



Briefing Note – Budget Process

Date 24 November 2025
Prepared by Town Clerk/RFO

1. BACKGROUND

- 1.1. The council must set a budget by 1 March each year and the has to be approved by Full Council.
- 1.2. The 2025/2026 budget is for the period 1 April 2026 until 31 March 2027.
- 1.3. There are several different stages to the budget setting process:
 - Review of the most recently audited financial years figures (2024/2025)
 - Review of current financial years spend through end of quarter 2 (30 September 2025)
 - Consultation
 - Forecasting current years spend and income through the end of the financial year (31 March 2026). This gives an early warning about the likelihood of a shortfall (or surplus).
 - Forecasting next year’s expenditure and income from precept by:
 - Calculating uplift due to inflation (if any)
 - Determining the cost of existing provisions and new projects
 - Assessing levels of income;
 - Providing for contingencies and consider the need for general and earmarked (capital) reserves;
 - Presenting Basis budget and consultation to members for amendments and recommendations (Appendix A). This is not the officer recommended budget but is a basis on which the Council budget will be drafted.
 - Amending draft budget
 - Publishing draft budget with papers for relevant meeting.
 - Approval of budget by council before 28 February 2026

2. LEGISLATION

- 2.1. The Local Government Finance Act 1992. C.14, Part 1, Chpt. IV, s49(A) 49A (Calculation of

council tax requirement by authorities in England)¹ does not reference a “budget” but requires local precepting authorities to make calculations (outlined in sections (2) and (3)) which are effectively those used by local councils to produce the budget.

- 2.2. Section 41² of the act require this to be completed by 1 March though it should be noted that the precept is not invalid if this date is missed (The Billing Authorities (Anticipation of Precepts) Regulations 1992, Regulation 2 (Anticipation of precepts) (amended)³
- 2.3. 2.3. S.49(A) also refers to “proper practices” which in England is the Smaller Authorities’ Proper Practices Panel (SAPPP), formally the Joint Panel on Accountability and Governance (JPAG), Practitioners’ Guide, published jointly by the National Association of Local Councils and the Society of Local Council Clerks.
- 2.4. The Practitioners’ Guide requires local councils to “prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year” (Page 8: 1.8). Further details are provided in sections 4.21(D) and 5.25 – 5.28) of the guide.⁴

3. CONSULTATION METHODS

- 3.1. An important part of the budget-setting process is hearing from local residents and businesses and a consultation is carried out each year to inform the proposals set before councillors and a final budget agreed.
- 3.2. The 2026/2027 consultation was launched on 1 October 2025 and ran until 8:00 am on 3 October 2025.
- 3.3. The consultation was advertised as follows:
 - Posters displayed at Council’s toilets, in the park, at the Broadway Centre and by local businesses. Posters include a QR code linking to the online survey and details of where hard copy consultations were available.
 - On the Council’s website (home page and public engagement pages)
 - The Council’s Facebook page, (also shared by councillors to community groups and Sandown Hub)
 - Hardcopy Questionnaires available at The Broadway centre during opening hours, Sandown Library and from Councillors on request.
- 3.4. There were 230 responses, 205 online responses and 25 hardcopies. The results can be found at Appendix A

¹ [Local Government Finance Act 1992](#)

² [Local Government Finance Act 1992](#)

³ [The Billing Authorities \(Anticipation of Precepts\) Regulations 1992](#)

⁴ [Practitioners-Guide-2025.pdf](#)

