

Draft Budget Review

For budget review purposes, the Year To Date (YTD) Budget and Actuals for 2022-23 are shown to 30/09/2022 and should correspond to the figures in the latest Management Accounts.

Because of the cancellation of the Finance & Audit Committee meeting in September because of the death of Queen Elizabeth II, it should be noted that the original draft budget was prepared before the budget strategy for 2023-24 had been reviewed. This draft version was updated before the standing committees had reviewed their budget requirements for 2023-24, and therefore there will be further changes required to reflect the feedback received from committee meetings in October and November. However, general guidance requires spending committees to seek a return to a balanced budget with no deficit, in an effort to halt the ongoing depletion of Council's designated and general reserves which has occurred over the last six years. Any additional budget requirements need to be costed and relevant sources of funding identified.

Overview

The first page of the Draft Budget shows the Summarised Income & Expenditure Account (for the Town Council as a whole), with the Proposed Budget for 2023-24 in the highlighted column. Detailed breakdowns are then shown on Pages 2 to 7 for each budget section.

A summary of Reserves is included on Page 8. Members are reminded that the Reserves Policy requires the General Reserve to be maintained at a level which is at least 25% of Net Budget Expenditure. **This requirement is NOT currently being met by this version of the draft budget.**

Summary

- 1) Before detailed review by all of the spending committees, the current Draft Budget shows a **Net Deficit of £7,407** (Page 1). This relatively small deficit reflects an estimated large increase in the Precept of £46,453. This is calculated using an estimate of the increase in the Tax Base for 2023 which will not be confirmed by the District Council until December 2022. In this draft, the Annual Charge Rate Per Household has been increased by 2.5% in line with the increase applied for 2022-23 but this is not intended to be taken as a recommendation. Members should note it is substantially lower than

the RPI inflationary rate of 12.2% which has been applied to other figures within the proposed budget.

- 2) The small increase in budgeted Town Hall Commercial Management [Net] expenditure compared to 2022-23 reflects an inflationary increase of 12.2% to Town Hall Tariffs. However, the annual review of tariffs has not been undertaken and it is recommended that this is done at the next meeting of the Civic, Heritage & Events Committee to ensure a recommendation is made before the budget has to be approved by Town Council in January 2023.
- 3) The rise in Operational & Administrative Expenses includes a 5% salary increase for 2022-23 (pay award pending) as well as a further estimated 5% increase in 2023-24 (still to be confirmed).
- 4) The fall in budgeted Cemetery [Net] expenditure compared to 2022-23 reflects an inflationary increase of 12.2% to Cemetery Fees. However, the annual review of fees has not been undertaken and it is recommended that this is done at the next meeting of the Community Services Committee to ensure a recommendation is made before the budget has to be approved by Town Council in January 2023.
- 5) The fall in the 'negative' budgeted expenditure for the Tranquility Garden is based on an inflationary increase of 12.2% to fees (as per the Cemetery above) which is partially offset by a below-budget performance for 2022-23 for the year to date (next year's budget is based on current year YTD Actuals). Note – the reason this figure is negative is because the income received from fees is expected to exceed the expenditure within this budget section.
- 6) A note on Page 1 shows that the General Reserve shortfall from 2021-22, combined with the original budgeted deficit of £26,895 for 2022-23, would require further funding of **£36,995**. **Please note that this figure has NOT been included in the Proposed Budget for 2023-24.** However, if no provision is made to try to recoup this amount in next year's budget, and an actual deficit is recorded for 2022-23 when the annual accounts are finalised in May / June 2023, Council is likely to continue to be in breach of the Reserves Policy.

Detailed Review

Page 2 – Market & Christmas Festival – Market Income (and the District Council's share shown under Expenditure) is budgeted as per the market contract with an estimate of an inflationary increase from October 2023 (which will be based on RPI in August 2023).

Note that no increase has currently been applied to next year's budget for the Christmas Festival. The YTD Actuals for this year's event should be known before the budget has to be approved in January 2023 but it may be wise to apply an increase to reflect inflation. There is still a balance in the Designated Reserve but this may be needed to cover additional costs in 2022. If the Christmas Festival does exceed budget, the increase in Income from the market contract could possibly be used to cover a budget deficit in 2023.

Page 2 – Town Hall Commercial Management – Income has been budgeted to increase significantly as a result of applying an inflationary increase of 12.2% to YTD Actuals for 2022-23. Although the Town Hall tariffs are revised and recommended by the Civic, Heritage & Events Committee, the level of bookings going forward cannot be guaranteed.

Personnel Expenditure includes an estimate for outstanding pay awards for 2022-23 and 2023-24, but any increases are still to be confirmed.

PRS and Licences include an estimated increase (note the PRS & PPL licences are now affected by the number of events which take place), while Marketing, Publicity & Special Projects has been increased to reflect the possibility of increased promotion of the Town Hall as an events venue.

