

## **Budget Report 2013/14**

This report provides a commentary on the revenue budgets for 2013/14, together with planned capital expenditure and contributions to reserves and balances. These are set out line by line in the Draft Estimates Book, together with future projections until March 2016. A summary page has been provided with the papers circulated for agenda item 6, which also include income and expenditure accounts for 2012/13 and each of the next three financial years.

The Finance and Performance Management Committee reviewed the draft estimates in detail at its meeting on 12<sup>th</sup> December 2012 and recommended their approval to the Full Council. The following report has been updated since that meeting and assesses the Council's position in respect of planned income and expenditure, identifying future possible savings. The final sections address the setting of the precept, contributions to reserves and financing of the capital programme and approval of applications for grants and donations.

### **Context and Assumptions Underlying Budget Setting**

For the third year running there is considerable pressure from central government for all precepting authorities to deliver a Council Tax freeze for 2013/14. In order to achieve this, principal authorities will once again receive a grant equivalent to a 2.5 per cent increase in their council-tax income, but town and parish councils will receive no such contribution.

The government has not extended regulations in respect of referendums on excessive council tax rises to town and parish councils for 2013/14, but it is recognised that this is likely to be in place for future years. This will potentially mean that the Town Council would have to hold a referendum on any proposed precept increase above 2 per cent.

Although the rate of inflation has reduced significantly over the last year, the Town Council's costs will remain under inflationary pressure during the coming financial year, the main sources of which are summarised below:

Inflation – RPI (Dec 12)	3.1%
Rates	3% increase
Water	3% increase

Whilst energy bills are set to increase, the Town Council are likely to be insulated from the worst of these changes due to purchasing through the LASER energy buying group with prices held until 30<sup>th</sup> September 2013.

### **Summary of 2012/13 Financial Year to date**

At budget setting 2012/13 the Council Tax precept was increased by 2.5 per cent generating an additional £14,000. Average bills increased marginally more than that due to a smaller tax base. In the previous financial year the precept increased by 3.1 per cent, although household bills were frozen due to an increase in the tax base.

Significant savings have been made in the last two financial years due to reduced staffing levels, lower insurance costs and audit fees, a reduction in car parking security, and health and safety advisory services. Further savings are proving harder to identify. Deferred recruitment to vacant posts has made a significant contribution to reduced costs in recent years and will again lead to an estimated £60,000 saving against budgeted expenditure for 2012/13. It is, however, anticipated that appointments will be made near to the end of the financial year.

As part of negotiations in respect of a new lease for the station buildings Swanage Railway has agreed to take responsibility for the water supply to the station toilets, which will save approximately £7,000 per annum. Other potential savings identified at budget setting 2012/13 will not be realised during the current financial year. These are discussed below.

The Town Council entered the 2012/13 financial year with a surplus general fund balance of £390,100. A net operating surplus of £281,275 is projected for the current financial year, £263,500 of which will either be appropriated to earmarked reserves or go directly towards financing capital expenditure. This will result in a sum of £17,775 being added to the General Fund, resulting in an estimated balance at 31<sup>st</sup> March 2013 of £407,875. This sum is in-line with the Council's risk assessment and means that Council will enter 2013/14 in a strong financial position.

### **Income Analysis**

The following table summarises the Council's greatest sources of income during the last three full financial years, together with the probable out-turn for 2012/13 and the draft budget estimate for 2013/14. These headings, together with the precept, account for approximately 85 per cent of Council income. Excluding precept, these are projected to have declined by 9.0 per cent over the past year, although an increase of 3.1 per cent is projected during 2013/14.

