

## Budget Report 2016/17

### 1. Introduction and Budgetary Context

- 1.1 This report provides a commentary on the revenue budgets for 2016/17, 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 2019.
- 1.2 The broad context of this budget setting process is largely unchanged from recent years. Central government funding for local government continues to be reduced and, although the Town Council does not receive any direct government grant, the pressure is felt indirectly through proposed reductions in service by principal authorities. Interest rates remain at the historic low of 0.5%. Likewise, the CPI measure of inflation is extremely low, having fallen from 0.5% a year ago to 0.1% in November 2015.
- 1.3 As part of the local government finance settlement announced on 17<sup>th</sup> December 2015, the government announced that it would not extend regulations in respect of referendums on excessive council tax rises to town and parish councils for the 2016/17 financial year. The Council could therefore increase its precept by more than 2% without having to hold a referendum. It should be noted that the government has not ruled out introducing this in future years.
- 1.4 For the first year the Policy, Finance and Performance Management Committee considered a set of budget setting principles (see Table 1 below) at its meeting on 4<sup>th</sup> November 2015, and these have been incorporated in the draft budgets.

**Table 1. List of budget setting principles, agreed November 2015**

	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19
<b>Expenditure</b>			
Employee Costs	1%	1.5%	2%
Pension-Employers Contribution	16.5%	16.5%	16.5%
Inflation (CPI)	1%	2%	2%
Business Rates	2%	2%	2%
Utilities	2%	2%	2%
<b>Income</b>			
Fees & Charges (rounded to nearest 5)	Nil	2%	2%
Council Tax Support Grant	-33.33%	-50%	-100%
Council Tax	2%	2%	2%

- 1.5 The draft budgets incorporate any changes proposed by the Council's standing committees between September and December 2015. The Policy, Finance and

Performance Management Committee considered the preliminary draft budget at its meeting on 9<sup>th</sup> December 2015 and recommended it for approval by the full Council at its meeting on 18<sup>th</sup> January 2016.

- 1.6 Subsequent to that meeting, only one significant change has been made to the revenue budgets. Clarification has been received from Purbeck District Council of the charge to be made for the Town Council's share of Alex Clothier's time (the Economic Regeneration Officer who acts as the Town Council's Project Development Officer). The Council has until the current financial year purchased 35 days a year at a cost calculated in 2010/11 of £7,590. An updated calculation has seen this increase to £12,691. Given the significant number of projects that the Council is wishing to take forward, including assisting the Football Club and working on a seafront masterplan, the budget has been increased accordingly.
- 1.7 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 2016/17 financial year. The Policy, Finance & Performance Management Committee requested that two options be put to full Council for consideration, a 2% and 5% increase in precept, and these are set out in section 6 of this report.

## **2. Summary of 2015/16 Financial Year to date**

- 2.1 In April 2015 the total Council Tax precept was increased by 0.7%, generating an additional £4,480. This was as a result of an increase in the Council Tax base, enabling Council Tax bills to be frozen. This followed a 10.0% increase in household bills in April 2014, which generated an additional £60,611.
- 2.2 Significant savings have been made in the last five years due in part to rigorous procurement exercises in relation to the Council's largest contracts, including I.T. services and insurance. During 2015 the Council has also continued to operate with a number of staff vacancies, saving approximately £70,000 against budget.
- 2.3 The Town Council entered the 2015/16 financial year with a surplus general fund balance of £619,813. Operating expenditure for the year is projected at £286,375 with a further £388,990 expected to either be appropriated to earmarked reserves or directly finance capital expenditure. This is offset by funding of £677,390, from the precept and grant. The resulting surplus for the year will increase the General Fund by £2,025, with an estimated balance at 31<sup>st</sup> March 2016 of £621,838. Although this is well above the Council's risk assessed minimum level, it remains at the lower end of compliance with the *Practitioners' Guide*, which recommends that Councils should carry general reserves equivalent to a sum between three months' and one year's revenue expenditure.

