

Baildon Town Council

3 years forward budget forecast report

At the end of the fiscal year 2021 the General Reserves held by the Council was approximately £200K, which is about 6.5 months of expenditure. The recommendation is to hold a minimum of 3 months up to a max of 12 months. Normally the Council holds around 4 months (£120K) – the increase this year is primarily because of events being cancelled due to the pandemic.

The Council had originally allocated a good portion of the 2020/21 underspends to the 2021/22 budget, increasing the spend from £351K to £385K. Since the precept was not increased in 2021/22 and the budget remained at £307K, if everything was spent as budgeted, the net outcome for the year would have been an overspend of £72K, reducing reserves by that amount. This was not in itself a problem for 2021/22 but would impact on future years. I note that the precept for 21/22 has now been adjusted for the final amount and reduced by £3,500, so the actual precept we receive in 2021/22 is £304,000.

Budget modelling using the original 21/22 baseline and carry-forwards determined that if no action was taken to ameliorate the current trend, the reserves would erode to £7.5K in March 2024, and further reduce to a negative £61K at the end of 24/25.

Subsequent to this modelling, the current year budget has been revised with the goal of reducing the baseline budget and carry-forwards, and to curtail the use of reserves to support the normal spend of the Council. In this revision, if everything is spent as planned in 2021/22, £33K of reserves will be used (as compared to £72K in the original budget).

Using this new 2021/22 budget review to inform the forecast for future years shows that while reserves are continued to be used to support the budget, this does not deplete the reserves to the same degree. In 2023/24 the forecast shows the reserves at £81K – this is approximately 3 months spend and within the recommended amount. As modelled, an allowance of £15K has been made in 2023/24 for a general election contingency, causing reserves to fall to £35K in 2024/25 but at this stage no further action is advised.

To continue to support a balanced budget, reductions should be reviewed by the committees and implemented wherever possible. The short-term vision plan will be most helpful to assess where cuts can be implemented and still maintain the services and amenities that the Council considers of importance.

Further, it would be prudent in the future to avoid carry forward of unspent budgets, as this “pads” the reserve amount and makes it appear healthier than it is in reality. If a committee decides not to spend their full allocation in year, as they wish to spend it on a future project, this can be accommodated by allocating the underspend to an earmarked reserve (or ring-fenced) so it will not be included in the calculation of the total reserves available. Note that allocations to an earmarked reserve must be approved by the full Council.

It is also to be noted that tax base figures are subject to change, and for 2022/23 in particular the Council’s tax base may show reductions, primarily relating to the impact of the pandemic; the tax base figures for 2022/23 are scheduled for release in early December 2021.

In view of these projections, the following recommendations are made:

- 1) The Council needs to be clear about its priorities for spending**
- 2) That underspends on budgets are not carried forward in future years, unless there is a specific plan to spend it and it is ring-fenced for that project only**
- 3) That the reserves are allowed to reduce to the minimum of 3 months expenditure**
- 4) That committees review their budgets and undertake a disciplined cost cutting exercise**
- 5) That the Council carefully considers the level of precept required**