**STOURPORT-ON-SEVERN TOWN COUNCIL**

**FINANCE COMMITTEE**

**MEETING ON 25TH JANUARY 2021**

**REPORT OF THE TREASURER ON THE BUDGET 2021/22**

**1. INTRODUCTION**

The Committee needs to recommend a budget and a precept for 2021/22 to the Council.

Members may recall that 12 months ago the Council approved a 24% increase in the precept from £31.40 to £39. The Council also approved an increase in cemetery fees, based on increasing the ‘headline’ fee from £720 to £800.

The appendices attached provide:

* Revised estimates for the current year;
* A draft budget for 2020/21; and
* A projection for 2021/22.

**2. ACTUAL INCOME AND EXPENDITURE TO 31st DECEMBER 2020**

 Accepted good accounting practice requires that budgetary control be carried out during each financial year. This has been happening as usual at officer level but also by this Committee in November when it considered a report on budgetary control at the halfway stage of the financial year.

These papers do include a column showing ‘Actual Apr-Dec’ and this is taken into account in the next column i.e. Revised Estimate for 2020/21.

**3. REVISED ESTIMATE 2020/21**

Total net expenditure per the Revised Estimate for 2020/21 is £247,603 compared with the Original Estimate of £266,442 so an underspend of £18,839 is now forecast. This compares with a forecast underspend of ‘around £11,000’ reported to the Committee in November.

Significant variations are as follows:

|  |  |  |
| --- | --- | --- |
|  | £ | £ |
| **Adverse variations** |  |  |
| Civic Centre offices – reduced rental income | 4,000 |  |
| Parks equipment – play areas Mem Park + Areley Kings | 6,600 |  |
|  |  | 10,600 |
| **Benign variations (arising mainly from COVID)** |  |  |
| Mayor/Deputy Mayor expenses – budget not spent | -6,000 |  |
| Civic occasions – negligible spending | -1,900 |  |
| Christmas lights – 3 Kings Parade cancelled | - 2,300 |  |
| Paddling Pool – pool did not open | -7,000 |  |
| Parks – improved service provision – budget not used | -4,500 |  |
| Cemetery fee income – revised estimate exceeds budget  | -5,000 |  |
| Town twinning – budget not used | -1,800 |  |
|  |  | -28,500 |
| Other minor variations |  | -939 |
| **Net ‘benign’ variations** |  | **-18,839** |

Members may recall that we will pay **service charges to Worcestershire County Council in relation to our occupation of the first floor of the Civic Centre.** Despite promptings from our solicitor, Maynard Burton, to WCC’s Legal Services we are still waiting for the signing of the lease and for charges for 2017/18 onwards. I continue to set aside sums to meet these costs but they can only be estimated so there remains scope for variances between these estimated sums and the eventual actual charges.

 **4. DRAFT BUDGET 2021/22 & BUDGET PROJECTION 2022/23**

The summary page of the draft budget shows Total Net Expenditure for 2021/22 of £308,072 and £306,272 for 2022/23. By far the biggest figure in our budget is Salaries and this figure has been calculated on a person-by-person basis and takes due account of pay awards, increments where relevant and includes provision for National Insurance and employer pension contributions. Price inflation is currently minimal so allowance is only made where known to be required. In relation to income it is suggested that:

* cemetery fees should not be increased this time following the ‘headline’ increase from £720 to £800 on 1st April 2020; and
* allotment rents should increase from £44 to £46 for large plots and from £22 to £23 from 1st April 2021

The issues arising in preparing the draft budget for 2021/22 include:

* + the ‘localism’ agenda under which there is a proposal that the Town Council takes over from Wyre Forest District Council the running of the Riverside toilets at an estimated cost of £31,000 per year;
	+ the need to make allowance for the outcome of a job evaluation exercise for one of our posts
	+ difficulty in forecasting rental income from ‘incubator units’ (offices) on the first floor of the Civic Centre;
	+ continuing uncertainty about the service charge for occupying our offices at the Civic Centre;
	+ any proposals from Parks Committee to make provision for service improvements;
	+ the proposal to increase the twinning budget from £1,800 to £3,600 because of the 50th anniversary of Carnival in 2021 (this proposal is included in the draft budget);
	+ any items in the business plan that warrant adding specific sums into the budget;
	+ risk management – issues requiring budget provision;
	+ other – do members have any other spending proposals for which budget provision should be made?
	+ Savings - do members have any proposals for savings in the Town Council’s budget?

The biggest of these issues is, of course, the Riverside toilets. My understanding is that members do want to proceed with this proposal. It is important that members do understand the full implications, financial as well as operational, before they take that decision. The estimated annual cost comprises the following:

|  |  |
| --- | --- |
|  | £000 |
| Cleaning | 24.0 |
| Hygiene services | 4.0 |
| Water | 2.0 |
| Electricity | 0.5 |
| Other | 0.5 |
| **Total**  | **31.0** |

An increase of £31,000 per year in the Council’s budget requires, all else being equal, an increase in the precept of £4.50.

