

Final report of the 2022-23 Budget Working Party 14th January 2022

Recommendation

The budget working party recommends that the Council adopt the budget for the financial year 2022/2023 summarised in this paper and set out in detail in the attached Excel Budget file, including planned expenditure of £575,132 and precept of £370,937. To fund this budget the Budget Working Party recommends that the Council set the precept for the 2022/23 financial year at £47.90 per band D property, which is essentially unchanged from the current year.

Introduction

Every financial year Haslemere Town Council must set a budget for the coming financial year. The Budget Working Party (BWP) is happy to recommend the budget and associated precept set out in this report and the attached Excel file.

For the 2022/23 financial year the proposed budget is £575,132. As discussed below, the budget breaks broadly into core and non-core expenditure. The core expenditure covers the day to day running of the council, the non-core expenditure covers grants and special projects.

Core expenditure

The proposed budget for core expenditure is £333,132 in total. This is an increase of £23,255 or 7.5% over the previous financial year. The BWP has reviewed the suggested core expenditure in detail and is satisfied that it is reasonable.

As always, there are increases and decreases across the board, which largely cancel out. The relatively large percentage increase in headline expenditure is almost entirely explained by three items classified as capital expenditure, which together make up £17,500 or 5.6% of the total increase:

- Planned play equipment replacement makes up £7,500. This is carried out on a rolling schedule and will be funded from reserves built up in prior years rather than the precept. The precise details are yet to be finalised and so this is an estimate.
- A scheduled increase in our provisions for the PWLB sinking fund makes up £2,500. This was reviewed in some detail by the Council and agreed last year, and is intended to keep the sinking fund payments broadly level in real terms.
- The initial payment on the proposed new PWLB loan to part-fund the building of the planned public toilets makes up £7,500. This is contingent upon the project proceeding and upon the final cost and funding structure but is expected to become a permanent feature of the budget. It is discussed in more detail later.

The remaining increase is £5,755 or 1.9%. This is a truer picture of the year-on-year increase in costs and compares well to a headline inflation rate over 2021 of 5.1%.

Non-core expenditure

Non-core expenditure comes under two headings: grants made by the council to support local organisations, and special projects. The total planned non-core expenditure for the financial year is £242,000. This is a significant increase, of £147,500 or 156%, from the previous budget. It therefore deserves some consideration.

For many years the Council has made revenue grants to support the local Citizen's Advice Bureau, the Hoppa bus service, and the Place to Be youth club. These continue unchanged at £22,500 in total. The Council also allocates funds to the Small Grants committee to give out as small grants or as climate specific grants. For the last two years these allocations have been £10,000 each, and these are also planned to continue unchanged.

The total budget for grants is therefore £42,500, which compares to £72,000 in the last budget, and £41,520 in the preceding budget. The difference year on year is entirely explained by three one-off Covid support grants made to local organisations in 2021-22, which were not planned to be permanent and are not repeated in this budget.

The largest year on year change, an increase of £177,500, is in the Special Projects category. This category is by its nature very volatile and therefore year on year comparisons are not particularly useful. However, the great majority of this – £155,000 – is in respect of the proposed new public toilets. These are considered separately below as they have an impact on multiple facets of the budget.

The remaining special projects give rise to a budget of £44,500. This compares to £22,000 for 21/22 and £36,425 for the previous year, and does not strike the BWP as out of line. The main reason for the increase is a methodological one. In prior years a budget was only set for special projects that had been fully agreed by Council before the January Council meeting. This struck the BWP as somewhat arbitrary and so the BWP suggests setting aside a reserve of £7,500 to (partially) cover projects of which we are aware, but which have not yet been through the full approval process, so that these potential costs are transparent.

Proposed new public toilets

There is a well-supported proposal to build a new public lavatory next year. While the costs are not yet finalised, we believe that a budget allowance of £155,000 would be appropriate at this stage. This allows for £5,000 of costs already identified to develop the plans for the project and £150,000 as a prudent estimate of the future development cost based upon the details available to date.

Due the accounting approach required of local government the full cost of this development is included in the 2022/23 budget. However, this does not mean that the cost will be entirely funded by income raised during that period. Following discussions with the Full Council the BWP's approach has been to assume that this would be met in the first instance from Reserves and CIL contributions, with any additional amounts financed by a loan from the PWLB, the repayment and interest on which would become a future budget item. This last item (repayments and interest) would be the only one with an impact on the precept.

As part of this we have carried out a review of existing reserves, both ear-marked and general, that could be released to help fund the development. We have also assumed that should there be further CIL available in 2022/23 some portion of it would be allocated to funding this project. The breakdown we have assumed is set out below:

Source of funds	Amount £000
Excess earmarked reserves	18.5
General reserves	20.0
CIL agreed in 2021/22	30.0
CIL expected in 2022/23	10.0
New PWLB loan	76.5
Total	155.0

Clearly this is only an estimate, and the actual cost and sources of fund will be different. We have estimated the ongoing annual cost of interest and capital repayments on the loan above as £7,500 per annum and included the first payment in this budget. Again, the actual quantum and timing will depend upon the cost and pace of the development – it is clearly prudent to assume that a full year’s interest will be incurred.

Sources of funds

The funds to meet the expenditure set out in the budget come from a variety of sources. These include releases of existing reserves, the annual precept, a new PWLB loan, and a variety of miscellaneous sources. A detailed breakdown is given in the budget spreadsheet and a high-level summary is set out below.

Source of funds	Amount £000
Precept	370.9
Budgeted use of reserves	72.5
CIL funds	40.0
Miscellaneous income	15.2
New PWLB loan	76.5
Total	575.1

In practice the Precept is the balancing item that matches income to expenditure. The budgeted use of reserves covers those released to fund the public toilets as well as other specific items. This includes a release of £8,500 of unused climate change grants as agreed at the last full council meeting. Miscellaneous income covers a multitude of relatively small items such as interest, rent for allotments and so on, and expected donations.

Precept

The proposed precept of £370.9 thousand equates to a cost per band D property of £47.90. This is a 0.36% increase over the year, or 17 pence per property, so for all practical purposes the precept per property is unchanged.