

STRATFORD-UPON-AVON TOWN COUNCIL

TOWN COUNCIL MEETING

30 JANUARY 2024

2024-25 BUDGET & PRECEPT REPORT

1. 2024-25 Income & Expenditure Budget and Precept - RFO

- **To agree the proposed 2024-25 Final Draft Budget;**
- **To set the Precept**

At the Town Council Meeting on 30 January 2024, the Council needs to determine its precept requirement for the fiscal year beginning 1 April 2024.

As was the case for the last few years, the budget for 2024-25 has been prepared in challenging circumstances, with Council's income and expenditure in the current fiscal year still affected by inflation, energy price increases and the cost-of-living crisis making it harder to predict the financial implications for the forthcoming year.

It is hoped that the new fiscal year will continue to see an upturn in activity for the Town Council with increased bookings at the Town Hall following increased publicity. This, combined with the fee increases for the Town Hall Hire, Cemetery and Tranquility Garden Fees should aid in offsetting increased operational costs. However, caution is still advised in setting the budgeted income for these areas as they are booking dependent. The only guaranteed income for the Town Council is the precept.

Each spending committee was again asked to review their spending requirements for 2024-25 and to consider any changes to designated reserve requirements. The budget strategy recommended by the Finance & Audit Committee in September concentrated on setting the correct level of precept to meet requirements (i.e. to ensure a balanced budget or a small surplus), ensuring good communication with residents on how the precept is spent as well as on the events/projects funded by it and improvements to them. It also had a focus on each committee having a vision of their aims for the 2024-25 year and to carefully consider expenditure when requesting their budgeted amount, based on real costings data provided.

A balanced budget would reduce the draw on reserves which has seen Council's total reserves fall from £900,250 at the end of fiscal year 2015-16 to £489,480 at the end of 2022-23 and a current forecast (December 2023 management accounts) of £460,299 at the end of the current fiscal year 2023-24. However, this includes restricted reserves such as Community Infrastructure Levy (CIL) funds that can only be spent on specific infrastructure items, and pots held by the Town Council for other groups or joint initiatives – they cannot be touched for any other purpose. Excluding these amounts leaves the total reserves forecast at £215,278.

Current budget figures are based on YTD expenditure, plus inflation and/or any known changes or considerations. Since the First Draft which showed a potential deficit of over £100,000, the budget for 2024-25 has gone through a number of reviews and iterations. The Second Draft was published in January 2024 and reviewed by the Finance & Audit Committee at their meeting on 16 January 2024 with further changes to follow. Recommended changes for the Third (and subsequent Fourth) Draft have seen the budget deficit reduced to £45,307 (see below), however £30,000 of that deficit will be covered by CIL money for a Cemetery infrastructure project. This forms part of the deficit as the CIL money has already been received in the current fiscal year, so there is no 2024-25 income figure to balance the expenditure. This is shown in the budget document in the cells below the deficit figure. £15,307 is what would be used of Town Council's general reserve to fund this budget deficit. There has been much discussion throughout the year on how continued budget deficits are unsustainable for the Town Council and must be carefully reviewed by Councillors.

The Management Accounts for December 2023 indicate gross expenditure in 2023-24 may not reach the levels budgeted and, coupled with increased income from Town Hall hire and Community Infrastructure Levy receipts of over £90,000 which were not budgeted for, the latest forecast suggests there may be a surplus of just over £73,000. However, this surplus takes into account CIL receipts for 2023-24, and so excluding those leaves a forecast deficit of just under £20,000. This is an improvement on the budgeted deficit of £79,945 but still a loss.

If there is a turnaround of events, a surplus at year end could result in an increase in the General Reserve at the end of the current fiscal year, rather than a reduction which was envisaged when the current budget was approved in January 2023. Any difference between the actual surplus (or deficit) reported at year end compared to the adjusted budget deficit could result in fewer reserves being withdrawn. There will be a reduction in

some designated reserves to fund some of the current year's expenditure, but overall, the designated reserves are expected to increase, primarily because the Community Infrastructure Levy Reserve will increase by over £90,000 to over £160,000.

