

**TO: MEETING OF STAPELEY & DISTRICT PARISH COUNCIL**

**DATE: 18 NOVEMBER 2019**

**SUBJECT: BUDGET PROPOSALS 2020-2021 (SECOND REPORT)**

## **1 INTRODUCTION**

Members are invited to give further consideration to the Parish Council's budget proposals for 2020-2021. A final report will be submitted to the December 2019 meeting to take account of suggestions made at this meeting. Cheshire East Council requires notification of the precept by 17 January 2020.

The report is the same format as in previous years and comprises the following information:

Paragraph 2	Decisions required by the Parish Council.
Paragraph 3	A reminder of the budgeting approach.
Paragraph 4	Explanation of Revised Estimates to 31 March 2020 and its impact on the budget for the forward year.
Paragraph 5	Narrative to accompany the detailed proposals.
Appendix (separate document)	Budget Monitoring to 30 June 2019 and detailed budget proposals. An up-dated schedule to 30 September 2019 will be submitted prior to the meeting.

## **2 DECISIONS REQUIRED**

At its meeting on 16 December 2019, the Parish Council will be asked to RESOLVE -

- (a) That a budget of (to be agreed at the December 2019 meeting) be approved;
- (b) That the Clerk be authorised to request a precept of (to be agreed at the December 2019 meeting) from Cheshire East Council; and
- (c) That the Clerk's salary be increased to (to be agreed at the December 2019 meeting) with effect from 1 April 2020 in line with her contract of employment and the pay scales agreed by the National Joint Council for Local Government Services.

## **3 BUDGETING APPROACH**

Good governance, accountability and transparency are essential to local councils and a cornerstone of the government's approach to improving public services. Those who are responsible for spending public money are accountable for ensuring that it is conducted in accordance with the law and proper practices. The preparation of an annual budget is one of the key statutory tasks to be undertaken by a Parish Council, irrespective of its size. The budget has three main purposes:

- 1) It results in the Council setting the precept for the year (ie the money which it requests from the Borough Council to fund the shortfall between its own funds held and the budget proposals for the forward year).

- 2) Subject to the Financial Regulations, it gives the Clerk overall authority to make spending commitments in accordance with the plans approved by Members.
- 3) It provides a basis for monitoring progress during the year by comparing actual spending against planned spending.

The importance of the budget should not be under-estimated. It is essential that Members understand how it is put together and how it should be used in the operation of the Council.

**Members have a duty to ensure that the budget proposals for the forward year are appropriate and are encouraged to question them.** At its simplest, the budget compares what the Council would like to spend in the forthcoming year on local services and projects, with the amount of income which it expects to generate, with the excess of planned spending over income being made up, mainly by the precept, but also from income from the Community Hall.

Receipts from hire of the community hall has become a steady income-stream and has been factored into the proposals.

#### Review of the current year budget and spending

Most Parish Councils start their process by examining the current year figures with three main purposes:

- 1) To identify activities which are being carried out this year and will also be carried out in the next year and therefore, need to be budgeted for again.
- 2) To identify items such as projects or schemes which are occurring in the current year but will not occur in the forward year and there is, therefore, no need for a budget.
- 3) To identify items, such as new schemes, which are not an activity in the current year but should be added for next year's budget.

All of the above is 'incremental budgeting' as it builds on the decisions which the Parish Council has taken in the past. Although zero-based budgeting is a 'clean sheet' approach and is not constrained by what has happened in previous years, the incremental approach is more practical. Members are, nevertheless, encouraged to question more closely each item of expenditure. **Every item of expenditure must be considered and justified, and there must be a reasonable prospect of each item coming to fruition during the financial year, to avoid criticism by the auditor and to demonstrate to the electorate that the Parish Council is a prudent manager of public money.** Each year, the Clerk, on behalf of the Council is required to provide a detailed variance schedule which shows the difference in spend between two financial years and the reasons for any significant differences. Both over-spend and under-spend represent poor budgeting.

Members should also consider carefully what additional items ought to be included to avoid spending on un-budgeted items during the year. This is not good governance and should be avoided.

#### Reserves Policy

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of reserves which should be held. It is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

As a broad guidance, this should be set at a level which will allow the Council to operate for a period of six months and this would be half the precepted figure. The figure is currently £3,000 and it is recommended that this be increased to £10,000.

Types of Reserves

Reserves can be categorised as general or earmarked.

Earmarked reserves can be held for several reasons, eg:

Renewals – to enable the planning and financing of an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance and will avoid the need to vary budgets.

