

SWANAGE TOWN COUNCIL



Budget Report

2015/16

Town Hall
High Street
SWANAGE
Dorset

January 2015

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1. Introduction and Budgetary Context

1.1 This report provides a commentary on the revenue budgets for 2015/16, together with planned capital expenditure and contributions to reserves and balances. These are set out line by line in the Draft Estimates Book, together with future projections until March 2018.

1.2 The broad context of this budget setting process remains largely unchanged from recent years. There remains considerable pressure from central government for all precepting authorities to deliver a Council Tax freeze, but once again town and parish councils, unlike principal authorities, will receive no grant from central government to help deliver this.

1.3 At the date of this report the government has not extended regulations in respect of referendums on excessive council tax rises to town and parish councils. However, indications remain that it is likely to do so, even if it is restricted to larger town councils such as Swanage. This is likely to mean that the Town Council would have to hold a referendum on any proposed precept increase above 2%. As in recent years, it is unclear when the definitive answer as to whether this will be introduced will be announced.

1.4 One significant change from recent years is the current very low rate of inflation. The CPI measure of inflation was only 0.5% in December 2014 and it is anticipated that increases in business rates and utility bills in 2015/16 will also be below the long-term average.

1.5 The Finance and Performance Management Committee reviewed the draft estimates in detail at its meeting on 8th December 2014 and recommended their adoption to Full Council, although consideration of the precept was deferred due to the lack of information about the tax base. Members are now asked to adopt the Draft Estimates Book in its entirety, together with the scale of charges and priority capital programme, and to agree the precept to be charged to local residents for the 2015/16 financial year.

2. Summary of 2014/15 Financial Year to date

2.1 At budget setting 2014/15 the total Council Tax precept was increased by 10.4%, generating an additional £60,611. This followed previous year-on-year increases set out in the table below. Changes in the total precept and the Band D charge vary in the same year due to increases or decreases in the tax base.

Table 1. Recent Increases in Swanage Town Council Precept

	2011/12	2012/13	2013/14	2014/15
Total Precept	£594,150	£608,775	£582,969	£643,580
% change in total precept	1.0%	2.5%	-4.2%	10.4%
Band D charge	£119.71	£122.74	£126.03	£138.67
% change in Band D charge	0.0%	2.5%	2.7%	10.0%

2.2 Significant savings have been made in recent financial years due to the combined effects of reduced staffing levels and rigorous procurement exercises in relation to the Council's largest contracts, including toilet cleaning, I.T. services and insurance. However, as previously noted, each year further savings prove harder to identify and with the easing of the

recruitment and pay freezes staff costs have risen from their low point in 2011/12, albeit in line with budget expectations.

2.3 The Town Council entered the 2014/15 financial year with a surplus general fund balance of £497,754. A net operating surplus of £261,865 is projected for the current financial year, a reduction of £90,000 on the original budget projection. It is anticipated that £322,770 will either be appropriated to earmarked reserves or go directly towards financing capital expenditure. This will result in a deficit of £48,745 being met from the general fund, resulting in an estimated balance at 31st March 2015 of £449,009. Despite this reduction in the general fund balance, it is well above the Council's risk assessed minimum level and is in compliance with the *Practitioners' Guide for Parish and Town Councils*.

3. Income Analysis

3.1 Table 2 summarises the Council's greatest sources of income during the last five full financial years, together with the probable out-turn for 2014/15 and the draft budget estimate for 2015/16. These headings, together with the precept and Council Tax Support Grant, account for approximately 85% of Council income. Excluding precept, the income thus generated is projected to have declined by 8.5% in the current financial year, principally due to under-performing seasonal income streams and the over-run in the Seafront Stabilisation Scheme. An increase of 11.4 % is projected during 2015/16, although this is almost entirely dependent on the letting of the Council's 28 additional seafront beach huts and the rental of the new Shore Road kiosk.

3.2 Consideration was given to the **car parking charges** to be levied for 2015/16 at the Finance and Performance Management Committee Meeting held on 8th December 2014. Despite good summer weather, visitor numbers were little changed between April and October 2014 compared with the previous year; indeed, usage has now remained relatively flat since the disappointing summer of 2012.