<b>Budgeted Sources of Income in excess of £5,000</b>	<b>09/10 Actual</b>	<b>10/11 Actual</b>	<b>11/12 Actual</b>	<b>12/13 Probable Out-turn</b>	<b>13/14 Estimate</b>
Car Parking (includes Co-Op net income; excludes market income)	555,834	571,217	582,638	<b>518,255</b>	547,320
Investment Income	99,850	174,260	194,783	<b>158,750</b>	155,000
Beach Bungalow Rents	68,828	68,810	70,635	<b>73,234</b>	75,430
Boat Park	37,903	37,572	42,453	<b>39,660</b>	40,850
Wilts & Dorset Rent	37,250	37,250	37,250	<b>38,250</b>	38,250
Ice Cream Kiosks	33,155	33,155	34,950	<b>34,950</b>	34,950
Cemetery Charges	24,086	30,130	33,928	<b>33,585</b>	33,000
Sea Breeze Restaurant	33,000	33,000	33,000	<b>33,500</b>	33,500
Holiday Park Rental	13,336	30,000	30,000	<b>30,000</b>	30,000
Railway Rent and Store Room	14,425	14,425	14,425	<b>20,000</b>	20,000

Santa Fe and Games Room Rent	18,000	18,000	18,000	<b>19,500</b>	19,500
Putting Fees	20,406	17,891	19,085	<b>15,855</b>	16,330
Private Beach Hut Sites	14,267	14,632	14,700	<b>15,165</b>	15,620
Heritage Toilets	13,236	12,043	9,599	<b>10,520</b>	10,500
DCC Lengthsman Contribution	0	0	6,000	<b>10,000</b>	10,000
Beach Concessions	9,025	9,155	9,155	<b>9,300</b>	9,300
TIC Advertising Boards	9,208	9,225	8,150	<b>8,620</b>	8,880
Fishermen's Huts	8,144	7,573	8,048	<b>8,075</b>	8,100
Market Income	17,431	28,743	24,588	<b>8,000</b>	12,000
Bowls Fees	10,137	9,763	10,635	<b>7,515</b>	7,750
Allotment Rents	6,207	6,506	6,966	<b>7,205</b>	7,420
Tennis Fees	6,211	7,771	6,097	<b>5,625</b>	5,750
	<u>1,049,939</u>	<u>1,171,121</u>	<u>1,215,040</u>	<u><b>1,105,564</b></u>	<u>1,139,450</u>

At the Transport Committee Meeting held on 13<sup>th</sup> November 2012 it was again acknowledged that there is little scope for increasing **car parking charges** as a means of generating additional revenue. Visitor numbers were down by 11 per cent between April and October 2012 compared with the previous year. Other attractions have also recorded a reduction in visitors, including Swanage Railway which saw a decline of 5.3 per cent in passenger numbers last summer. This reduction is likely to be closely linked to the poor weather, which was unusually particularly focused on peak weekends. Anecdotally it appears that the Olympic Games also had a deterrent effect with people staying at home to watch television coverage.

As 2012 appears to have been an unusually difficult summer season, 2011 has been used as the base year for estimates. Due to the wider economic difficulties facing the country a 6 per cent reduction in visitor numbers has been applied to that year's figures to predict car parking income. The two exceptions to this are the Residents' Car Park where visitor numbers appear stable and North Beach Car Park where the Transport Committee agreed to reduce charges in order to encourage usage. Visitor numbers at North Beach have declined by over 1,000 since charges there were brought into line with the Council's other long stay car parks. By reducing charges for 2013 at the same time that charging is introduced by Dorset County Council along Shore Road it is anticipated that this trend might be reversed, leading to an increase in visitor numbers in excess of 20 per cent. Nevertheless, for prudent budgeting purposes only a 6 per cent increase in visitor numbers has been used, which would result in a loss of £4,500 compared with 2012/13.

The Transport Committee has also recommended that coach parking charges be reduced in response to the drastic reduction in coach parking during summer 2012. Once again, for prudent budgeting purposes a further decline in usage has been factored in, but if coach parking returned to its 2011 level, income would increase by approximately £10,000.

In total the estimate for car parking income provides for a 5.2 per cent year-on-year increase, with an out-turn largely in-line with 2009/10.

The current year has seen a reduction in **investment income** of approximately 18 per cent, largely as a result of the duration of investments being reduced to ensure liquidity in a financial crisis. Given forecasts of continuing low interest rates, no improvement is anticipated during 2013/14. Although the banking system has regained some stability over the last year, the potential for a shortfall in investment income remains one of the most significant risks facing the Council over the next 12 months.