4. SUMMARY OF CONSULTATION RESPONSES

- 4.1. The majority of respondents indicated that the Council should prioritise Place and Town Improvements (which is reflective of last year). Toilets was ranked the next most important followed by the Beach. Communication was ranked as the least important priority as it was last year.
- 4.2. 60.9% of respondents were happy with how the council communicates with residents. 33.5% felt communication levels should be increased and 4.3% thought levels should be reduced.
- 4.3. Residents were asked if they would support funding community Warm Spaces. 25.2% of respondents supported funding provision of £6,000 and 50.4% supported funding of £4,000. 20.4% of respondents did not want to fund Warm Spaces.
- 4.4. Residents were also asked if they felt the council should provide funding for the Breakfast at the Bay School. 22.6% of respondents supported funding provision of £6,000, 43.9% funding provision of £4,000 and 30.4% of respondents did not want to fund the initiative.
- 4.5. In relation to monies to fund Place and Town improvements, 34.8% of respondents supported a budget of £35,000, 30.4% supported a budget of £30,000 and 19.6% a budget of £25,000. 7.8% of respondents proposed alternative amounts ranging from no provision to £50,000.
- 4.6. In terms of the Beach, 73% of respondents were in favour of Securing the Blue Flag/Seaside Award (dependent on water quality) and 50.4% of respondents supported a Seasonal Beach Events Programme. 6.5% of respondents did not support either initiative.
- 4.7. This year residents were asked if they would support a various activities to clean-up Sandown. 37.4% of respondents supported funding additional Environment Officer time and 30.4% tidying up around the Canoe Lake.
- 4.8. In terms of litter 58.7% of respondents felt there should be increased Litter Bin Provision on the Esplanade, April to September, 39.1% supported permanently increased capacity on the Esplanade, 46.5% supported increased litter bin provision between Eastern Gardens and Yaverland, April to September. 7% did not support cleaning up Sandown.
- 4.9. Residents were asked which Civic Space initiatives they would support: 75.2% supported Hanging Baskets/Planters on the high street/war memorial, 82.6% supported funding Sandown Green Towns Volunteers, 37.8% supported a contribution to Isle of Wight Council to maintain Ferncliff Gardens and the Cliff Path hedges, 20.9% supported a Micro Sculpture Trail, 26.1% a Mural Fund and 7.0% did not support any initiatives.
- 4.10. Support for events was broadly in line with previous years: 37.4% supported an Armistice Day event, 67% supported a Remembrance Service, 26.5% supported Celebration Projects with Schools (i.e., Mug Design Competition for Jubilee, Library Windows Competition for Christmas) and 49.6% supported Pop Up Summer Events Programme, 84.3% supported Carnival and Regatta 23.9% supported the Town Council organising

Shop Window Competitions, 30.0% supported exploring a Christmas Ice Rink and 0.9% did not support any events.

- 4.11. Following the proposal that a Community Benefit Society be created in Sandown, 80% of residents supported the Council investing in the initiative, 14.8% did not. 5.2% of respondents did not answer the question.

Finally, in relation to new initiatives, which included an all of the above option which has been added to each category, support was as follows: Bringing enforcement in relation to dog fouling and littering in house to increase provision (54.3%) Repurposing or Replacement of Seafront Shelters (46.5%) Provision of Allotments (28.7%), A Dotto Train (41.7%) and 6.1% did support any new initiatives.

5. EQUALITY AND DIVERSITY, CRIME AND DISORDER AND BIODIVERSITY

Equality and Diversity

- 5.1. The Council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief and marriage/civil partnership).
- 5.2. If the Council chooses to cut a service as part of its budget decision it will need to consider the equality and diversity of doing so.
- 5.3. However, this does not need to be considered when including a budget line and this will need to be considered when implementing the budget.

Crime and Disorder

- 5.4. Crime and disorder implications need to be considered in relation to maintaining assets and cutting and services.
- 5.5. Otherwise this will be a consideration when in the management of provisions and when projects are brought forward rather than when they are budgeted.

Biodiversity implications

- 5.6. There are no direct biodiversity implications in relation to the budget and these must be considered on a case by case basis.

6. IDENTIFIED COST PRESSURES

- 6.1. There are number of issues which will impact on next years budget.
- Anti-social behaviour and on-going damage to property.
 - Reductions in cost-of-living support from Central Government impacting on residents
 - Devolved services from Isle of Wight Council.
 - Increases to the cost of supply.
 - Ensuring accessibility of services and activities.