## **3. Income Analysis**

- 3.1 The following table summarises the Council's greatest sources of income during the last four full financial years, together with the probable out-turn for 2015/16 and the draft budget estimate for 2016/17. These headings, together with the precept and Council Tax Support Grant, account for approximately 85% of Council income. The

income generated by the activities listed in the table is projected to have increased by 6% in the current financial year, principally due to improved car parking revenue and the re-opening of the Council's beach huts. This more than offset the loss of income as a result of the closure of the boat park, and is in line with the average received over the four previous years. A decrease of 3.6% is forecast during 2016/17, as a result of a projected return to average car parking revenue and reduced property rental and investment income.

- 3.2 At the Transport Committee meeting held on 11<sup>th</sup> November 2015, no significant changes were recommended to the Council's **car parking charges**. Visitor numbers improved in summer 2015 compared to recent years, although this is still well below the pre-2012 average. The Committee recommended that charges should be frozen to enable comparable figures to be generated during the next full financial year. The only minor change which has been incorporated in the draft scale of charges is a reduction in the price of the 1-hour charge at North Beach Car Park during July and August from £1.80 to £1.50. That will mean that there is no 'peak rate' in that car park at an estimated cost of only £100 to the Council.

**Table 2. Budgeted Sources of Income in excess of £5,000 2011/12 – 2016/17**

<b>Budgeted Sources of Income in excess of £5,000</b>	<b>11/12 Actual</b>	<b>12/13 Actual</b>	<b>13/14 Actual</b>	<b>14/15 Actual</b>	<b>15/16 Probable Out-Turn</b>	<b>16/17 Estimate</b>
Car Parking (includes Co-Op net income; excludes market income)	580,456	520,979	526,774	510,453	<b>534,140</b>	524,440
Property Rental	186,067	197,460	200,755	189,955	<b>197,705</b>	181,880
Investment Income	194,783	166,667	172,200	182,237	<b>173,625</b>	155,000
Beach Hut Rents	70,635	73,236	77,375	27,147	<b>92,440</b>	97,250
Cemetery Charges	33,928	29,153	43,706	32,342	<b>42,000</b>	35,000
Private Beach Hut Sites	14,700	15,166	15,866	16,334	<b>16,685</b>	16,685
Market Income	24,588	8,557	6,581	11,912	<b>12,850</b>	13,000
Putting Fees	19,085	16,006	15,296	15,135	<b>12,545</b>	15,000
Fishermen's Huts	7,598	7,978	8,194	8,210	<b>8,800</b>	9,180
Beach Concessions	9,155	9,300	9,300	9,300	<b>9,300</b>	9,300
Heritage Toilets	9,599	10,122	10,856	11,364	<b>8,935</b>	10,000
Bowls Fees	10,635	7,513	9,758	8,983	<b>8,760</b>	8,800
Allotment Rents	6,966	7,168	7,339	7,387	<b>8,200</b>	8,200
TIC net income from sales and commission	9,087	8,367	8,639	7,796	<b>7,050</b>	7,450
TIC Advertising Boards	8,150	8,621	8,400	6,917	<b>6,870</b>	3,435
Tennis Fees	6,097	5,581	5,666	5,187	<b>4,500</b>	5,000
Boat Park Fees	42,453	40,169	39,346	30,353	<b>1,720</b>	8,000
	<b>1,218,127</b>	<b>1,132,043</b>	<b>1,166,051</b>	<b>1,083,692</b>	<b>1,148,825</b>	<b>1,107,620</b>