The Council's seasonal income had mixed fortunes this year. **Beach Hut bookings** were strong and income up 3.7 per cent. However, income from the **Boat Park**, and from bowls, tennis and putting at **Beach Gardens** were all down. At its December meeting the Finance and Performance Management Committee considered a request from the Bowls Club to reduce its charges and agreed to meet to discuss this. However, in discussion with officers of the Club it has been agreed that the Council will proceed with its usual increase in charges this year, pending discussions prior to budget setting for 2014/15.

Income from **property rental** remains stable, with some minor uplifts to rents having been negotiated with Santa Fe, Swanage Railway, Swanage Associated Taxis, and Wilts and Dorset. All but the first of these are pending the finalisation of lease terms. Both the Town Hall Annexe and Lower Grammar School Field have also generated rental income this year. The estimates assume that agreement can be reached with the current occupier of the Shore Road ice-cream kiosk.

Income from **Swanage Market** has been overpaid in recent years and the operators are due a repayment from the Town Council. The Council is proposing that this be phased over two years, and hence income has been estimated at only £8,000 in 2012/13 and £12,000 in 2013/14.

The 2012/13 financial year saw the first full payment from Dorset Council for minor highway works under the **lengthsman** agreement. This arrangement will expire in April 2014 and there is currently no indication as to the future of this scheme.

Overall, the Council's income streams remain healthy, but as demonstrated this year the two most significant sources of revenue have the least resilience to external factors.

In looking to **future opportunities** to raise additional revenue the Council is hoping to increase the number of beach huts along Shore Road, subject to planning consent, and has agreed to explore the redevelopment of the Spa Beach Huts. There is also the possibility of better exploiting the commercial potential of the seafront in respect of advertising, commercial events and continental markets, together with a proposal coming forward for beach weddings.

The Council's fees and charges have been reviewed by each of the Council's standing committees during the last meetings cycle and Members are now asked to **approve the Scale of Charges for 2013/14**.

### Expenditure Analysis

The following table summarises the Council's greatest costs during the last three full financial years, together with the 2012/13 probable out-turn and the draft 2013/14 budget estimate. These headings account for approximately 70 per cent of Council expenditure. These costs fell by 11.4 per cent between 2009/10 and 2011/12, largely due to reduced staffing costs. They are projected to have increased by 12.7 per cent for 2012/13 due, almost entirely, to projected increased spending on repairs and maintenance of council-owned property. The draft budget projects a further increase of 7.8 per cent for 2013/14, due largely to the recruitment of staff to vacant posts. It should be noted that total Council expenditure is projected to increase by only 4.6 per cent.

<b>Cumulative Budgeted Expenditure in excess of £15,000</b>	<b>09/10 Actual</b>	<b>10/11 Actual</b>	<b>11/12 Actual</b>	<b>12/13 Probable Out-turn</b>	<b>13/14 Draft Budget</b>
Wages	781,395	704,925	663,552	<b>682,500</b>	763,385
Repairs and Maintenance	44,062	64,463	76,750	<b>186,125</b>	200,600
Rates	96,593	94,334	98,554	<b>104,120</b>	107,235
Public Convenience Cleaning and Toilet Requisites	63,292	65,277	65,124	<b>62,600</b>	62,700
Utilities	71,370	48,596	55,374	<b>54,640</b>	55,250
Insurance	56,586	50,916	27,889	<b>29,415</b>	31,000
Computer Services	24,496	29,188	25,128	<b>28,375</b>	23,500
Legal and Professional Fees	31,036	13,157	25,655	<b>25,000</b>	20,000
Car Parks Cash Collection/Security	32,060	29,892	23,810	<b>22,000</b>	25,000
Seaweed Removal & Beach Raking	15,910	15,440	17,287	<b>20,950</b>	21,600
Refuse Disposal	18,428	20,045	15,300	<b>18,000</b>	20,000
<b>Total Expenditure</b>	<b>1,235,768</b>	<b>1,136,233</b>	<b>1,094,423</b>	<b>1,233,725</b>	<b>1,330,270</b>

The Council's options for further reducing these costs are limited. A comparison of the actual spending this year with the budget for next year shows a sharp increase in **salaries and wages** costs. However, this is due to continued significant underspending of the total budget which has been consistently in excess of £700,000 in each financial year. As noted in the introduction it is intended that two vacant posts will be filled at a time close to the start of the new financial year.