3.3 This suggests that the continued squeeze on household budgets may be the over-riding factor in car park usage rather than one-off factors such as the weather. The success of Swanage Railway as a park and ride option, the introduction of on-street parking on Shore Road and a growth in parking at the Pier in recent years may also explain why there are fewer paying visitors to the Town Council's car parks.

3.4 All of these factors suggest that there is little scope to increase parking charges. Indeed, consideration has been given to a reduction in prices in order to both attract more visitors and encourage those that do park in the Council's car parks to stay for longer. However, evidence from North Beach Car Park suggests that whilst such a move may well increase visitor numbers, the increase may not be significant enough to generate the same level of income.

3.5 Following discussion with Members two minor changes to the parking charges have been considered. A £1 per day charge in the Council's long-stay car parks during December has been incorporated in the scale of charges in order to encourage visitors to the town in the run-up to Christmas.

Table 2. Budgeted Sources of Income in excess of £5,000 2009/10 - 2015/16

Budgeted Sources of Income in excess of £5,000	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Probable Out-Turn	15/16 Estimate
Car Parking (includes Co-Op net income; excludes market income)	553,411	569,035	580,456	520,979	526,774	502,410	511,875
Property Rental	154,394	184,317	186,067	197,460	200,755	188,805	209,055
Investment Income	99,850	174,260	194,783	166,667	172,200	162,975	149,950
Boat Park	37,903	37,572	42,453	40,169	39,346	40,355	42,500
Cemetery Charges	24,086	30,130	33,928	29,153	43,706	37,600	34,840
Beach Bungalow Rents	68,828	68,810	70,635	73,236	77,375	28,935	133,400
Private Beach Hut Sites	14,267	14,632	14,700	15,166	15,866	16,335	16,680
Putting Fees	20,406	17,891	19,085	16,006	15,296	15,135	15,150
Market Income	17,431	28,743	24,588	8,557	6,581	11,900	13,000
Bowls Fees	10,137	9,763	10,635	7,513	9,758	11,500	9,250
Heritage Toilets	13,236	12,043	9,599	10,122	10,856	11,135	11,000
Beach Concessions	9,025	9,155	9,155	9,300	9,300	9,300	9,300
TIC net income from sales and commission	9,601	11,131	9,087	8,367	8,639	8,770	8,600
Fishermen's Huts	7,694	7,123	7,598	7,978	8,194	8,640	8,800
Allotment Rents	6,207	6,506	6,966	7,168	7,339	7,645	7,875
TIC Advertising Boards	9,208	9,225	8,150	8,621	8,400	6,915	6,980
Tennis Fees	6,211	7,771	6,097	5,581	5,666	4,985	5,180
DCC Lengthsman Contribution	0	0	6,000	10,000	5,000	0	0
	<u>1,059,540</u>	<u>1,182,252</u>	<u>1,224,127</u>	<u>1,142,043</u>	<u>1,171,051</u>	<u>1,073,340</u>	<u>1,193,435</u>

3.6 Consideration has also been given to the introduction of a nominal evening charge at Broad Road car park, in order to help ease traffic congestion in the lower High Street. In reviewing the statistics from April to October 2014, it appears that the introduction of a reduced charge of 50p, between 6 p.m. and 8 a.m., would result in a loss of £11,000. Given that 2014 was a relatively poor year for usage, this should be seen as a minimum figure. In light of the many financial pressures facing the Town Council in the year ahead, the decision as to whether to introduce such an evening charge is a difficult one. The financial impact could be lessened if evening parking at Broad Rd was made free for Residents' Permit Holders only.

3.7 A further change which could be considered is the introduction of free evening parking in the Council's shoppers' car parks, by reducing the charging period from 8 a.m. to 10 p.m. to 8 a.m. to 6 p.m. This would help simplify the Council's parking tariffs which currently have a 3-hour maximum stay in the evening, in what are otherwise 2-hour maximum stay car parks. It is estimated that such a change would reduce Council income by approximately £4,000 per annum.