- 6.2. There is also likely to be an impact as a result of changes to the Isle of Wight Council budget.
- 6.3. Finally, Devolution will change the political landscape.

7. INCOME

- 7.1. The council's main income is from the Precept.
- 7.2. As a result of less uncertainties from world events and less instability in the economy income has been budgeted which has not previously.

Hall Hire

- 7.3. The income through Quarter 2, the spring and summer months is £13,371.
- 7.4. This less than expected due to the incident which meant the main meeting room could not be hired out for several months.
- 7.5. This supports the approach that while there may not be any known issues regarding hire this does not mean that there will not be unexpected issues (inclement weather, sickness, loss of contracts), which may impact on income.
- 7.6. There for it is recommended that 75% of the income received in the last financial year is budgeted as it was last year.

Toilets

- 7.7. The income for the toilets in Q1 and Q2 in 2025/2026 which are the toilets busiest periods, was £12,908. Taking account in the reduction of use during the Autumn and Winter the forecasted year end total is £ 16, 714 which is £2,829 less than budgeted.
- 7.8. Income for the toilets is based on usage. It can be impacted by a number of factors including the weather and closures due to vandalism. This year both have negatively impacted the income.
- 7.9. The income does not cover the costs of running the toilets and during the winter months it is unlikely that it will cover the contactless running costs for this period.
- 7.10. The local branch used for banking the cash income is forecasted to close before the end of next year. This will mean a 3 hour round trip to Newport to bank any monies impacting on staff time and milage claims.
- 7.11. The Nayax units on St Johns and Eastern Gardens will become obsolete and require replacing during the budget year. It is estimated the replacement of each unit will be £500.
- 7.12. Therefore, it is recommended the Council consider moving to free-to-use model but budget for additional repairs as a result of vandalism or do not budget income from the toilets.

Leases

- 7.13. The lease with Heritage Attractions for Sandham Gardens is expected to generate a minimum of £10,000 per annum plus a percentage of any profits from concessions on the site (none received).

7.14. 100% of the income was budgeted in 2025/26.

Interest

7.15. Interest payments are subject to the interest rates available on credit balances and the monies held by the council.

7.16. Active treasury management can increase interest, but interest cannot be accurately forecasted or budgeted as balances and rates fluctuate.

7.17. The interest for Q1 and Q2 was £12,373 as there are a number of big projects which have not yet been invoiced.

7.18. The budgeted income is based on 0.5% on the general and allocated reserves expected at the end of 2026/2027.

Other Income

7.19. Other income sources include

7.19.1 VAT refunded: Budget expenditure does not include any VAT. The refund is based on VAT paid and received and therefore should not be budgeted as income either.

7.19.2 Grants: Grants are not a guaranteed source of income. While officers make every effort to obtain grant funding for the council, it is dependent on what grants are available, if the projects meet the criteria of the grants and officer capacity to work on submissions. Therefore, grant monies cannot be accurately budgeted.

7.19.3 Insurance claims: monies from insurance claims are reparations for damage or loss and therefore used to offset loss by the council and should not be budgeted.

7.19.4 These monies are to ensure that the council is compensated for any costs incurred supporting other councils or organisations. They do not generate profit and therefore are not an income stream that should be budgeted.

8. COMMENTARY ON THE BUDGET BASIS

8.1. The council's expenditure is impacted by the inflation rate, the Consumer Price Index, energy costs and variations to costs as a result of supply and demand.

The political situation in the UK and USA as well as world events such as war and national disasters also impact on costs.

Inflation

8.2. In recent years there has been a great deal of economic uncertainty in recent years making it difficult to predict rates of inflation.

8.3. The Bank of England 2024 forecasted rate of inflation for Q2 2025 was 2.6%. CPI remained high in September 2025 was 4.6%. This demonstrates that the forecasted rates are in line with what inflation should be rather than will be.

8.4. Reducing the rate of inflation creates savings but could expose the council to risk if it cannot meet its commitments due to increased costs.

