

## ABINGDON TOWN COUNCIL

<b>Report to</b>	<b>FINANCE, GOVERNANCE AND ASSET MANAGEMENT COMMITTEE</b>
<b>Meeting date</b>	<b>18 January 2022</b>
<b>Report author</b>	<b>Deputy Town Clerk / RFO</b>
<b>Agenda item</b>	<b>9</b>

### 2022-23 Estimates

#### 1. Purpose of the Report

- (i) To present the projected outturn against the current year budget
- (ii) To consider fees and charges for council services for 2022-23
- (iii) To consider member allowances for 2022-23
- (iv) To consider the budget requirement for 2022-23 and funding options.

#### 2. Summary

##### 2.1 Projected outturn 2021-22

When the current year budget was set last year, the council resolved that this would be funded by way of a precept (council tax) of £1,737,703 and use of £61,676 from the council's general reserve. The budget allowed for some expected expenditure relating to the covid pandemic, but this was difficult to quantify at the time of budget setting. £85,000 was included in the budget for this purpose, but your officers have estimated that a maximum of £20,000 will be spent by the year end. The net impact is that the planned use of £61,676 from the general reserve will not be required. Further details are provided in section 6.1 of this report.

##### 2.2 Fees and charges for 2022-23

It is a legal requirement for fees and charges to be reviewed annually by the council. This committee is required to make a recommendation to be considered at the next council meeting held on 26 January 2022. See section 6.4 of this report.

##### 2.3 Members' allowances for 2022-23

This committee is required to make a recommendation to council regarding the basic member allowance, travel and subsistence, and the mayoral allowance. See section 6.5 of this report.

##### 2.4 2022-23 budget requirement

This committee is required to make a recommendation to council regarding the net expenditure estimate for 2022-23. See section 6.10 of this report.

2.5 Funding of 2022-23 budget

This committee is required to make a recommendation on how the 2022-23 net expenditure budget shall be funded, e.g., precept, use of earmarked reserves, use of general fund. See section 6.15 of this report.

3. Action required

The committee is requested to

- (i) **note** the year end projections for 2021-22
- (ii) **recommend** to council any changes to fees and charges
- (iii) **recommend** to council any changes to members' allowances for 2022-23
- (iv) **recommend** to council a net expenditure budget for 2022-23, together with proposed funding arrangements.

4. Link to strategic plan and objectives

Key Objective 3: To manage the Council's assets efficiently and effectively to meet the needs of the community now and in the future.

5. Background

The Council considers its net expenditure requirement and precept demand annually in January. Committee meetings which took place in Autumn 2021 informed members of the process. Spending committees have received draft estimates and have made a recommendation, through this committee to the council.

6. Key information and options

6.1 Projected outturn 2021-22

Your officers have reviewed expected spend for the remaining period of the financial year and have estimated the following outturn compared to budget:

	Budget 2021-23	Projected outturn 2021-23	Variance
Expenditure	£2,154,188	£2,036,366	£117,822 underspend
Income (excl. precept)	(£354,809)	(£307,238)	(£47,571) less
<b>Net expenditure</b>	<b>£1,799,379</b>	<b>£1,729,128</b>	<b>£70,251 underspend</b>
<b>Funded by:</b>			
Precept income	£1,737,703	£1,737,703	
Use of general reserve	£61,676	£0	(£61,676) less
Total funding	£1,799,379	£1,737,703	

6.2 There is a difference between projected net expenditure (£1,729,128) and precept (£1,737,703) of £8k. This will be transferred to the general reserve at year end.

- 6.3 [APPENDIX A](#) provides a full breakdown by cost centre of all projections against budget. The table below lists those cost centres where there is a projected variance exceeding 20% or £10k of budget:

Service	Budget	Projected outturn	Variance	Explanation
Museum (101 & 102)	£231,821	£217,659	£14k underspend	£19k underspend on salaries due to café manager post removed, offset by £5k less income due to museum closed part of year
Space for Change (370)	£3,000	£16,000	£15k overspend	Costs higher than budgeted for – cleaning and security / unlocking daily
Covid emergency (407)	£85,000	£20,000	£65k underspend	Less requirement than allowed for in budget
Capital purchases (499)	£152,359	£167,166	£14k overspend	Additional depreciation costs due to vehicle purchases during the year, not budgeted for
Neighbourhood Plan (605)	£50,000	£22,500	£27k underspend	Progress delayed due to pandemic

6.4 Fees and charges 2022-23

Members are reminded that fees and charges were not increased last year. This was to reflect the financial pressures faced by residents and market stall holders due to the covid pandemic. The council's own costs have continued to increase and so your officers recommended that a small inflationary increase is considered. The impact of a 2% increase, rounded to nearest sensible unit is shown in [APPENDIX B](#) together with the current fees and charges.