Page 3 – Operational & Administration – generally the proposed budget includes inflationary increases based on the current year's budget or YTD actuals. There are a number of items in this section which may require further explanation:

- The figure for Salaries, Wages & Related Costs has been reviewed by the Personnel Committee and includes an increase which is expected to cover any pay awards for 2022-23 and 2023-24.
- The Personnel Committee has also recommended that a strong Training budget is maintained, given the training requirements for new officers recruited in 2022 and potentially new councillors following the elections in May 2023.
- For Professional Fees, there is a reduction in the proposed budget compared to the current year because fees relating to the purchase of the additional cemetery land from the District Council, and subsequent costs to convert the land to burial use, have now been moved to a separate line under the Cemetery [Net]

expenditure section (see Page 5) i.e. total fees are not expected to fall in 2023-24, indeed they are expected to increase, but are going to be reported differently going forward.

- Town Hall Planned Maintenance & Repairs represent a provision to start to replenish the designated reserve to fund future works i.e. it is not planned to undertake further maintenance work of £10,000 in 2023-24, so this sum will be transferred to the designated reserve at year end if it has not been spent.
- Contingency for Inflation – this is the total for all budget lines within this section, excluding items such as Salaries, Wages and Related Costs which have been individually adjusted based on expected cost-of-living pay awards which are lower than inflation, or Heating & Lighting which has been increased more than the rate of inflation to take account of the higher costs caused by the energy crisis.

N.B. It is recommended that energy costs are reviewed again across all sections of the budget because the ending of previous long-term arrangements may see even higher increases than are currently shown in this draft.

Page 4 – Civic Expenditure

This section needs to be reviewed carefully by the Civic, Heritage & Events Committee.

- The current draft shows a relatively small increase in budget for 2023-24 compared to the current year. However, this assumes a number of items remain unchanged e.g. Mayor's Allowance, Mayor's Travelling etc. Note that only the estimated running costs of the existing civic car have been included in the budget and there is no provision for funding a replacement vehicle, which has been the subject of previous discussions by this Committee. Members are also reminded that a substantial part of the Designated Reserve for Vehicle Replacement has been used to replace one of the Open Spaces team vehicles this year and there is the possibility that the other ageing vehicle may also need to be replaced, which could potentially leave no funds in this reserve at year end.
- The budget for Receptions has been increased to reflect a budget overspend in 2022-23.

- The figure for Honoraria has been reviewed by the Personnel Committee and includes an increase which is expected to cover any pay awards for 2022-23 and 2023-24.
- There has been no change to the proposed contribution of £20,000 to the Shakespeare Birthday Celebrations. However, Members are reminded that the previous arrangement of “matched funding” from the District Council cannot be guaranteed going forward because of significant budget challenges. **Members should consider making a recommendation to Town Council about the future support given to this annual event.** A detailed breakdown of all the different budget lines relating to this event is included in the Management Accounts each month.
- A budget figure has been re-instated for Festivals & Events ... HODS (Heritage Open Days) to reflect the Committee’s previously stated desire to take part in this initiative in 2023. However, the budget figure has not been set with any specific details in mind.
- Event Security continues to be an expensive part of any civic events which require road closures, and obviously varies depending on the number of events which take place. This budget should be reviewed in line with other event funding.

Page 5 – Cemetery

- The substantial increase in budgeted fee income from £70,373 to £99,836 is based on current YTD Actuals uplifted by inflation of 12.2%. This assumes the current over-budget performance is continued over the second half of the current financial year and into 2023-24. However, Members should be mindful that fee income cannot be guaranteed and is dependent on external factors. Also, as already noted above, the annual review of fees is still to be undertaken and a recommendation made on the level of increase. The Committee has indicated that it may consider further increases to these fees, on the basis that the expenditure on Cemetery maintenance far exceeds the income from fees.
- The figure for Salaries, Wages & Related Costs has been reviewed by the Personnel Committee and includes an increase which is expected to cover any pay awards for 2022-23 and 2023-24.
- The figure for Vehicle Expenses is intended to reflect an increase in overall costs as a result of the ongoing lease costs of the new

cemetery vehicle acquired earlier this year, and does not include a provision for replacing the other ageing cemetery vehicle which is becoming more unreliable.

- Many of the other figures within this section are based on the current year's budget and may require further detailed review.
- Cemetery Land Extension Fees includes a ballpark estimate of making a provision of £10,000 per annum over 10 years, but work on this project is ongoing and costs may well change as the full scope and details are confirmed. The latest ballpark figure has increased to £150,000 which would suggest this annual provision is increased by a further £5,000 per annum, which would add to the budget deficit.

