

Council Matters December 2025

Budget and Precept setting – 2026/27

Report author: Town Clerk and Finance and HR Manager

1. Recommendations for Council Matters to consider

1. Note the key assumptions and risks within the draft budget for 2026/27 and the medium term forecast to 2028/29, including pay award uncertainty and cost pressures relating to listed buildings and service delivery.
2. Consider the Council's approach to reserves, specifically the proposed movement toward earmarked reserves, and the need to maintain a minimum general reserve consistent with the Council's Reserves Policy, three to six months of core operating costs.
3. Delegate authority to the Clerk and Finance and HR Manager to adjust final figures once the 2026/27 tax base is confirmed by South Hams District Council, and to present the final Band D impact to Full Council before adoption.
4. Consider and **RECOMMEND** to Full Council a precept option for 2026/27, Option A, zero per cent increase, Option B, five per cent increase, Option C, ten per cent increase
5. Consider and **RECOMMEND** to Full Council a budget proposal for 2026/27, including the proposed movement to earmarked reserves.

2. Executive summary

This paper provides Members with background to support decision making on the 2026/27 budget and precept, with the forecast to 2028/29, aligned with the headings in the proposed budget spreadsheet already circulated.

It combines the budget spreadsheet assumptions and notes, the Clerk's comments under each budget heading, and the Finance and HR Manager's draft budget.

The paper sets out the central decision for Members, whether to hold, moderately increase, or materially increase the precept to meet service needs, manage unavoidable liabilities, particularly property maintenance, and maintain a sustainable (general) reserves position.

3. Background

The Council is setting its 2026/27 budget in an environment of continued cost pressure across staffing, contracts and inflationary items, significant liabilities associated with Council property, particularly listed buildings requiring unavoidable upkeep irrespective of future use decisions, strategic work that may influence future delivery models, including an independent Communications and Marketing Audit and a Community Audit, and uncertainty regarding the tax base for 2026/27, awaited from South Hams District Council, which affects the final Band D impact.

For reference, where considered appropriate we have applied a 5% inflation rate to costs year on year.

There is also a need to consider other uncertainty in terms of Local Government Reorganisation (LGR) and pressures being faced by our sector around lack of funding at higher tier authorities, particularly on non-statutory services. This may (or may not) include toilets, open spaces, play parks, leisure centres and libraries. These funding pressures may well start to impact the call on Town and Parish Councils ahead of the April 2028 unitary formation.

4. Budget proposals, detailed by headings

ADMINISTRATION

Salaries and pensions for all staff are budgeted with the existing structure remaining unchanged. This may be impacted by the outcome of the independent Communications and Marketing Audit that is currently underway and will be completed before the budget is set.

The staffing budget assumes a 5% increase for the nationally set annual pay award. It is worth noting that the unions are advocating for 10% or a minimum of £3000 per full time equivalent.

CIVIC AND DEMOCRATIC

Councillor allowance rates are estimated based on the current rate and the national pay award which will apply which is undecided. Councillor allowance rates are only payable to elected members and are not taken up by all members.

TOURISM, COMMS AND BUSINESS ENGAGEMENT

£25,000 budget for Visit Totnes is based on the existing work done, covering partnership and reciprocal marketing subscriptions with partners, sponsorship, content creation and production of the annual Totnes Guide. This is offset by an expected £10,000 in income from advertising. If the outcome of the Communications audit means members choose a different way of operating this would need to be reconsidered.

GUILDHALL AND OFFICES

The utilities bills have been lowered in line with more certainty in the market.

The admissions and wedding income from the Guildhall is a conservative estimate as it varies year on year.

We have had to use a 'best guess' approach to the Guildhall offices business rates line, as we are still waiting for conclusion from the Valuation Office on what rate will apply.

CIVIC HALL

The Paige Adams Grant is an estimate, and will be considered by Trustees in January. The cost of running the hall, including staffing and maintenance, is well in excess of the £35,000 proposed.

The maintenance fund has been reduced in line with expectations and also because we have an existing £100,000 in earmarked reserves for emergency capital expenditure that can be called upon.

PROPERTY MAINTENANCE

Shows significant uplift to both Museum and Guildhall Cottage expenditure. It should be noted that these are estimate currently pending the outcome of the Museum heritage survey and the yet to be commissioned work on the Guildhall Cottage. Both buildings are listed and complex, and regardless of future use require significant upkeep, particularly as there has been limited ongoing maintenance.

CEMETERY

No significant changes to ongoing budget planning. The chapel is listed, has no services, and is located in a burial ground. It is currently being maintained by the in house maintenance team as required, and used for storage.

OPEN SPACES

Main change is the reduction of the expected maintenance costs of the closed churchyard and walls. We have investigated previously whether we are able to pass over responsibility for this but it is not possible. The limited

maintenance the Council is liable for is being carried out in house by the maintenance team, with regular checks and surveys as required of trees and walls.

PRECEPT AND INCOME

There are three options presented to members, 0% increase, 5% increase and 10% increase. There is still uncertainty about the tax base until we hear from SHDC, so it is unknown whether we will receive as much additional tax base number for second home owners.

Investments are difficult to forecast. Our investments this year have outperformed expected. Next year we have estimated a reduction to be conservative and this reduces again in years two and three in case the market changes.

COMMUNITY DEVELOPMENT

The proposals outlined here have been through working groups for consideration for the 26/27 year. We have estimated a reduction in future years in line with some of the works being project based.

It is worth noting that the outcome of the Community Audit will inform the allocation of the Community Grants pot of £50,000 per annum, with the current thinking being this will be larger grants, potentially on a multi-year award to help secure core services.