6.5 Member's allowances

The council's current policy is for members to be awarded an allowance equal to 20% of the basic allowance of the district council. For the current year, the town council allowance is £1,027.20 (20% of £5,186). Based on 19 councillors, this equates to an expenditure budget of £19,707<sup>1</sup>, although it should be noted that not all councillors claim this allowance. On 11 January 2022, we received the independent remuneration panel's report in relation to parish allowances. The report was December 2020, with its recommendations with effect from 1 April 2021. The recommendation is that the basic allowance of parish councillors be set at 5% of the district council's basic allowance.

- 6.6 The district council considered its allowance scheme at a council meeting held on 6 October 2021. A report was issued by the Joint Independent Remuneration Panel and

<sup>1</sup> Actual 2021-22 budget is £19,512 as budget was set prior to confirmation from district council

the district council resolved to accept the recommendation by the panel to increase their basic allowance to £5,585.

6.7 Following the current policy of 20%, this implies a town council member's allowance of £1,117. This would mean an increase of £89.80 per year (8.75%). The overall budget requirement would be £21,223, an increase of £1,711. This has not been included within the budget estimates but is not material.

6.8 Travel and subsistence

As in previous years, members can claim travel expenses for any travel incurred outside the parish for council business. Any such claims should be made to the Town Clerk. It is recommended that rates should continue to reflect the national HMRC rates.

6.9 Mayoral allowance

The current mayoral allowance is £3,500 with a local arrangement for £500 to be given to the deputy mayor. Previously the allowance had been £3,270 for 2019-20 and was increased to £3,500 for 2020-21 and remained at this level for 2021-22.

6.10 Budget estimates 2022-23

As previously circulated to members via SharePoint, [APPENDIX C](#) provides an initial draft budget for members to consider. The draft budget is based on existing services continuing in their current capacity, together with any new initiatives agreed in the council's Forward Plan.

6.11 A draft budget has been presented to the three other spending committees and the following recommendations were agreed:

Community Services Advisory Committee 20 December 2021	£222,165
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Environment and Amenities Advisory Committee 1 January 2022 (Of which £60,000, included for increased play equipment budget, to be funded from grants obtained and CIL monies)	£227,679
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Town Infrastructure Advisory Committee 13 Jan 2022 Office recommendation. It is expected this may increase following discussions at the meeting in relation to contribution to CCTV	£95,550
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Since the meeting of the Community Services Advisory Committee, some further savings have been identified. These are:

(i) inclusion of sponsorship income for Platinum Jubilee events	(£1,500)
(ii) Reduction in net fair costs to make fairs cost neutral	(£2,386)

These amendments have been included in APPENDIX C which the committee is required to consider.

6.12 The budget has been calculated using the following parameters:

- any inflationary increases limited to 2.9%
- anticipated national pay award of 2% across all grades

- 6.13 There are a number of lines within the budget which require member input. The committee is requested to consider each in turn and make a recommendation.

**Covid response:** a budget of £85,000 was set for 2021-22, with the projected outturn stated as £20,000. No budget has yet been included in the 2022-23 estimates at APPENDICES C and D.

**GH maintenance programme:** a budget of £200,000 was set for 2021-22 .The projected spend in year is £120,000. It is recommended that the underspend of £80,000 is transferred into an earmarked reserve and the budget for 2022-23 is reduced to £120,000. An alternative approach would be to “lose” this year’s underspend into the general reserve. Your officers believe that the general reserve balance is sufficient, and this is not required. The suggested budget of £120,000 is included in APPENDIX C.

**Grants** Base budget grants are currently awarded to six recipients within the town<sup>2</sup>, and these have been included at the same levels as in the current year. Members may wish to consider these grants, together with any additional grants they may wish to award. APPENDIX C also contains a community grant fund of £20,000 (same as current year) from which smaller grants can be awarded during the year.

- 6.14 [APPENDIX D](#) provides a more detailed breakdown of the budget lines which fall directly within the responsibility of this committee. It is recommended that a net expenditure of £1,265,805 be included within the council’s estimates for those areas under this committee.

- 6.15 Based on the recommendations and suggested amendments stated at paragraph 6.11, and the officer recommendation above, the initial draft budget contained within APPENDIX C would mean a net expenditure requirement of £1,807,313<sup>3</sup> (2021-22 current year is £1,799,399).