8.5. As such, the basis budget is using the current 4.6% rate rather than the forecasted rate.

Energy and Fuel Prices

- 8.6. Energy costs increased by 7.8% on 2024/2025. Through Q2 2025/2026 they had increased by 2.2%. Reductions are rarely passed on to the consumer.
- 8.7. It is also difficult to predict energy consumption as it is dependent on both the weather, usage and other factors.
- 8.8. Therefore, the basis on which costs were budgeted remains the same as last year. However, Council could choose to apply averages.

9. CAPITAL MONIES (ALLOCATED OR EARMARKED RESERVES)

- 9.1. There are two types of monies included in the council's budget – revenue and capital monies.
- 9.2. Revenue is short term income and expenditure - the money generated from the council's activities and the expenses incurred providing its services.
- 9.3. Capital is what the council needs to retain its services, usually physical assets such as property or equipment which depreciates over a period of time. Capital monies form the council's earmarked or allocated reserves and are ringfenced.
- 9.4. The council began including capital provision in its budgets for sometime now. Historic allocations can be seen in the allocated reserves.
- 9.5. It is important capital allocation is made to replace all tangible assets every year to avoid projects having to be funded by significant increases to the precept or through loans.
- 9.6. Allocated reserves also provide match funding for grant bids.

10. RESERVES

- 10.1. The Practitioners' Guide indicates “ In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 to 12 months equivalent general reserve”.
- 10.2. Sandown Town Council has significant borrowing liability (£496,630). It is recommended the council work towards increasing the minimum general reserves to 6-months revenue to reflect this.
- 10.3. In 2024/2024 budget meeting Council agreed to work towards the 6-month provision, increasing it by 1 month each year.
- 10.4. On that basis 6 months is suggested for this budget.

11. INITIAL PRECEPT OPTIONS

- 11.1. Councillors have a number of options relating to the budget clerks would like steer on the direction of travel in regard to inflation, capital provision and funding optional provisions.
- 11.2. Clerks will draft budget options for 2026/2027, following the November council meeting, with a briefing in January 2026 for members. They would like to be informed on what basis to draft the budget. Points to consider are:

- a) Zero precept increase with reduction and closure of services and risk council cannot meet its financial obligations.
- b) Precept increase in line with increased costs and impacts on services; and
- c) Greater increase to precept to cover all identified cost pressures and meet priorities outlined in consultation.
- d) The level of general reserves.

12. SPECIFIC PROJECTS

- 12.1. The Church has been unable to secure grant funding from central government to support the warm space. Does Council wish to make any provision for this in the budget. Similarly, do they wish to support Breakfast at the Bay School.
- 12.2. Council needs to budget to continue to deliver projects supporting the Bay Place Plan and regeneration. What level of funding do they wish to budget?
- 12.3. The survey showed support for a summer events programme. What budget envelope is appropriate?
- 12.4. In terms of Civic Space, does Council wish to continue to with Hanging Baskets, replace decorative lighting, fund a Micro Sculpture Trail or have a Mural Fund?
- 12.5. The gravelled area of the car park is in poor repair. Consideration should be given to making provision for this.
- 12.6. Does the Council wish to budget to invest in a Community Benefit Society for Sandown?
- 12.7. The Youth Offer has seen a reduction in antisocial behaviour from young people. Council will need to decide if it which to retain the current level of funding or increase it.
- 12.8. The old MUGA is in need of resurfacing. Council will need to decide how this will be taken forward if at all.
- 12.9. The Skate Park is in need of refurbishment. Budget provision for this can needs to be increased for the project to be deliverable
- 12.10. Given the Council's recent decision in relation to Pier Street toilets council may wish to start budgeting to adopt and re-provision them and reduce future borrowing if they are in the position to take a project forward. It would certainly be prudent to budget for costs of undertaking due diligence and other legal work.

13. APPENDICES

- Appendix A Consultation Results
- Appendix B 2026-2027 Budget Basis