Note that the recommended draft budget for 2024-25 makes some allowance for replenishing or increasing some designated reserves, with £10,000 proposed for the Building Maintenance Reserve and £15,000 for the Cemetery Land & Building Maintenance Reserve to start to build up funds for the project to extend the burial land at the Cemetery.

The Fourth Draft Budget for the Financial Year 2024-25, attached as **Appendix 'A'**, follows changes recommended by the Finance & Audit Committee on 16 January 2024. These changes included a proposal for an increase in the Rate Charge which is below inflation over the last number of years. However, the final decision on the rate charge is to be debated and agreed at the Town Council meeting on 30 January 2024, where three options will be put forward (see below). **Appendix 'B'** shows the precept scenarios. It was agreed that any increase needs to be a balance of what is right for the residents and for the Town Council.

Since the previous Finance & Audit Committee meeting in November 2023, various changes had been made which included confirmation of the Tax Base by the District Council. Some budget figures based on current Year To Date (YTD) Actuals were also affected using updated figures from the latest Management Accounts to 31 December 2023. The Committee was asked at the meeting in January to review the latest amendments in order to finalise the proposed budget for recommendation to Council.

It was noted in the meeting that any tax base increase below inflation would mean a reduction in expenditure capabilities going forward, which would impact the Town Council's ability to fund projects and initiatives. It was also discussed that the Town Council is out of alignment with the reserves policy and general reserves need to be replenished following several years of deficit. The current draft budget shows a shortfall of over £65,000 from the reserves policy for 2024-25, and December 2023's management accounts showing £41,385 for 2023-24. Discussion was had on how to maximise the potential of Town Hall hire to generate further income.

Budgeted Gross Expenditure for 2024-25 has seen an increase of nearly £44,000 compared to 2023-24, with £30,000 of that being the Cemetery infrastructure project covered by CIL, while Budgeted Gross Income

(excluding the Precept) has only increased by ~£5,500, which has contributed to the Budget Deficit for 2024-25.

The precept amount of £625,242 reported in the Fourth Draft Budget is based on a Tax Base of 14,232.69 confirmed by the District Council in December 2023, and a Rate Charge per Household (Band D) of £43.93, which is a £2.05 increase (4.9%) on the rate for 2023-24. The tax base has increased by 330.15 and will result in an increase in the total Precept amount received by the Town Council, regardless of the percentage increase in the Rate Charge. When adjusted by the increase in the Rate Charge, the Precept in the Fourth Draft Budget shows an increase of £29,207.19 in 2024-25, however this is not the final agreed figure. As mentioned above, three options will be presented at Town Council for debate. Since the Finance meeting on 16 January 2024 further budget items have been presented to the Town Clerk and RFO for inclusion/amendment, and so the Final Draft Budget will be agreed at the Council meeting on 30 January 2024.

The Town Clerk and RFO have advised Council that the tax base would need to increase by £9 per Band D property (21%) in order for the Town Council to balance the proposed budget, deliver the desired plan for 2024-25, and bring the general reserves back in line with the reserves policy.

After some debate, the following recommendations were minuted:

Final Draft Budget for 2024-25

It was Proposed, Seconded and unanimously

RECOMMENDED: That, subject to further amendments received, the Fourth Draft Budget using the figures reported in the Second Draft should be presented and recommended to Council at the meeting on 30 January 2024.

Precept Requirement for 2024-25

It was further Proposed, Seconded and unanimously

RECOMMENDED: That three options be presented to Council for debate and agreement at the Council meeting on 30 January 2024. These options are a 4.9% (£2.05), 6.5% (£2.72) or 9.5%

(£3.98) increase in the rate charge per Band D property.

Council must sign off or amend the budget at the meeting on 30 January 2024 in order to submit the precept requirement to the District Council. The District Council has agreed to extend their deadline of 26 January to 31 January 2024 because of the date of the Town Council's meeting.

Responsible Financial Officer
24 January 2024