Budgeted wage costs for 2013/14 are £20,825 (2.8 per cent) higher than for 2012/13. This includes a 1.5 per cent increase in salaries (totalling £8,800), as although the government recently announced that the public sector will see a pay increase of 1 per cent it is not clear that this will include local government, and negotiations between employers and the trade unions are continuing. This follows a three-year wage-freeze, although the Council agreed to pay staff the equivalent of a one per cent increase in the current financial year.

The remaining increase is attributable to two additional seasonal grounds staff (£11,500) and a year-round part-time casual TIC assistant (£9,500). It is intended that the Personnel Committee will review these appointments, together with the grading of the vacant posts, prior to recruitment.

The **repairs and maintenance** costs for the current financial year have been swelled by a number of supplementary estimates, as follows:

Parks & Operations: £2,500 for removal of trees at Day's Park  
£12,000 for repairs to the skate park at King George's Field  
£5,350 tree works delayed from 2011/12 (KG)  
£2,900 recreation ground play equipment  
£8,000 recreation ground urgent repairs  
£2,400 recreation ground play equipment  
Beaches & Foreshore: £8,200 for the installation of foot showers on the seafront.

In addition to the above the following unforeseen items have also been funded from the revenue budget:

£20,269 bandstand removal - reallocated from the capital programme  
£15,000 Spa Gardens' wall emergency repairs.

These works total £76,619 in addition to the original estimate for the year. A list of one-off items that have been requested for inclusion in the 2013/14 budgets has been provided by the Operations Manager. This was approved by the Finance and Performance Management Committee in December and is set out at **Appendix 1**.

Non-domestic **rates** payments to Purbeck District Council continue to rise, with a 3 per cent increase projected for 2013/14.

In April 2009 the Town Council joined the County Council procurement of **gas and electricity** which initially reduced bills. This arrangement came to an end in 2011, although the Town Council has continued to purchase its gas and electricity through the same body as the County Council, which is now the LASER energy buying group. Prices are projected to increase at the end of the fixed price period on 30<sup>th</sup> September, although the total budget is relatively stable due to the removal of the station water costs (approximately £7,000 p.a.).

The Town Council's **public toilet cleaning** contract was put out to tender over winter 2011/12 and although the price of the winning tender was above that of the previous contract, it has resulted in savings due to new arrangements for the purchasing of toilet requisites.

As last year, **legal and professional fees** are likely to remain a significant cost for the Council whilst existing legal disputes are resolved and the backlog of outstanding legal agreements is addressed. Nevertheless, much progress has been made over the last two

years and a reduction of £5,000 in the budget has been scheduled for 2013/14, with further reductions likely in following years.

**Insurance** costs, although significantly reduced, are once again projected to increase in line with the Council's claims history. The current three-year agreement with the Council's insurance provider will come to an end in spring 2014 and a further procurement exercise will be required prior to that time.

As agreed during last year's budget setting process, officers have entered into discussions with the Council's **computer service** provider regarding possible cost reductions. It is anticipated that such savings could be significant when the existing contract comes to an end in May 2013, although these have been conservatively estimated at this stage to provide a contingency for installation and other one-off costs.

The costs of **car park cash collection** and security have been significantly reduced in recent years. At last year's budget setting it was identified that a further saving of up to £2,500 may be achievable if cash-counting is brought in-house for future winter periods. As yet, however, it has not been possible to undertake the necessary risk assessment. The Council has also agreed to remove the option of direct payment by credit card from its car park machines, which was the most expensive option for receiving payment. This is likely to lead to more frequent cash collection in the summer season and this budget has been increased accordingly, although it is anticipated that overall the Council will save money.

The Operations Manager keeps the costs of **refuse removal, beach raking and seaweed clearance** under review, although inflationary pressures are evident. Discussions are continuing with the Dorset Waste Partnership to seek improvements in the service which might also bring cost reductions in the longer term. Progress in this respect has, however, been slow during the organisation's formative phase.