3.7 The usage figures for 2014/15 have been used to calculate the estimated out-turn for the car parks in 2015/16. Hence little change is anticipated in car parking revenue, with the exception of a partial improvement in usage of Broad Road as it will be fully operational for the whole year for the first time since 2012.

3.8 Income from **property rentals** has risen steadily over recent years following rent reviews and the leasing of additional properties such as the buildings on Peveril Point Road and the Town Hall Annexe. The lower probable out-turn for the current financial year is wholly down to the non-completion of the new kiosk, built on Shore Road as part of the seafront stabilisation scheme. Rent reviews should be concluded in respect of a number of properties in the next 12 months, including most of the Council's seafront properties, which may edge up the total income from this source.

3.9 **Investment income** has remained subdued in the current low interest rate environment, with the priority being given to security and liquidity in the ongoing uncertain financial climate. Given forecasts of continuing low interest rates, no improvement is anticipated during 2015/16. Indeed the expenditure of £2.3 million from reserves in 2014/15 to fund the capital programme has significantly reduced the Council's investment funds. This is a trend that will continue as further schemes are brought forward in the years to come.

3.10 As a consequence of the delayed completion of the Seafront Stabilisation Scheme, **Beach Hut bookings** are the Town Council's worst performing income stream against budget in the current financial year, although the non-availability of those along Shore Road did ensure an increase in usage of the Beach Bungalows at the Spa. In estimating the financial impact of the construction of an additional 28 beach huts on Shore Road summertime occupancy rates are projected to remain unchanged from 2013/14, although a 10% reduction has been applied to the income in order to build in a contingency for lower uptake in their first year of operation. A decrease in income is projected for Spa Bungalows as it is anticipated that demand will move towards the new development.

3.11 Income from the **Boat Park** was little changed year on year. The Park closed on 1st November to become the compound for the re-construction of the Lifeboat House and Angling Club. The equivalent fees for winter 2014/15 are to be paid by the RNLI in compensation. There is some discussion as to whether this money should be put towards constructing a new jetty, but the impact of this on the Council's revenue budgets needs to be given very careful consideration. If capital works on the jetty are accepted in lieu of compensation then an un-budgeted decrease in revenue of £10,000 in 2014/15 and £39,500 in 2015/16 would need to be considered.

3.12 The picture in respect of activities at **Beach Gardens** is mixed. Putting income remains at a low ebb, not having recovered from a steady decline over the previous four years, resulting in a reduction of almost 25% since 2009/10. Tennis fees are also at a very low level. By contrast, income from use of the bowling green has increased by over 50% in the last two years, from its low-point in 2012/13. However, the Council has yet to determine a request from the Bowling Club for a reduction in fees, which could see income reduce by approximately £2,500. Overall, income from all three activities is projected to be little changed in future years.

3.13 The Council appointed new operators of **Swanage Market** for 2014 and this has seen something of a revival in its fortunes, although it is not back to the level last seen in 2011/12.

3.14 2014/15 saw the withdrawal of the **lengthsman** scheme by Dorset County Council making this the first year that the Town Council has received no financial contribution for the Highway works it undertakes on its behalf, including weeding and verge-cutting.

3.15 As anticipated the current financial year is proving to be difficult in terms of the Council's income, with receipts from four of its five largest non-precept income streams seeing significant reductions, and none of those listed in Table 2 performing strongly against budget. It is anticipated that these difficulties are unlikely to ease in the forthcoming financial year, with a declining trend in car parking usage and the still somewhat fragile international financial climate.

3.16 In looking to **future opportunities** to raise additional revenue the Council is exploring the redevelopment of the Spa Beach Huts and has also agreed to review the operation of the Boat Park. Consideration is also to be given to better promotion of Broad Road car park to increase usage, and improved advertising for the sporting activities at Beach Gardens.

