

Briefing Note

Budget & Precept 2018/2019

1.0 BACKGROUND TO BUDGET & PRECEPT

1.1 The Parish Council is required to agree a budget for the coming year and make application to Cornwall Council to collect a precept before 31 December 2017. This briefing note sets out the options open to councillors and gives a background to the issues surrounding budget agreement and precept setting.

1.2 The budget that you agree is a forecast of the finances you will need in order to run the business of the council and to fund any projects you agree on in the next financial year. The precept is the proportion of that funding which you can raise from residents in the parish. Any difference between the two figures can be sourced from the council's own reserves or from external sources, such as grants.

1.3 This briefing note will describe what issues you need to consider when agreeing your budget, and what level of precept you may need to levy to meet your budget requirements. You will also need to decide what level of reserves need to be retained in order to cushion the impact of uneven cash flow. The options set out in this document have been agreed by the parish council's Finance Committee.

2.0 THE BUDGET

2.1 The Finance Committee have reviewed the projected costs for 2018/19, and their estimates and notes are attached to this document in Appendix 1. They bring to your attention these changes:

1. An increase in the cost of grasscutting (£6,800 based on informal assessments with potential contractors)
2. A budget for maintenance of council assets (£1,300) to cover a backlog of repairs
3. Increase in clerk's salary (£3,476 the previous clerk had a zero hours contract)
4. The setting up of a small grants and donations fund worth £250pa (proposals to follow before the public meeting);
5. A budget for projects arising from consultations with councillors (£4,900)

2.2 In total, this will show an increase of £8,263 (65%) in expenditure compared to the previous year. The next section will set out proposals for retaining funds as a Contingency Reserve, and agreeing an Earmarked Reserve to fund items 2 and 5 above.

2.3 Councillors need to examine the detailed proposals in Appendix 1 and make any comments to the Finance Committee before 14 December 2017 when the final budget proposals will be published.

3.0 RESERVES

3.1 Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. The 'general fund balance', commonly termed the 'working balance', is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term problems in the council's cash flow. The council receives its precept from Cornwall Council in two tranches, in April and October.

The general fund balance is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer (RFO) when setting the budget for the forthcoming year. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to 'earmarked reserves' or used to limit any increase in the precept.

Best practice is that parish councils should hold the equivalent of six months precept income as a contingency against uneven cash flow or delayed payment.

3.2 Beyond this figure, a parish council should only hold extra funds where they have been set aside for specific purposes and for savings for future projects. These are called Earmarked Reserves. Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

The calculation of Earmarked Reserves is made by estimating the closing balance of the council's accounts at 31 March 2018, deducting any ringfenced sums already held (for example, residual funds for the Neighbourhood Development Plan) and deducting the agreed Contingency Reserve (proposed as six months precept in 3.1 above).

3.3 The Finance Committee has made proposals for £1,300 to cover historic repairs and £4,900 for councillor projects, making a total of £6,200 to be ringfenced from the Earmarked Reserve. This figure is shown under 'Precept & Other Income' in the budget. The impact this will have on council funds is shown in Appendix 2.

3.4 Councillors need to examine the detailed proposals in Appendix 2 and make any comments to the Finance Committee before 14 December 2017 when the final budget proposals will be published.

4.0 THE PRECEPT

4.1 Parish councils may raise a 'precept' on the council tax bills produced by their local billing authority (Cornwall Council). This is essentially a demand for a sum to be collected through the council tax system, along with a separate levy for Adult Social Care and the Police & Crime Commissioner. Council tax-payers cannot refuse to pay it, and the billing authority cannot refuse to levy it. It is the only source of tax revenue available to parish councils.

4.2 Historically, the parish council precept has varied from less than £10,000pa in 2009 to almost £14,000pa in 2016. In 2016, the BBC produced a report showing that 60 parish councils had at least doubled their precept, and 130 had made increases of between 50-99%. Botus Fleming also increased its precept in that year, but by 13%.

4.3 There is no legal limit to the change that a parish council may levy on its residents. The unitary council (Cornwall Council) is limited to a maximum increase of 1.99% or £5 unless it wishes to hold a referendum to approve the increase. At the time of writing, Cornwall Council is consulting on an increase to its council tax by 1.99%, and its ASC by 3%. The PCC have not yet announced their precept for 2018/19, but in the current year it increased by 1.99% compared to the previous year.

4.4 By setting aside £6,200 of Earmarked Reserves, the Finance Committee propose to limit the increase in precept from £12,737 to £14,600 (increase of £1,863 or 15%) for the next financial year.

4.5 Councillors need to examine the historic figures in Appendix 3 and make any comments to the Finance Committee before 14 December 2017 when the final budget proposals will be published. The table in Appendix 3 shows the level of precept levied by this parish council since 2008.

5.0 THE OPTIONS

At your public meeting on 20 December 2017, councillors will be asked to vote on three separate resolutions: to accept the budget as presented at the meeting; to agree the proposal for Contingency and Earmarked Reserves; to agree the precept for 2018/19.

5.1 The budget for 2018/19 (excluding maintenance and project costs) reflects the increased cost of providing council services. Councillors who can provide alternative and verified costs may feed back to the Finance Committee. You may wish to examine the proposals for maintenance and councillor projects.

5.2 The level of Contingency Reserve will vary according to the precept that has been agreed. Changing the budget will affect the Earmarked Reserve and then the level of precept. The Finance Committee is able to recalculate any changes you may suggest.

5.3 The Precept is based on these proposals, but can be amended after comments from councillors on the budget and reserves.

Author: John Hesketh

Date: 6 December 2017

Budget & Precept 2018/2019 Notes

Appendix 1

These notes should be read alongside the spreadsheet that summarises these figures.