In order to control its costs it is recognised that the Council will need to continue to devote resources to procurement exercises and partnership working to realise further savings.

**Proposed priorities for 2013/14:**

Priorities identified last year to be explored:

- Operations Manager to risk assess cessation of cash collection and counting services for future winter seasons.

Other potential savings:

- review of telephone contracts;
- review of Peninsula employment advice service;
- procurement exercise for computer services.

## **Precept and General Fund Balance**

Under section 50 of the Local Government Finance Act 1992 Town and Parish Councils must take the following factors into account in setting their annual budgets:

- the expenditure it will incur in the year in performing its functions
- an allowance for contingencies in relation to expenditure
- the financial reserves it will be appropriate to raise for meeting its future expenditure
- the financial reserves necessary to meet a revenue account deficit for any earlier financial year
- the sums which will be payable to it for the year
- the amount of the financial reserves which the authority estimates it will use.

An assessment of the General Fund Balance should take into consideration the council's level of working balances and a risk assessment of contingencies. In terms of working balances, the Practitioner's Guide for Town and Parish Councils states that it is generally accepted that councils should carry general revenue reserves of between three and twelve months of gross expenditure. In Swanage Town Council's case this would be a sum between £445,000 and £1.78 million.

This figure has also been subjected to a risk assessment (see **Appendix 2**), which suggests that £305,005 of revenue funds may be called upon in a worst case scenario during the financial year. In the current economic climate it is of utmost importance that the Council's financial position is robust enough to address the issues identified in the risk assessment and that every effort is made to withstand any unforeseen shocks.

At budget setting last year it was estimated that the precept would rise by 2.5 per cent per annum in the following three financial years, equivalent to the sum being given to principal authorities by central government. Such an increase is justified by the fact that the Council's total income, excluding precept, is projected to increase by only 0.3 per cent in the forthcoming year, and expenditure is projected to increase by 4.6 per cent. As highlighted above, there is also the need to maintain contributions to earmarked reserves and capital expenditure.

Even with this increase in precept, which would generate an additional £15,225 in 2013/14 as shown in **Appendix 3**, this draft budget generates a very small General Fund Balance for the year of £11,050, once contributions are made to reserves and capital expenditure. This will result in a projected General Fund Balance at 31<sup>st</sup> March 2014 of £418,925. This sum satisfies the risk assessment, although it is short of the minimum of £445,000, equivalent to three months' expenditure.

At the date of the December Finance and Performance Management Committee meeting it was impossible to state the impact of this increase on household bills as the Council had not been informed of the Council Tax base. Since that meeting the District Council has confirmed that as a consequence of central government's changes to the benefit system, the Tax Base has been reduced resulting in a reduction of approximately £41,000

in total precept. However, the District Council has also confirmed that it will pass down a grant from central government to the Town Council to make up this shortfall. Although this introduces another element of uncertainty in planning the Council's financial future it has recently been confirmed that this grant will be payable in future years, although it is likely to be reduced from 2015/16 onwards. These draft budgets have projected forward the receipt of the same amount of grant in 2014/15 and a 20 per cent cut in the following financial year, together with a modest 0.75 per cent increase in the tax base due to new house building.

After careful consideration at its December meeting, the Finance and Performance Management Committee recommended adoption of the draft budget, including a 2.5 per cent increase in precept. This was confirmed by the Committee on 14<sup>th</sup> January, following a detailed discussion of the likely future impact of changes to the calculation of the tax base. This will equate to a 2.7 per cent increase in Band D household bills.