- 3.3 Overall, there seems little prospect of car parking income returning to pre-2012 levels. This suggests that longer-term factors may be the over-riding influence on car park usage rather than ticket prices or one-off factors such as the weather. The success of Swanage Railway as a park and ride option, extensive use of concessionary travel passes, the introduction of on-street parking on Shore Road and a growth in parking at the Pier in recent years may explain why there are fewer paying visitors to the Town Council's car parks, together with the ongoing squeeze in household budgets.
- 3.4 Income from **property rentals** has remained stable through recent years, despite the economic downturn. This has been assisted by the leasing of additional properties such as the new Shore Road refreshment kiosk and the Town Hall Annexe. The lower estimate for 2016/17 reflects the £29,000 p.a. reduction in ground rent for Swanage Bay View Holiday Park applicable from December 2015. However, this may in part be offset by rent reviews in respect of a number of the Town Council's seafront properties.
- 3.5 **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 2016/17. Indeed, expenditure from the Council's reserves on its capital projects has led to the projected decline in income from this source. This is a trend that will continue as further schemes are brought forward in the years to come, and will accelerate as and when the Council withdraws funds from the CCLA property fund.
- 3.6 This year has been the first year in which the Council's new Shore Road beach huts have been available for hire. Although this has led to increased income from **beach hut bookings**, the projected outturn is significantly below the budget forecast of £133,400. This may in part reflect the relatively poor weather experienced this summer and the fact that publicity will build over coming years: certainly requests for booking forms are much increased for the 2016 season.
- 3.7 At the Tourism Committee meeting held on 2<sup>nd</sup> November 2015 it was recommended that the charges for the lower tier of beach huts be frozen and those for the upper tier be reduced by one-third to encourage uptake. This was agreed by the full Council at its meeting on 23<sup>rd</sup> November, ahead of the rest of the budget setting process, so that booking forms could be printed and distributed at the earliest opportunity. As a consequence of these changes, despite an anticipated increase in usage, income is projected to increase by only £5,000.
- 3.8 No income was received from the hire of grid spaces at the **Boat Park** this year due to its closure to facilitate the building of a new Lifeboat House and Angling Club building. Negotiations over compensation are ongoing with the RNLI, including the potential for this be given in-kind in the form of the construction of a replacement jetty.
- 3.9 The picture in respect of activities at **Beach Gardens** is mixed. Putting income reached a new low, now being almost 40% down on the £20,000 received in 2009/10. Income from tennis and bowls fees is also at a very low level. Whilst some of this reduction may be attributed to relatively poor weather in the peak summer season,

income from all three activities is projected to be little changed in future years. This suggests that improved marketing of this facility is urgently required.

- 3.10 The Council appointed new operators of **Swanage Market** in 2014 and this has seen something of a revival in its fortunes, although it is unlikely to return to the level last seen in 2011/12. The operation is currently out to tender which may lead to a change in market day, with the potential for further improvement.
- 3.11 Income from the **Tourist Information Centre** has declined over recent years, from £17-20,000 between 2009/10 and 2011/12, down to £14-15,000 over the last two financial years. In the current year this has in part been influenced by the uncertainty over the potential re-location of the service. This is projected to have a further impact next year with a reduction in income from advertising boards if relocation is necessary over the winter season.
- 3.12 Given the decision of the Policy, Finance & Performance Management Committee at its meeting held on 4<sup>th</sup> November 2015 to project a freeze in the majority of fees and charges, no change is predicted in income from **private beach hut site rents** and **allotment charges**. This decision will also impact on **cemetery charges** and **fishermen's hut rents**.
- 3.13 The prognosis for the Council's most significant income streams is not altogether healthy, with declines projected in car parking revenue, investment income and property rentals. Although a significant decrease in Council income is not anticipated, the Council will need to be mindful of these trends over coming years.
- 3.14 In looking to **future opportunities** to raise additional revenue the Council could give greater attention to the promotion of its revenue generating activities, such as beach huts and the sports facilities at Beach Gardens. The development of other commercial activities could also be investigated such as outdoor weddings, additional beach concessions and filming opportunities. This could include the recruitment of a Leisure/Tourism/Events/Commercial services manager.

