bins across all our sites plus rugby & football goal posts across the sports fields and recreation grounds
4056 – Property Ren/Maint:	includes Avenue Pavilion Kitchen (£5K), routine maintenance for Love Lane Pavilion and a significant element (£99K) of the Festival/Town Hall Maintenance Fund
4059 – Cinema Purchases;	includes the usual leaflet advertising the films that was previously funded through other advertising
4060 – Town Visitor Centre:	sum reduced to reflect decision made to go down the ‘fresh start’ route with tourism and not fund the Centre as currently done.
4070 – Community Grants:	Perennial Grants requested as follows: <ul style="list-style-type: none"> • CAB £12,000 – no change • Open Air Pool £7,000 – no change • Petersfield Museum £2,500 – same as original level requested • Petersfield Cricket Club £8,000 – same as last year for their cricket square maintenance • The Kings Arms £5,000 – towards the cost of running the After School Club. Last years grant awarded £5K
4071 – Community Grants:	General community grants remain unchanged
4072 – Community Grants:	Capital Grants – following the expiration of the 3 year agreement with Petersfield Museum, no further requests have been received or approved.
4081/2 – Accounting & Audit:	it is considered appropriate to separate out the costs of these functions into different codes. Overall expenditure is expected to be slightly lower following reductions in the Council’s expenditure after completing its various investment payments.
4083 – Consultancy Fees:	Staff Support and Health & Safety £2,350 Climate Change Strategist £20,000 Other consultancy £3,000
4084 – Community Eng:	IT facilities for local groups £2,000 Community Engagement Events £2,500 Neighbourhood Plan £10,000

Capital Works:

The full list of items for capital expenditure proposed by the Working Party is as follows:

- Play equipment annual accrual £15,000
- Grounds Equipment annual accrual £10,000
- Love Lane Skatepark path replacement £20,000
- Festival/Town Hall Maintenance Fund £100,000
- Festival Hall Refurbishment – RIBA 4 £100,000
- Love Lane Sewage Pump replacement £10,000
- Tourism Provision at Town Hall plus digital IP's £25,000
- LCWIP Delivery of outcomes £5,000

It is suggested that some of these capital works be funded through the Community Infrastructure Levy (CIL) funds received by the Council. Currently there is £30,700 in the CIL Reserve and it is recommended that this be used to part fund the Heath Toilets refurbishment or replacement childrens play area for Penns Farm playing fields. The level of CIL income during the 2021/22 financial year is estimated within this budget at £50K. It is proposed that this be used to fund the Tourism Information Platform's, Love Lane Skatepath path and LCWIP outcomes. Approving CIL expenditure to fund these capital items makes a significant difference to the budget as it reduces the level of capital earmarked reserves provision required to £235K.

The resulting demand on the Precept in approving this budget would be:

Proposed Budget Precept 2021/22 £ 888,054; Band D Tax £153.29 – 2.49% increase or £6.59 per year

The Working Party considers that the above represents a balanced budget to be recommended to the Finance & General Purposes Committee and to be set by the Council. It represents a balance between the present financial needs of the Council against its future needs. It carefully considers the impacts on the local community in respect of the levels of Council Tax levied and paid by residents for the facilities provided by the Town Council especially during the current unprecedented times of the Covid-19 pandemic with the associated financial worries that many in the community have at this time. The use of some of the investment assets to minimise the financial impacts on the community of its plans reflects this. It is also a forward looking budget as it recognizes the need to improve some of its assets and reflects the plans the Council has to make significant investments in those community assets that it maintains for the town in order to improve the facilities available to residents in the longer term.

RECOMMENDED: that a total budget be set of £1,548,086 constituting a revenue budget of £1,263,086 and a capital budget of £285,000 with a Precept requirement of £888,054 being approved

Neil Hitch
Town Clerk & Responsible Finance Officer
13th January 2021

Items removed or reduced from the original list of Capital works are listed below:

- New signage for open spaces £5,000
- Car Park Improvements £5,000
- Signage & Mapboards (town centre) £11,000
- LCWIP Delivery of outcomes reduced by £10,000
- Real Time Information Displays on Bus Stops £8,000

Petersfield Town Council			Budget 2021-22, Precept Calculation		Financial Projections - First Draft			
Year to 31 March			2019-20	2020-21	2020-21	2021-22	2022-23	2023-24
			Actual	Budget	Outturn	Budget	Projection	Projection
Revenue Expenditure			-957,811	-1,248,535	-1,248,535	-1,263,086	-1,300,979	-1,340,008
Capital Expenditure			-204,263	-210,000	-103,625	-375,000	-15,000	-25,000
Earmarked Reserves Expenditure			-305,511	-291,820	-214,140	-363,458	-550,000	-475,000
Gross Expenditure			-1,467,585	-1,750,355	-1,566,300	-2,001,544	-1,865,979	-1,840,008
Income from rents, facility hire			487,121	500,164	410,000	394,036	405,857	418,033
Capital Receipts, Grants, Donations towards Capital Expenditure			236,092	0	61,766	50,000	175,000	
Gross Income			723,213	500,164	471,766	444,036	580,857	418,033
One-off receipts			0			260,000	0	0
Net Budgeted Expenditure to be funded from Precept			-744,372	-1,250,191	-1,094,534	-1,297,508	-1,285,122	-1,421,975
Precept: actual raised/projected			634,522	849,852	849,852	888,054	1,213,821	1,235,789
Balance to be funded from reserves etc.			-109,850	-400,339	-244,682	-409,454	-71,301	-186,186
Earmarked Reserves (Spent)			305,511	291,820	214,140	363,458	550,000	475,000
Revenue Earmarked Reserves (additions)			-48,744	-4,000	-96,750	-4,000	-4,000	-4,000
Capital Earmarked Reserves (Additions)			-372,092	-210,000	-180,000	-235,000	-500,000	-285,000
Capital Receipts Reserve			241,668	210,000	103,625	375,000	15,000	25,000
Community Infrastructure Levy Reserve (Additions)			0		-60,749	-50,000		
Drawn down on General Fund			16,493	-112,519	-264,416	40,004	-10,301	24,814
General Fund balance beginning of year			362,192	378,685	378,685	114,269	154,273	143,973
General Fund balance at year end			378,685	266,166	114,269	154,273	143,973	168,786
Earmarked reserves at year end			768,448	690,628	891,807	817,349	771,349	585,349
Revenue and Earmarked funds at year end			1,147,133	956,794	1,006,076	971,622	915,322	754,135
Earmarked Reserves								
Capital			512,951	349,012	587,868	630,842	263,758	121,595
Revenue			186,197	117,658	271,557	184,125	92,551	55,214
CIL/Section 106			67,667		30,749	749		
Community Events			1,633	1,633	1,633	1,633	1,633	1,633
			768,448	468,303	891,807	817,349	357,942	178,442
Capital Receipts Reserve			612,985	402,985	509,360	134,360	119,360	94,360
Total Allocated Reserves			1,381,433	871,288	1,401,167	951,709	477,302	272,802
	Inflation rate						3.0%	3.0%
	Therefore above prior year						103.0%	103.0%
	Increase in precept				215,330	38,202	325,767	21,968
					33.9%	4.5%	36.7%	1.8%
	Increase in net expend				-350,162	-202,974	12,387	-136,854
					47.0%	18.5%	-1.0%	10.6%
Increase Band D rate payer (at 5793.20)		£		Household	per year	6.59	56.23	3.79
					per month	0.66		
Band D Equivalent Cost		£		149.57		153.29		
		%				2.49		