4. Expenditure Analysis

4.1 Table 3 summarises the Council's greatest costs during the last five full financial years, together with the 2014/15 probable out-turn and the draft 2015/16 budget estimate. These headings account for approximately 75% of Council expenditure. These costs fell by 11.4% between 2009/10 and 2011/12, largely due to reduced staffing levels. However, they are now projected to have increased by 11.6% in the current financial year, largely due to exceptionally high expenditure on one-off items of repairs and maintenance, including the Town Hall ceilings following their collapse in the spring of 2014. On the whole, the majority of the Council's largest items of expenditure have remained static, or been reduced over the last five years, and in total are likely to remain relatively flat in the next financial year.

4.2 The Council's largest item of expenditure is **employment costs**. A comparison of the probable out-turn for this year with the budget for next year shows a significant increase in the salaries and wages bill. However, budgeted wage costs for 2015/16 are marginally lower than the original budget for 2014/15 and remain below the actual expenditure in 2009/10. For the first time in many years the Council can be certain about staff costs as the NJC pay scales for the forthcoming year have been agreed in advance.

4.3 Planned **repairs and maintenance** costs for the current financial year are significantly higher than anticipated at budget setting, largely as a result of repairs to the station building being carried over from the previous year and the emergency repairs to the Town Hall ceilings. Consequently this budget will reduce in 2015/16 and a list of one-off items that have been included in the budgets has been provided by the Operations Manager and is set out at **Appendix 1**.

4.4 Non-domestic **rates** payments to Purbeck District Council continue to rise, with a 6.5% increase projected for 2015/16 overall. This is in part a result of the combined effect of a general 2% increase on rate bills, an anticipated increase in the rateable value of the seafront public conveniences and beach huts, which were not billed in 2014/15 creating a larger disparity in year on year costs.

Table 3. Budgeted Cumulative Items of Expenditure in excess of £15,000 2009/10 - 2015/16

Cumulative Budgeted Expenditure in excess of £15,000	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Probable Out-Turn	15/16 Estimate
Employment Costs	781,395	704,925	663,552	677,647	714,374	722,495	776,585
Repairs and Maintenance	44,062	64,463	76,750	150,911	84,539	231,065	143,895
Rates	96,593	94,334	98,554	104,182	107,939	110,640	117,830
Public Convenience Cleaning and Toilet Requisites	63,292	65,277	65,124	60,340	63,301	66,550	65,225
Utilities	71,370	48,596	55,374	55,583	64,911	62,650	58,645
Car Parks Cash Collection/Security	32,060	29,892	23,810	21,974	26,172	25,000	25,500
Insurance	56,586	50,916	27,889	29,241	28,069	20,015	21,000
Legal and Professional Fees	31,036	13,157	25,655	26,704	36,189	18,000	21,000
Refuse Disposal	18,428	20,045	15,300	16,913	18,077	18,000	18,500
Seaweed Removal & Beach Raking	15,910	15,440	17,287	20,950	8,695	16,045	18,500
Computer Services	24,496	29,188	25,128	28,057	13,456	11,000	12,000
Total Expenditure	1,235,768	1,136,233	1,094,423	1,192,502	1,165,722	1,301,460	1,278,680

4.5 Since 2011 the Town Council has procured **gas and electricity** through the LASER energy buying group, as do the County Council, and this has been very effective with minimal increases in cost per kWh having been realised. Much of the increase in costs shown in the table above is as a result of increases in usage by third parties, which is then recharged by the Town Council. At the Council meeting held on 15th December 2014 it was agreed to continue this arrangement for a further four years from 2016-20.

4.6 The benefits of robust procurement processes can be seen in a number of the items listed in the table above. New contracts for **public toilet cleaning, IT services and insurance** over recent years have led to savings of approximately £50,000 per annum.

4.7 As last year, **legal and professional fees** are likely to remain a significant cost for the Council whilst an existing legal dispute is resolved and the backlog of outstanding legal agreements is addressed. Nevertheless, much progress has been made over recent years and further reductions are likely in future financial years.