- 6.15 Funding options

The budget can be funded by a combination of four sources:

- (i) precept (council tax)
- (ii) use of general reserve
- (iii) draw down from earmarked reserves, usually for specific projects
- (iv) use of CIL monies, subject to criteria being met.

The next sections explain each funding stream.

- 6.16 The precept

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<sup>2</sup> C.A.B. £18,100, TAB £5,300, Albert Memorial £800, Christ’s Hospital (Albert Park) £4,100, Abingdon Carousel £30,000, Be Free Young Carers £7,000

<sup>3</sup> This does not include any anticipated changes recommended by the Environment and Amenities Committee

The precept is income received into two half-yearly instalments. It is collected via council tax by the district council. At present there are no legal limits on the level of precept a town council can decide it requires (the precept demand) and the council is guaranteed it will receive the full amount as the collectability risks and bad debt are borne by the district council. As a tool to compare against previous years and other authorities, the precept is used to generate the band D council tax amount. This is the average (middle band) amount of council tax charged to a resident which relates to the town council. Band D is calculated as dividing the precept by the number of households liable to be charged council tax (the council tax base). The council tax base is determined by the district council annually and the town council have no ability to amend this. Any advantages from the council tax base increasing through the year (and so more council tax is collected) are retained by the district council. Whilst this may seem unfair, especially in times where there is significant house building in the parish, it is offset by the uncollected amounts of council tax which the district council faces.

- 6.17 The district council has issued its draft council tax bases for 2022-23 and the base for Abingdon parish is 12,384.50 (last year was 12,359.20). This means that for every £12,384 the council requests in its precept demand, each council tax paying household would pay £1. The table below shows the income generated by example increases to the council tax:

Current band D £140.60	Generates £1,741,313 of income
40p rise: Increased to £141.00	Additional £4,954 of income
£1 rise: increased to £141.60	Additional £12,385 of income
50p per month increase of £6 rise to £146.60	Additional £74,307 income

- 6.18 Due to the low value of band D council tax it is not always useful to explain any increase as a percentage as a small monetary increase is represented by a larger percentage.

6.19 Use of general reserve

The general reserve currently has a balance of £577,711. This is made up of budget underspends over time, which were not transferred to an earmarked reserve for any particular purpose. The recommendation from our auditors is that councils maintain a usable balance equal to at least 3 months net expenditure. The current year's net expenditure budget is £1,799,379 (precept plus planned use of reserve), meaning that three months' worth of expenditure is equal to £449,844. To retain an appropriate balance members could consider using up to £127,000. However, members are reminded that the general reserve would only be increased if future years result in budget underspends. This is unlikely, given the pressures on the council, and so care should be taken when using up reserves which cannot be replaced easily.

6.20 Earmarked reserves

As well as the general reserve, the council holds £1,602,789 in earmarked reserves. A list is provided at [APPENDIX E](#). Members are requested to review the list and consider whether any proposed projects or areas of spending could be funded from these reserves. Members should also consider whether any earmarked reserves are no longer required, meaning the funds could be released back to the general fund.

6.21 CIL monies

The council currently has £173,913 of CIL monies. This can be used to fund specific improvements to infrastructure, including play areas, road speed initiatives and footpaths.

6.22 Funding recommendation

Based on committee recommendations, members are requested to consider the following funding:

Net expenditure requirement	£1,807,313
Precept	£1,747,313
Use of CIL monies	<u>£ 60,000</u> (play areas)
	<u>£1,807,313</u>

6.23 Based on a precept of £1,747,313 and a council tax base of 12,384.50, this would mean a band D council tax of £141.09. This would be an annual increase of £0.49 per household.

7. **Climate change / green implications**

Budgets included within the Environment and Amenities Committee draft estimates cover the council's climate emergency projects. No other implications.

8. **Financial / budget implications**

As per the full report and appendices.

9. **HR implications**

The costings included in these draft estimates are based on the existing staffing structure. An additional budget of £35,000 has also been included. A business case to support this expenditure will be presented to the personnel sub-committee in due course.

10. **Supporting papers and appendices**

[APPENDIX A](#): Projected outturn for 2021-22

[APPENDIX B](#): Proposed Fees and Charges 2022-23

[APPENDIX C](#): Budget estimates 2022-23

[APPENDIX D](#): Budget estimates FGAM Committee 2022-23

[APPENDIX E](#): Reserve balances

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13 January 2022