The Town Council is therefore asked **to approve the Draft Estimates Book and set the precept level for 2013/14.**

### **Reserves and Capital Programme**

The Town Council has an obligation to ensure adequate investment is made in its property assets so that they remain fit for purpose and to establish financial reserves to meet this expenditure. In addition to the statutory Useable Capital Receipts Reserve (containing the funds received from the disposal of the Holiday Park and other assets such as Herston Public Conveniences), the Council has established the following earmarked reserves:

- Festive Lights
- Vehicle and Plant replacement
- King George's Play Area and Skate Park equipment replacement
- King George's changing facilities
- General Play Equipment replacement
- Car Park Machine upgrade
- Tennis Court refurbishment (to receive contributions from STC and Swanage Tennis Club)
- Repairs and Renewals Fund
- De Moulham Estate Service Road maintenance
- Public conveniences refurbishment
- Insurance and contingency reserve

These reserves contained £757,752 as at 31<sup>st</sup> March 2012 and it is proposed that a contribution of £163,500 be made in the current financial year. This is an increase of £53,500 on budget, derived from savings and underspends in the current financial year to bolster the Repairs and Renewals Fund to part finance the seafront stabilisation works over winter 2013/14. Following approval by the Finance and Performance Management Committee, £100,000 has been transferred from the Insurance and Contingency Reserve to the Repairs & Renewals Fund. In the current and three forthcoming financial years it

is estimated that £862,455 will be taken from earmarked reserves to help deliver the Council's capital projects.

A **schedule of estimated capital expenditure for the years 2013/14 – 2015/16**, revised in light of discussion at the General Operations Committee on 7<sup>th</sup> November 2012, is enclosed with the agenda papers for agenda item 7. Members are asked to approve this as the basis for planning future capital spending. Members are also asked to **approve the priority capital programme for 2013/14**, thereby authorising the Operations Manager to work up these schemes and bring them forward for final approval during the forthcoming financial year.

The total of outstanding works is estimated at £1.86 million over the next three financial years, with a further £521,000 in future years. This includes £700,000 in 2013/14 for the Seafront and Downs stabilisation schemes, £225,000 in 2014/15 for new changing facilities at King George's Field (although it is anticipated that this will be part funded from external grants) and £715,000 in 2015/16 for the purchase/construction of a new Depot. The latter figure is highly speculative, and the Council is currently exploring alternative options, including renting a site. If this latter option is pursued there is still likely to be a capital outlay in fitting out the building but it would be significantly less than £715,000.

The projected funding of the capital programme takes into consideration the clear indication by Members that they wish to protect 85 per cent of the Council's capital receipt from the disposal of Swanage Bay View Holiday Park for investment purposes and are reluctant to fund schemes through borrowing. A sharp increase in revenue contributions to earmarked reserves and capital expenditure has been projected, from £210,000 in 2013/14 to £329,000 in 2014/15 and £295,000 in 2015/16. Nevertheless, should the figure of £715,000 for a new Depot be realised, the 2015/16 capital programme can only be funded if the Council either revises its policy on spending its capital receipt, or disposes of an additional asset to increase the Useable Capital Receipts Reserve. At its December meeting the Finance and Performance Management Committee agreed to explore the potential disposal of Prospect Nursery, and this will be the subject of further reports to Council during the forthcoming financial year.

### **Grants, Donations and Contributions to Partner Organisations**

Following discussion by the Finance and Performance Management Committee the 2013/14 budgets have retained £10,000 for contributions to third parties under Section 137 of the Local Government Act 1972 which, in the absence of specific legal powers, enables the Town Council to make grants to community organisations and fund services provided by principal authorities. Such spending is limited to £6.80 per elector (as announced in February 2012). The latest confirmed number of electors is 8,203, providing a maximum potential budget of £55,780.

If Members wished to raise a contribution to Dorset Waste Partnership towards new street litter bins then this could be made from this budget. However, at this point in time

it has not been possible to provide an estimate of costs, or clarify any contribution from Dorset Waste Partnership.

The Council continues to support the Swanage Town & Community Partnership, and for many years made a grant towards expenses. However, given the Partnership's limited expenditure it is proposed that the Council makes no contribution for 2013/14, the third successive year.

The full Council is asked to confirm the recommendation of the Finance and Performance Management Committee to continue the funding of the Mount Scar school crossing patrol for 2013/14, but to ask Dorset County Council to explore the possibility of commercial sponsorship for the future. Costs have come down from £4,859 in 2008/09 to approximately £2,400 for the next financial year.

Copies of letters requesting grant funding are included with the agenda papers for consideration by the Council. Others will be brought forward if received later in the year.

Martin Ayres  
Town Clerk and Responsible Financial Officer

January 2013