General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

**4) REVISED ESTIMATES TO 31 MARCH 2020**

The figures in the revised estimates are to give Members an idea of how much of the budget is expected to be spent before the end of the financial year. As this is an estimate based on the quarter-way position of spend, it cannot be predicted accurately.

The calculation of the expected spend for the remaining three quarters of the year is a matter of judgement and it is for Members to decide which budget lines are likely to be spent in full. This is an important part of the process because it impacts on the budget for the forward year and requires careful consideration. The Clerk expects to be able to submit an up-dated statement showing the position at 30 September 2019.

As an example, if Members take a view that a funded item of, say, £5,000 is not likely to be spent between October 2019 and 31 March 2020, that sum will be removed as a budget item. At this stage, although there is another six months of the financial year remaining, this sum of £5,000 can no longer be considered as available for spending. Although it WAS a budgeted item, it is no longer available and when calculating the likely balance available on 1 April 2020, that sum will increase the balance available by £5,000 and will, therefore, REDUCE the amount of precept required.

If Members were to decide (after the budget is agreed and during the current financial year) that the £5,000 should be spent, this is in effect, £5,000 which has been disregarded during the budget-setting process and it would not only reduce the likely balance available on 1 April 2020 by £5,000 but would also mean that the whole of the 2020-2021 budget would be £5,000 short.

The following is an illustrative example of –

- (a) how the likely balance on 1 April is calculated; and
- (b) how the precept is calculated.

	Balance at bank on 30 Sept 2019	10,000	
LESS	Expected spend from 1 October 2019 to 31 March 2020.	(5,000)	5,000
ADD	Expected receipts before 31 March 2020	2,000	7,000
∴	The expected balance on 1 April 2020 -	<u>7,000</u>	

The next stage is to agree a budget for 2020-2021, and consequent precept.

	Budget 2020-2021	40,000	
LESS	Likely balance available on 1 April 2020	(7,000)	33,000
LESS	Community Hall income	(2,000)	31,000
LESS	VAT re-claim	(1,500)	29,500
	Precept required	<u>29,500</u>	

5) **BUDGET PROPOSALS – 2020-2021**

5.1 The enclosed schedule comprises:

Column 1	Budget for 2019-2020.
Column 2	Expenditure to 30 June 2019;
Column 3	Revised estimates to 31 March 2020 (this represents additional spend between 1 July 2019 and 31 March 2020, rather than the cumulative figure for the whole year);
Column 4	Draft budget for 2020-2021.

**Commentary on proposals.**

Line 28 Speed Indicating Devices. This was referenced at the previous meeting. Line 29 has been combined with this. To avoid confusion, the line numbers remain the same as in the schedule submitted to the October 2019 meeting.



Enclosed are brochures provided by Matthew Nord who was in attendance at the October meeting, as follows:

- VAS Brochure
- Effectiveness of SIDs
- Effectiveness of VAS

The Clerk has contacted TWM Traffic Management Systems to seek advice on which of these two systems would be the most effective and to ask for a quotation.

Line 48 Wi-Fi in Community Hall.  
The cost is £27.00 per month.

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Costs are required for the following items.

Line 51 Provision of additional seating.

Line 52 Reinstatement of hedgerows. It would be helpful to have a list of locations where hedgerows have been removed.

Members are referred to an email sent by Councillor John Davenport to all councillors, on 22 October 2019. Attached to the email were documents relating to hedgerow regulations.

Line 53 Litter-bins: approximately £400 each; locations need to be decided and ANSA will need to be consulted to ensure that the additional emptying can be included on its waste collection rounds.

## Stapeley & District Parish Council

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Line 54            Display board for conservation area.

Line 55            Renamed – Conservation Projects.

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As most expenditure by local councils is from the provision of statutory services (rather than discretionary), a change in precept level signals to the electors that there might have been a change in service provision. It is important, therefore, for the Parish Council to be able to justify this change in precept.

For information, precepts requested in previous years (including the current year) are as follows:

2016-2017	£49,000
2017-2018	£17,000
2018-2019	£30,200
2019-2020	£23,000

The Council Tax base for 2020-2021 has been notified as 1,729.35 (to be confirmed by CEC on 12 December 2019). The tax base for the current financial year is 1,639.38 and additional Council Tax on a Band D property was £14.02 for a precept of £23,000.

### **5.2 Clerk's Salary**

The Clerk's salary will be discussed in Part 2 of the meeting as this relates to the employment matters and is not in the public interest to discuss this in the presence of the press and public.

Carol Jones  
Clerk  
13 November 2019