4.8 As noted last year, although the costs of **car park cash collection and security** are now increasing, having been significantly reduced in recent years, this is largely due to the removal of the credit card payment facility. This in fact represents a saving as cash processing is a cheaper option, and the reduction in credit card costs is in excess of the increase in cash processing costs.

4.9 In order to control its costs and realise further savings it is recognised that the Council will need to continue to devote resources to procurement exercises and partnership working. It is anticipated that **seaweed clearance** will be tendered in the current financial year and the costs of cash collection will be reviewed as part of the Council's deliberations on whether to join a county-wide Parking Service, which is currently being explored by the County and District Councils. Members are also asked to raise with officers any ideas they have in respect of identifying future savings.

4.10 As in previous years a sum of £10,000 has been allocated for **Grants, Donations and Contributions to Partner Organisations** in the draft estimates. As in previous years this is projected to include a contribution of £2,400 towards continued funding of the Swanage Primary (Mount Scar) school crossing patrol for 2015/16, although this may be reduced if part-funding is forthcoming from the friends of the school.

4.11 This budget includes contributions to third parties under Section 137 of the Local Government Act 1972 which, in the absence of specific legal powers, enables the Town Council to make grants to community organisations and fund services provided by principal authorities. The spending limit for 2015/16 is £7.36 per elector, equating to a total of £56,746.

5. Reserves and Capital Programme

5.1 The Town Council has an obligation to ensure adequate investment is made in its property assets so that they remain fit for purpose and to establish financial reserves to meet this expenditure. In addition to the statutory Useable Capital Receipts Reserve (containing the funds received from the disposal of the Holiday Park and other assets such as Herston Public Conveniences), the Council has established the following earmarked reserves:

- Festive Lights
- Vehicle and Plant replacement
- King George's Play Area and Skate Park equipment replacement
- Forres Field changing facilities
- General Play Equipment replacement
- Car Park Machine upgrade
- Tennis Court refurbishment (to receive contributions from STC and Swanage Tennis Club)
- Repairs and Renewals Fund
- De Moulham Estate Service Road maintenance
- Public conveniences refurbishment
- I.T. equipment replacement
- Insurance and contingency reserve

5.2 These reserves contained £1,442,537 as at 31st March 2014 and it is proposed that a contribution of £212,770 be made in the current financial year in line with estimate. However, in order to achieve this, there will be a reduction of £48,745 on the General Fund Balance for the year. This is as a result of the loss of income from the over-run of the seafront stabilisation scheme in 2014/15. In order to ensure that the General Fund is not further depleted, it is projected that contributions to these reserves should be reduced in the next financial year, from £357,630 to £273,030. The three-year capital programme shows a further £591,000 being spent from these reserves by 31st March 2017, including a contribution towards a new Depot.

5.3 A **schedule of estimated capital expenditure for the years 2015/16 – 2017/18**, has been provided under Agenda Item 6. (a), having been considered at the General Operations Committee on 19th November 2014. To enable the Council to better phase the funding of this work it is recommended that the shaded schemes be deferred for a further year. Members are asked to adopt this and **the priority capital programme for 2015/16**, which has also been amended as above. This will authorise the Operations Manager to work up these schemes and bring them forward for final approval during the forthcoming financial year.

5.4 The total of programmed works is estimated at £1.7 million over the next three financial years, with a further £1.2 million in future years. This includes a maximum of £380,000 for new changing facilities at Forres Field (although it is anticipated that this will be part funded from external grants) and £715,000 for the purchase/construction of a new Depot.

5.5 The Council will need to keep under review the best means of funding its capital programme, especially as it does not include the cost of any stabilisation/improvement works to Sandpit Field, or the next phases of the public convenience replacement programme. Given the above-anticipated expenditure on the Seafront and Downs Stabilisation schemes and the reduced contributions to earmarked reserves, it is no longer possible to fund these projects from Council resources and retain £4 million in the Usable Capital Receipts Reserve, as planned a year ago. If the Council wishes to preserve this as an investment fund then the Council may have to consider borrowing or the disposal of an asset to fund such works.