#### **4. Expenditure Analysis**

- 4.1 The following table summarises the Council's greatest revenue costs during the last four financial years, together with the 2015/16 probable out-turn and the draft 2016/17 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, and remained largely stable for the following three financial years. However, they are now projected to have increased by 7.1% in the current financial year, largely due to exceptionally high expenditure on one-off items of repairs and maintenance, including works carried over from 2014, such as the repairs to the Town Hall ceilings and completion of the refurbishment of the station building. 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, with one exception, 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 an increase of

£100,000 in the salaries and wages bill. However, budgeted wage costs for 2016/17 at £804,000 are actually only £28,000 higher than the original budget for 2015/16. Following the Personnel Committee meeting held on 28<sup>th</sup> September 2015, these costs are based on the existing approved staff structure, the increase being in part attributable to higher National Insurance contributions due to the end of contracting out of those in the LGPS with effect from 6<sup>th</sup> April 2016. Staff salaries are projected to rise by only 1% p.a. in forthcoming years, and this is not, therefore, an inflationary factor.

- 4.3 Some concern has been expressed regarding the potential for increased pension deficit contributions in future years and this matter will be explored at a forthcoming meeting of the Policy, Finance and Performance Management Committee.
- 4.4 Planned **repairs and maintenance** costs for the current financial year are significantly higher than last year, as mentioned in paragraph 4.1 above. It is proposed that this level of expenditure be sustained in the forthcoming financial year to address the list of one-off items that have been requested for inclusion in the budgets by the Operations Manager, as set out at **Appendix 1** of this report.

**Table 3. Budgeted Cumulative Items of Expenditure in excess of £15,000 2011/12 - 2016/17**

<b>Cumulative Budgeted Expenditure in excess of £15,000</b>	<b>11/12 Actual</b>	<b>12/13 Actual</b>	<b>13/14 Actual</b>	<b>14/15 Actual</b>	<b>15/16 Probable Out-Turn</b>	<b>16/17 Estimate</b>
Employment Costs	663,552	677,647	714,374	708,682	<b>704,500</b>	804,000
Repairs and Maintenance	76,750	150,911	84,539	110,913	<b>179,085</b>	182,915
Business Rates	98,554	104,182	107,939	105,349	<b>129,165</b>	128,685
Utilities	55,374	55,583	64,911	71,237	<b>70,635</b>	69,320
Public Convenience Cleaning and Toilet Requisites	65,124	60,340	59,965	59,995	<b>59,765</b>	60,050
Car Parks Cash Collection/Security	23,810	21,974	26,172	27,128	<b>25,500</b>	25,000
Insurance	27,889	29,241	28,069	19,872	<b>21,535</b>	22,690
Legal and Professional Fees	25,655	26,704	36,189	25,353	<b>20,025</b>	22,000
Seaweed Removal & Beach Raking	17,287	20,950	8,695	16,045	<b>15,190</b>	18,750
Refuse Disposal	15,300	16,913	18,077	13,836	<b>14,885</b>	15,000
<b>Total Expenditure</b>	<b>1,069,295</b>	<b>1,164,445</b>	<b>1,148,930</b>	<b>1,158,410</b>	<b>1,240,285</b>	<b>1,348,410</b>

- 4.5 **Business rate** payments to Purbeck District Council rose significantly in 2015/16 as a result of the valuation of the new Shore Road beach huts and public conveniences. The projected small decrease in 2016/17 is also as a result of this scheme, the total for 2015/16 including retrospective billing of £3,700 for the new public conveniences from their opening in July 2014. The National Association of Local Councils are

currently lobbying central government to exclude public conveniences from the payment of business rates. Were this to be successful it would save the Town Council approximately £16,000 p.a., equivalent to a 2.5% increase in the precept.