Open Spaces & Maintenance				Budget
1	Grasscutting	Current: £3776	Recent estimates for effective grounds management currently in region of £6800	£6800
2	Weed spraying	Current: £125 per	Weed spraying included in revised quote for grass cutting	Nil
3	Rent	Solicitors letter: £1969	Annual rent increased in 2018/19	£1969
4	Maintenance	Bus shelter: £500 Sign at BF crossroad: £250 Sign at Hatt cross roads: £250 Moditonham Quay: £150 The Pound: £150	Includes cumulative repairs carried forward	£1300
General Administration				
5	Salaries	Clerk's salary. National pay level #21 £10.467 per hour.	Calculated at 26 hours per month = 312 per annum @ £10.467=£3266 PLUS Overtime (estimated from past 3 months) of 20 hours=£210	£3476
6	Legal	Mandatory auditor fees (internal and external) plus Information Commissioners Office licence	Linda Coles £125 (internal auditor) PKF Littlejohn £200 (external auditor) ICO £35	£360
7	PPSA	Stationery and advertising	PPSA £250 (estimate from last 18 months) Web £100 (from last year) Advertising £200	£550
8	Miscellaneous	Clerk's training: £150 CALC subscription: £260 NALC registration for LCAS scheme: £50 Insurance: £685 Venue Hire: £250	Extracted from previous years	£1395
9	Council Projects	CAT Misc: £500 CAT NHW: £250 Dog bins x 3: £500 Youth Sports Committee: £500 Young Persons Council: £500 Benches x 2: £1000 Big Lunch: £1250 Councillor's training: £400		£4900
10	Donations	Budget proposed: £250	See proposal from Finance Committee	£250

Running the Parish

In recent years, the Parish has kept precept increases to a minimum. This reflects a lack of proactive investment and moderate attention to asset maintenance. Any departure from the status quo may be subject to challenge from the Parish and we must be able to objectively justify any proposals.

Councillors have been asked to identify items requiring maintenance and also any worthwhile capital expenditure projects which will benefit the community. The Budget & Precept Summaries detailed in the appendices show the areas which we require to fund in order to maintain “business as usual” and also the proposed capital projects.

Open spaces and maintenance (1)

The grass cutting contract is likely to show a significant increase, although this is masked as last year the renewed netting along the A388 was included in the overall figures. We do not have final costings yet, but the budget for the grass cutting has been set against a preliminary quote for cutting it sufficiently to promote use of the public areas.

Donations (10)

The “Grants” amount is up 11% but this will be against a new, more objective, “Grants and Donations Policy”.

Maintenance (4)

Routine maintenance has been included in the precept budget, whereas you will see that there is £1,300 shown which I believe has accumulated due to lack of attention in earlier years. For this reason, I am proposing that this expenditure is taken from our reserves rather than the precept. Minimal sums have been included for maintenance of the Quay and the Pound. These need a longer term structural review.

Council Projects (9)

£4,900 worth of projects are also being proposed. Again, I suggest these are funded from reserves. Given the history of keeping precepts low, a hitherto lack of capital expenditure, and the fact that we have built up a relatively healthy reserve, I believe this is appropriate.

I have not included an amount for moving the speed sign (almost £4k) as I do not think we can justify this. There is also a caveat that we must pay to re-site it in the future if St Mellion asks for it back!

For now, I have also excluded the proposed grit bin at the top of Sunnybanks. I feel this should be properly justified and costed, and a case be put to the PC. This can always be considered later provided we have adequate reserves?

Author: Cllr Denis Morgan

Date: 6 December 2017

Budget & Precept 2018/2019

These figures show comparisons with the current years budget

			2018-19	2017-18	Change	Change
Gross Expenditure			£	£	£	%
NOTES	A) Open spaces & Maintenance					
1		Grasscutting	6800	6500	300	5%
2		Weedspraying	0	0	0	
3		Rent for recreation field	1969	0	1969	
4		Maintenance	1300	620	680	110%
	sub total		10069	7120	2949	41%
	B) General Administration					
5		Salaries	3476	2867	609	21%
6		Legal	360	580	-220	-38%
7		PPSA	550	400	150	38%
8		Miscellaneous	1395	1545	-150	-10%
	sub total		5781	5392	389	7%
	C) Council Projects					
9		See list	4900	0	4900	
10	D) Donations					
		Grants & Donations	250	225	25	11%
	sub total		250	225	25	11%
	TOTAL		21000	12737	8263	65%
Precept & Other Income			2018-19	2017-18	Change	Change
		Precept	14600	12737	1863.00	15%
		CTS Grant	200	248	-48.00	-19%
		Reserves	6200	0	6200.00	
		Fees & Other Income	0	0	0.00	
		Bank interest	0	0	0.00	
	TOTAL		21000	12985	8015	62%

Budget & Precept 2018/2019 Reserves

Appendix 2

These figures show estimates for income and expenses. Figures are rounded.

Item	Budget
Estimated balance at 31 MARCH 2018	14300.00
LESS neighbourhood plan funding	800.00
= working balance carried forward to 2018/19	13500.00
Contingency Reserve (half of precept)	7300.00
= new working balance	6200.00
Earmarked Reserve (for projects)	4900.00
Earmarked Reserve (for back maintenance)	1300.00
= fund remaining	0.00

Budget & Precept 2008/2019

Appendix 3

These figures show the precept levied for the past 10 years.

Year	Precept	Notes
2008	£ 10,032	
2009	£ 9,360	
2010	£ 10,905	
2011	£ 11,435	
2012	£ 11,424	
2013	£ 11,811	
2014	£ 11,331	
2015	£ 12,269	
2016	£ 13,829	
2017	£ 12,789	
2018	£ 14,600	proposed
average	£ 11,799	