Each of the three Strategy Working Groups have proposed a small support/grant fund for 2026/27. Expenditure would not be delegated to the working groups, but Council Matters committee or the Clerk would authorise expenditure following a recommendation from the group. Examples for how this fund could be used should be finalized on conclusion of the Community Audit.

The cost of running the Christmas markets, Christmas tree and lights and the Christmas light switch on are projected to rise year on year in line with inflation.

RESERVES

With the recommended move to earmarked reserves it is clear that over the coming years the general reserves fall below an acceptable limit if we don't increase the precept or moderate the amount of earmarked reserves that are agreed.

The estimated core operational costs of the council (the bare minimum) is circa £500,000 per annum. Our own reserves policy outlines the need to keep a minimum of 3-5 months in reserve. This is indicated by the traffic light colouring of the reserves table.

Members can of course choose to reallocate earmarked reserves in future years or increase the precept to retain this minimum, but it is not best practice.

In terms of the proposed earmarked reserves, members may wish to note that the £45,000 allocated for 'Community Facilities' has dropped to £15,000 with the £30,000 contribution to the Skate Park project.

5. Reserves and sustainability

5.1 Why reserves are central to this decision

- With a move toward increased earmarking, the general reserve is projected to reduce over the medium term unless the Council increases the precept, and or moderates the level and timing of earmarked reserve commitments.

5.2 Operational baseline and policy position

- Estimated core operational costs, bare minimum, are circa £500,000 per annum.
- The Council's Reserves Policy indicates a minimum general reserve equivalent to three to six months of core operating costs (so £125,000 minimum).
- Members can reallocate earmarked reserves in future years, but regularly doing so is not best practice and reduces financial resilience.

6. Options appraisal, precept choices

Option A, zero per cent increase

Pros

- No additional cost to taxpayers in year, possible reduction depending on the tax base figures.

Cons

- Higher risk of general reserves falling below the policy minimum.
- Greater reliance on deferring maintenance and or using reserves for recurrent costs.
- Higher risk of in year pressure if the pay award exceeds assumptions.

Option B, five per cent increase

Pros

- Balances affordability with improved resilience.
- More realistic capacity to meet cost pressures.

Cons

- Will require moderating earmarked reserve allocations to remain within safe general reserve levels.
- Some priorities may need phasing.

Option C, ten per cent increase

Pros

- Best supports full delivery of earmarked reserve intentions and helps protect general reserves at the minimum threshold.
- Builds more headroom for pay award and property risk.

Cons

- Requires a clear public narrative and justification for the stronger uplift.
- Band D impact remains dependent on tax base confirmation.

7. Financial implications

- Final Band D and total precept yield for 2026/27 depend on the confirmed tax base from South Hams District Council.
- Pay award variance, above five per cent, is something to consider as this could impact general reserves (unlikely in my view).
- Property maintenance estimates may change following surveys and commissioning outcomes, Museum and Guildhall Cottage.
- Investment income forecasts are conservative and may vary.

8. Next steps and decision pathway

- South Hams District Council tax base confirmation should be received soon and Band D impacts finalised, expected by the January Full Council meeting.
- Members must RECOMMEND a precept option, accompanying budget and reserves approach.
- Final budget and precept resolution prepared for adoption and submission within statutory timescales required by SHDC (scheduled for January Full Council)

9. Additional information and Clerk summary

It is worth noting the increases in Devon last year as below.

RANK	Local Authority	Parish Name	Precept 25 26	Tax base 25 26	Band D 25 26	% increase band D from 2024/25 to 2025/26
1	East Devon	Cranbrook	669344	2614.32	256.03	0.00%
2	South Hams	Dartmouth	753203	3163.54	238.09	11.77%
3	North Devon	Barnstaple	1617958	7208.88	224.44	15.70%
4	South Hams	Totnes	688823	3078.83	223.73	2.32%
5	West Devon	Tavistock	1088850	4895.56	222.42	7.33%
6	West Devon	North Tawton	159617	777.6	205.27	1.00%
7	West Devon	Okehampton Town	457313	2277.41	200.8	2.01%
8	Torridge	Holsworthy	212800	1090.64	195.11	14.70%
9	South Hams	Ivybridge	771437	4002.42	192.74	30.62%
10	Teignbridge	Teignmouth	1052997	5514.8	190.94	9.90%
11	Teignbridge	Newton Abbot	1698731	8909.5	190.67	4.83%
12	Mid Devon	Crediton	510750	2794.9	182.74	4.97%
13	East Devon	Axminster	504850	2948.28	171.24	11.14%
14	East Devon	Honiton	667545	4087.27	163.32	9.75%
15	East Devon	Broad Clyst	463946	2936.94	157.97	1.12%
16	East Devon	Clyst Honiton	18000	119.6	150.5	3.98%
17	Teignbridge	Ashburton	224162	1494.7	149.97	48.09%
18	Mid Devon	Cullompton	553617	3730.29	148.41	2.27%
19	Mid Devon	Culmstock	61500	424.65	144.83	26.39%
20	Teignbridge	Buckfastleigh	172250	1201.5	143.36	7.81%

Our precept was a relatively small 2.32% increase to the band D, comparative to others, and while we are still high in the County this is partly because we have a significant proportion of the homes in the Totnes boundary claiming Council Tax benefit and because we lose the precept income from the top half of Bridgetown because of the current parish boundary.

It feels to me as though there are two options open to members. Either increase the precept by around 5% and moderate the use of earmarked reserves proposed, or increase by around 10% to ensure all the requests for earmarked reserves, and a minimum of 3 months of operational costs are retained in general reserves.

We do not yet have the tax base figures for next year and therefore the impact on the band D by setting the budget cannot be confirmed. This information should be available from SHDC by the January Full Council meeting so it is possible that this may influence the decision of members.

Catherine Marlton, Town Clerk