Please note that the Budget projection for the financial year 2022/23 has been provided to assist with developing budget strategy.

**5. FUNDS AND RESERVES**

Council policy is to maintain a number of funds to avoid ‘spikes’ in expenditure that distort the pattern of expenditure between financial years. The programme attached shows the 3 funds, the annual contributions to them from the budget and the forecasts of spending from those funds.

**6. DETERMINATION OF THE PRECEPT FOR 2021/22**

1. **COUNCIL TAX BASE**

The Town Council’s Council Tax base has been set by the District Council at 6,886, a slight reduction from the 6,936 in 2019/20. This means that:

* with no increase in the current charge of £39.00 the precept income to the Town Council would fall from £270,504 to £268,554; and
* a £1 increase to the Council Tax from the current charge of £39.00 to £40.00 would increase the Council’s precept income by a further £6,886.
1. **WORKING BALANCE**

Council policy has been for some years to maintain a minimum balance of £50,000. However, Finance Committee supported 12 months ago the suggestion that, because of increased volatility in some of the budget headings (especially income), the Council should, over a period of time, aim to increase this, if possible, to around £70,000. At 31st March 2020 the balances stood at £54,080 and are now forecast to be around £79,000 by 31st March 2021.

The Council does also hold three earmarked reserves and the balances on these at 31st March 2021 are forecast as follows:

|  |  |
| --- | --- |
|  | £ |
| Vehicles, mowers, equipment, computing etc. | 23,369 |
| Elections | 6,000 |
| Civic Hall maintenance | 18,790 |

1. **PRECEPT FOR 2021/22**

Members will, as always, have to strike a balance between protecting the Council’s services, both now and for the foreseeable future, and minimising the Council Tax. It is recognised that different members may strike this balance differently but the Council has to come to a decision.

Fully meeting the spending pressures referred to above, most notably taking on the Riverside toilets, in 2021/22 and subsequent years, would require an increase in the precept from £39 to £44.50 – an increase of 14.1%. This is the most straightforward way for the Council to proceed. However, it is recognised that:

* As a result, directly or indirectly, of the pandemic a lot of Stourport people are struggling financially and may well, this year particularly, feel that there should be no increase at all in the Council Tax;
* People may feel that the factors generating the increased charge do so without offering them any enhancement in the Council services they receive; and
* People may also be hostile to an increase because the services they receive have actually reduced in the last 12 months e.g. no 3 Kings Parade, no opening of the paddling pool, temporary closures of play facilities and so on.

The Council may, therefore, wish to mitigate the precept increase by using some of the balances arising from the underspend in the current year. In light of these points, the draft budget for 2021/22 attached is based on increase of £2.70 (from £39.00 to £41.70) – an increase of 6.9%. This would leave balances at 31st March 2022 at around £60,000.

If members do decide to use some of the balances to support the 2021/22 budget they need to understand that a further increase will be needed in 2022/23 because a ‘funding from balances’ approach can only be sustained short-term. The projection given for 2022/23 is based on a precept increase to £44.70 and, all else being equal, would retain balances at 31st March 2023 at around £63,000.

If members feel unable to increase the precept as high as £41.70 this time then there will need to be discussions about where we can find savings e.g. whether we really can proceed now with taking over the Riverside toilets.

Members may be interested to see how the Stourport precept in 2020-21 compared with that of other sizable town and parish councils in Worcestershire.

|  |  |  |  |
| --- | --- | --- | --- |
| **Local Authority** | **Parish Name** |  | **Band D council tax (£)**  |
| Wyre Forest | Kidderminster Town Council |  | 37.00 |
| Malvern Hills | Malvern |  | 102.46 |
| Wychavon | Evesham |  | 62.45 |
| Wychavon | Droitwich Spa |  | 45.32 |
| **Wyre Forest** | **Stourport-on-Severn** |  | **39.00** |
| Bromsgrove | Wythall |  | 27.29 |
| Wyre Forest | Bewdley |  | 50.00 |
| Wychavon | Pershore |  | 69.95 |
| Bromsgrove | Hagley |  | 57.42 |
| Bromsgrove | Catshill and North Marlbrook |  | 21.96 |
| Bromsgrove | Alvechurch |  | 55.64 |

Members are, of course, very welcome to discuss all these issues and the draft budget figures can be amended as appropriate.

**7. *RECOMMENDATIONS***

 ***It is RECOMMENDED that the Committee Recommends to Council:***

1. ***A decision in relation to burial fees and allotment rents;***
2. ***Approval of the Revised Estimates for 2020/21;***
3. ***Approval of a draft Budget for 2021/22 and the******Vehicle, Equipment and Election Programme.***
4. ***An appropriate level of precept after taking into account the draft Budget, any further budget ‘bids’ and the remainder of this report.***

I will be pleased to respond to any questions arising and help the Committee to decide on its recommendations.

Graham Shaw, January 2021