- 4.6 Since 2011 the Town Council has procured **gas and electricity** through the LASER energy buying group, and this has been very effective in limiting increases in costs, with minimal increases in cost per kWh having been realised. Some 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. Increased water consumption in the seafront public conveniences is another factor, estimated to contribute £10,000 to the bill in the current financial year.
- 4.7 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 £26,000 per annum since 2011/12. The reduction in the cost of IT services from £25,000 p.a. to £11,000 p.a. has led to its removal from this table, although contributions are also made to a reserve to fund replacement equipment in 2018/19.
- 4.8 As in recent years, **legal and professional fees** are projected to remain a significant cost for the Council whilst the backlog of outstanding legal agreements is addressed. Reductions are likely in future financial years, although this will be influenced by factors such as the Council's level of involvement in matters such as the redevelopment of the former station yard (Co-Op site).
- 4.9 The costs of **car park cash collection and security** are stable, having increased somewhat in recent years as a result of the removal of the credit card payment facility. This in fact represents an overall saving to the Council as cash processing is a cheaper option, and the reduction in credit card costs is in excess of the increase in cash processing costs. There is potential for the cost of this service to be reduced, possibly through a joint procurement exercise with Purbeck District and Wareham Town Councils.
- 4.10 Costs for **seaweed clearance and refuse collection** are kept under review by the Operations Manager and it is proposed that a market testing/tender exercise be carried out in the forthcoming financial year.
- 4.11 As in previous years a sum of £10,000 has been allocated for **Grants, Donations and Contributions to Partner Organisations** in the draft budgets. This will include a contribution of £2,400 towards continued funding of the Swanage Primary (Mount Scar) school crossing patrol for 2016/17, agreed at the Council meeting held on 23<sup>rd</sup> November 2015.
- 4.12 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 2016/17 has yet to be announced, but it is anticipated that it will equate to approximately £60,000.

- 4.13 The £10,000 grants and donations budget would need to be significantly increased if the Town Council wishes to include a contribution towards the future operation of **Swanage Youth Centre**. No allowance has been made in the draft budgets for this, given the current uncertainty over the future delivery model for the service. A contribution in the region of £25,000 would make this the Council's sixth or seventh largest item of expenditure and therefore requires very careful consideration. It is suggested that this be reviewed as and when further information is available.
- 4.14 Overall, each year significant savings prove harder to identify. 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. Members are also asked to raise with officers any suggestions for areas to review, in order to identify future savings.

## 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
  - F.J. Grace will trust (for public amenities in Swanage)
  - Community Infrastructure Levy
  - Insurance and contingency reserve
- 5.2 These reserves contained £811,480 as at 31<sup>st</sup> March 2015 and it is proposed that a net contribution of £300,000 be made in the current financial year, an increase of £27,000 against estimate, principally due to the receipt of funds from the FJ Grace Will Trust. The three-year capital programme shows £200,000 being spent from these reserves by 31<sup>st</sup> March 2019.
- 5.3 A **schedule of estimated capital expenditure for the years 2016/17 – 2018/19**, has been provided under Agenda Item 5(a), having been considered in outline at the General Operations Committee on 25<sup>th</sup> November 2015. The cost of these works is estimated at £2.27 million over the next three financial years, with a further £1.1 million in future years. This includes £360,000 for new changing facilities at Forres

Field and £1 million for the purchase/construction of a new Depot. Members are asked to approve this together with **the priority capital programme for 2016/17** under item 5(b). 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 It should be acknowledged that the capital programme is a live document, kept under review by the Council's management team and the General Operations Committee. Work is clearly required to properly phase the planned schemes to ensure that the programme is deliverable. Furthermore, since the review of the draft budgets in early December, it has become clear that repairs are likely to be required to tennis courts 4 and 5 at Beach Gardens within the next twelve months, and that a contribution may be required from the Council towards slipway repairs and the construction of an improved jetty at the Boat Park by the RNLI. However, due to a review of some other items it is not anticipated that this will significantly add to the overall total cost of the Council's capital programme and hence these matters can be reviewed in the forthcoming round of committee meetings.
- 5.5 The Council will also need to keep under review the best means of funding its capital programme, especially as it does not include any fully considered estimate of any stabilisation/improvement works to Sandpit Field/Spa/Weather Station Field, or the next phases of the public convenience replacement programme. As stated last year, it is no longer possible to fund these projects from Council resources and retain £4 million in the Usable Capital Receipts Reserve, as planned two years ago. If the Council wishes to preserve this as an investment fund then it may have to consider borrowing or the disposal of an asset to fund such works. It is proposed that the Policy, Finance and Performance Management Committee give consideration to this matter in order to develop a new Medium Term Financial Strategy to be adopted as part of the 2017/18 budget setting process.