6. Precept and General Fund Balance

6.1 Under section 50 of the Local Government Finance Act 1992 a Town and Parish Council must take the following factors into account in setting its annual budget:

- the expenditure it will incur in the year in performing its functions
- an allowance for contingencies in relation to expenditure
- the financial reserves it will be appropriate to raise for meeting its future expenditure
- the financial reserves necessary to meet a revenue account deficit for any earlier financial year
- the sums which will be payable to it for the year
- the amount of the financial reserves which the authority estimates it will use.

6.2 An assessment of the General Fund Balance should take into consideration the council's level of working balances and a risk assessment of contingencies. In terms of working balances, the *Practitioners' Guide for Town and Parish Councils* states that it is generally accepted that councils should carry general revenue reserves of between three and twelve months of gross expenditure. On the basis of current projections for 2015/16 this would be a sum between £439,000 and £1.76 million.

6.3 This figure has also been subjected to a risk assessment (see **Appendix 2**), which suggests that £347,515 of revenue funds may be called upon in a worst case scenario during the financial year. The next financial year will see a reduction in risk following the completion of the Seafront Stabilisation Scheme, and inflation is also predicted to be at very low levels. Nevertheless, in the current economic climate it remains of utmost importance that the Council's financial position is robust enough to address the issues identified in the risk assessment and that every effort is made to withstand any unforeseen shocks.

6.4 In calculating the precept required to meet the obligations set out in paragraph 6.1 above, the situation was complicated two years ago by the reduction of the tax base and introduction

of a Council Tax Support Grant (CTSG) as a compensatory measure, payable by the District Council out of a grant from central government. Whilst the District Council has no statutory obligation to pay such a grant, confirmation has been received that it plans to do so, albeit on a basis that will see it reduced by one quarter each year and phased out by 2018/19, in accordance with the following table.

Table 4. Council Tax Support Grant

Financial Year	2013-14	2014-15	2015-16	2016-17	2017-18
Council Tax Support Grant	£41,031	£39,110	£29,330	£19,555	£9,775

6.5 At budget setting last year the Council Tax precept was increased by 10.4%. This difficult decision was taken in order to address the dual risks to the Council's future income posed by the reduction of the Council Tax Support Grant by Purbeck District Council and the possible de facto capping of the precept by central government. This step ensured that the equivalent of the then proposed 2% year-on-year increases would be achievable through to the 2018/19 financial year.

6.6 The agreed 2014/15 budget book also set out continued increases in the precept of 2% per annum in the following two financial years, and the figures set out in the budget book provided with these agenda papers is in line with this projection. The need for such an increase is justified by the continued requirement to contribute to earmarked reserves to fund repairs and maintenance obligations as well as capital expenditure, as set out in section 5 above. A 2% increase would generate an additional £12,870, and would off-set the planned reduction of £9,780 in Council Tax Support Grant.

6.7 On 15th December 2014 the Town Council was informed that the tax base has increased by 0.7% for 2015/16. Consequently the above 2% increase in overall precept would equate to an increase in household bills of only 1.3%. That would represent an increase of £1.80 per annum on a Band D bill.

6.7 Alternatively, given the uplift in precept in 2014/15, a nil increase in household bills could be delivered this year without jeopardising service provision. Because of the increase in tax base this would see a 0.7% increase in total precept of £4,480. This would enable the Council to maintain a general fund balance in excess of the risk assessment set out in Appendix 2 and in line with the *Practitioners' Guide*.

6.8 However, a nil-increase would be achieved by a reduction in the sums to be added to earmarked reserves. Furthermore, the effect of the reduction in income is cumulative. All other factors being equal, by the end of the 2017/18 financial year the General Fund Balance would be £25,680 lower if total precept is increased by 0.7% rather than 1.3%.

6.9 The overall impact of both options can be seen in Appendix 3 which sets out an Income & Expenditure Account and Reserves Summary for 2015/16 to 2017/18. Members are asked to **adopt the Draft Estimates Book and set a precept level for 2015/16.**

Martin Ayres
Town Clerk and Responsible Financial Officer

January 2015