Note the Cemetery Land & Buildings Designated Reserve is already assigned for use to purchase land to extend the Cemetery. Further use of reserves may be required to fund additional fees and costs in relation to this project if these are incurred in the current financial year, or if further fees are subsequently required in 2023-24 which exceed any budget provision based on ballpark estimates. Timing of the completion of the purchase of the land from the District Council is not yet confirmed, so no adjustment has been made to the current year's budget or the adjustment to the designated reserve which will need to be made once the funds have been used.

Page 5 – Holy Trinity Churchyard & Garden of Remembrance – no expenditure is reported so far this year, but the budget provision is typically required at some point during the financial year, typically for tree work.

Page 6 – Tranquility Garden – Fees continue to fall below budget in 2022-23, and the proposed budget figure for next year has consequently been reduced, although it reflects an inflationary increase which is still to be formally reviewed and recommended. Overall, there is a Net Deficit in Expenditure i.e. more Income is expected to be received than Expenditure incurred. Based on previous years, it is expected that Fees received throughout the financial year will more than offset any expenditure reported here.

Page 6 – Allotments – Park Road – Nothing of significance to report. Any unexpected costs in 2022-23 are expected to be covered by the designated reserve, if necessary. Members should note that no budget increase has been applied to the “peppercorn” rents that are currently charged for licence agreements and this should be subject to annual review before the final budget is approved. In the grand scheme of

things, this will not make a significant difference to the overall budget deficit.

Page 7 – Hatton Rock – this budget has assumed that a new lease will be agreed at the same rates as the agreement which expired on 31 August 2022. Negotiations are still to take place and possible alternatives are being sought. Members are reminded that approximately half of the expenditure on this facility are recharged to the Shakespeare Birthday Celebrations “pot” as much of the space is used for storage of equipment relating to this event.

Page 7 – Initiatives, Projects and Grants

- In this version of the Draft Budget, the funding provision for Initiatives & Special Projects over £20K has been held at the budget level agreed for 2022-23 i.e. £25,000 each for Christmas Lights, Stratford in Bloom and the Fred Winter Centre. However, the funding applications for 2023-24 were debated by the Community Services Committee at their meeting on October and Members agreed they would like to support the higher levels of funding requested if further funds can be found during budget deliberations. **As things stand, this would require expenditure cuts elsewhere in the budget or additional income sources to be identified to cover the further payment of £5,000 for Christmas Lights and £7,500 for Stratford in Bloom. For reference, based on the figures in the current draft budget, this would require a further 2% increase in the Precept.**
- There has been no change to the budget for Newsletters / Quality Status but it is possible that the funding provision could be reduced if YTD Actuals for 2022-23 remain lower than expected and the number of printed copies of Council publications is lowered as a result of continued use of electronic / online information provision via the Council’s website and via social media.
- In 2022-23, there has been an increase in the requests being received bins for bins which are funded from the budget line Bus Shelters/Dog Hygiene/Litter/Cycle Racks. There is a current year deficit which will need to be funded by a Budget Virement from the Street Furniture Designated Reserve, currently held at £5,000. As yet, the budget figure for 2023-24 has not been increased to reflect increased costs, and any additional expenditure in 2023-24 would need to continue to be covered by the designated reserve.

- If Members are aware of any other initiatives which may require funding in 2023-24, it would be very helpful to make sure they are included in the budget rather than left to a later date, as this would then require further use of reserves. There may be potential for using CIL funds to finance some new initiatives and projects in the next financial year, but this would be for the full Town Council to determine.

Page 8 – Reserves

These details are included for reference only. However, Members are asked to note that following:

- the Cemetery Land & Building Maint. Reserve will be reduced if the purchase of the land from the District Council is completed before 31 March 2023 and/or further professional fees are incurred in the current financial year
- the figure for the Christmas Festival Reserve may reduce depending on the costs of the event in December 2022
- the figure for the Events Reserve may reduce if a budget virement is recommended to use part of this reserve to cover the deficit for Receptions in 2022-23
- as already reported above, the Vehicle Replacement Reserve may well be fully used on replacing Open Spaces team vehicles in 2022-23
- the use of Community Infrastructure Levy (CIL) funds needs to be approved by full Council
- the General Reserve is currently forecast to be reduced by a smaller amount than originally budgeted, based on a forecast Surplus of £4,846 as per the Management Accounts up to 30 September 2022 (compared to a YTD Budget Deficit of £13,605). However, substantial expenditure will be incurred in the second half of the financial year and there is no certainty that the budget deficit will be avoided once the full year's accounts are completed.
- further details of the “pots” of funds held by the Town Council for the Town Centre Strategic Partnership (TCSP), Shakespeare's Statue and Shakespeare Birthday Celebrations (SBC) are included in the monthly Management Accounts.

Please ask for more information if you have any queries.

Responsible Financial Officer
October 2022