## **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 *Practitioner's 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 2016/17 this would be a sum between £457,000 and £1.83 million.

- 6.3 This figure has also been subjected to a risk assessment (see **Appendix 2**), which suggests that £315,530 of revenue funds may be called upon in a worst case scenario during the financial year. Although many risk factors are low, such as a sudden spike in inflation, in the current economic climate it remains of utmost importance that the Council's financial position is robust enough 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 Table 4 below.
- 6.5 At budget setting for 2014/15 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 potential withdrawal 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.

**Table 4. Recent Changes to Precept and Council Tax Support Grant, including draft budget book projections to 2018/19**

Financial Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total Precept	£608,775	£582,969	£643,580	£648,060	£661,020	£674,240	£687,725
% change in total precept	2.5%	-4.2%	10.4%	0.7%	2.0%	2.0%	2.0%
Council Tax Support Grant (CTSG)	Nil	£41,031	£39,110	£29,330	£19,555	£9,775	Nil
Total Precept + CTSG	£608,775	£624,000	£682,690	£677,390	£680,575	£684,015	£687,725
Band D charge	£122.74	£126.03	£138.67	£138.67	£140.00	£141.80	£143.63
% change in Band D charge	2.5%	2.7%	10.0%	Nil	0.96%	1.29%	1.29%

- 6.6 An increase in precept is required in this budget in order to fund capital expenditure and maintain contributions to earmarked reserves as set out in section 5 above. This was accepted by the Policy, Finance and Performance Management Committee and it was recommended that options for either a 2% or 5% increase in precept be brought forward to the Estimates Meeting on 18<sup>th</sup> January. These options are set out in Appendix 3.
- 6.7 The agreed 2014/15 budget book set out continued increases in the precept of 2% per annum in the following two financial years. That increase was not implemented in 2015/16, but the figures set out in the draft budget book provided with these agenda papers includes a return to 2% per annum increases in 2016/17 and future years. A 2% increase would generate an additional £12,960. Given an increased tax base, this would equate to a 0.96% uplift in household bills, resulting in a £1.33 p.a. increase on

a Band D bill (less than 3p per week).

- 6.8 A 2% increase is projected to result in a much reduced year-on-year General Fund Balance of £340,398 by 31<sup>st</sup> March 2017. That sum is £116,000 below the government's recommended levels contained in the *Practitioners' Guide* (set out above in paragraph 6.2), and as a consequence there is some risk of adverse comment from the Council's external auditors if such an out-turn were to be realised. However, it is above the Council's own risk-assessed minimum balance of £315,530, and the level of contributions to and from earmarked reserves could be reviewed in-year to ensure compliance with the *Practitioners' Guide*. Some capital works could also be deferred.
- 6.9 A 5% increase in total precept would generate an additional £32,405 (£19,445 more than a 2% increase). That would equate to a 3.93% increase in household bills due to the revised tax base, equivalent to £5.45 per annum on a Band D bill (10.5p per week). It would result in a projected General Fund Balance of £359,843 by 31<sup>st</sup> March 2017, which although still £97,000 short of the minimum level suggested by the *Practitioners' Guide* would enable the Council to better approach unknown factors such as a potential contribution to the future of the Youth Service.
- 6.10 One final possibility arising from the recommendation of the Finance and Performance Management Committee would be a 5% increase in household bills, equivalent to £6.93 on a Band D charge (13p per week). That would equate to a 6.08% increase in total precept and generate a further £7,000, reducing the shortfall to £90,000, again placing the Council in a stronger position in respect of funding its capital programme and potentially supporting the Youth Centre.
- 6.11 Members are asked to **adopt the Draft Estimates Book and set a precept level for 2016/17.**

Martin Ayres - Town Clerk and Responsible Financial Officer  
January 2016