

CRESSAGE, HARLEY & SHEINTON PARISH COUNCIL

2019-20 BUDGET REPORT & RISK ASSESSMENT

1.0 PURPOSE OF REPORT

- 1.1 This report reviews this year's budget and outlines a draft budget for 2019/20. It needs to be read in conjunction with its 2 appendices – the 2019/20 budget spreadsheet and the 2017/18 summary of expenditure and income. The budget is based on the information available at present and it is for council to review the draft budget and determine the precept. I recommend that the council defers setting the budget and precept until its February meeting in order to allow time for quotes for the maintenance contract to be received and to further evaluate and consult on the options for financing the streetlight. The budget shows what precept is needed to achieve a balanced budget. As RFO, it is my recommendation to set a balanced budget as this approach manages the risks identified in this report. However, the council must decide what precept it feels is appropriate.

2.0 BUDGET REVIEW – 2018-19 (CURRENT YEAR)

- 2.1 The parish council set a budget in January 2018 and this was reviewed towards the start of the financial year, following the appointment of the new clerk and recommendations from the internal auditor to break the budget down into further detail. It is the detailed budget which has been used as the basis to monitor the budget throughout the year. The expenditure budget requirement is £23,079.
- 2.2 The council set a precept of £15,970 for the current financial year and it was anticipated that £1,500 of environmental maintenance grant together with £90 from pavilion hire and £2 in bank interest would also be received. This is therefore a total projected income of £17,562. Income actually received to date totals £16,062.76 and is anticipated that a further £1,500 will be received in environmental maintenance grant, although this is subject to assessment of the application. The precept of £15,970 equated to £39.54 per Band D household this year.
- 2.3 The budget is a deficit budget with the difference between income and expenditure being £7,109.76 leading to a need to use reserves.
- 2.4 Expenditure for the year is anticipated to total £25,268, this being over budget by £2,180. Staffing costs (salary/pension) have increased from £5,835 per annum in 2017/18 to £6,281 per annum in 2018/19. Another key area of overspend is on the streetlights which have required repairs totalling £2,330 to date.
- 2.5 The council also holds reserves which are split into general contingency reserves and reserves ringfenced for specific purposes; funds can be moved between reserves any time with the authorisation of council. Audit guidance is that general reserves (i.e. not including ringfenced reserves) should be in the range of 25 to 100% of budgeted spend for a year. It is projected that by the end of this financial year the general reserve will be in the region of £9,110. Based on the budget set of £23,079 this is about 39% of the council's annual

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budget. This is therefore within audit guidelines but quite modest for a small/medium sized council.

3.0 BUDGET FOR 2019-20

- 3.1 As can be seen from the summary above, in recent years the council has operated on a deficit budget. It is recommended that this is not sustainable going forward. The 2019/20 budget has therefore been based on a balanced budget or the council could choose to stagger any increase of the precept over multiple years.
- 3.2 The budget appended to this report summarises all of the anticipated costs for 2018/19 in detail and in summary the total projected expenditure requirement is £23,260. This is based on the works to the streetlights being funded by a 10 year loan. The environmental maintenance contract is about to go out to tender so at present the costs are based on the current contract.
- 3.3 If the council sets a balanced budget and assuming it receives environmental maintenance grant, the precept requirement would be £21,666.45 to achieve a balanced budget. The precept per Band D household is calculated by dividing the total precept requirement by the Council Tax Base of Band D equivalent households of the parish. In the case of this parish, there will be a Council Tax Base of 411.41 Band D equivalent households in 2019/20. Therefore, a precept of £21,666.45 equates to £52.66 per Band D household, an increase of £13.12 per Band D household or 33%. For every £1,000 that the precept is increased/decreased, it equates to £2.43 per Band D household compared to the precept per household in 2018/19.
- 3.4 For comparison purposes, in the table below are precepts of councils which manage similar assets. The table assumes that these councils do not increase the precepts in 2019/20

| Council | Precept | Council Tax Base (Band D equivalents) the precept per band D household | Per Band D household |
|--------------------------|---------|--|----------------------|
| Ford | £20,000 | 297.66 | £67.19 |
| Great Hanwood | £27,500 | 392.15 | £70.13 |
| Great Ness & Little Ness | £20,504 | 476.60 | £43.02 |

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4.0 RISK ASSESSMENT

- 4.1 It is good practice for Councils to risk assess their budget. Below I have set out a table of risks for discussion.

| Risk | Description/level of risk |
|---------------------------------|---|
| Precept | <p>Keeping the precept at its current level would be high risk as there would be a significant shortfall between expenditure requirement and the precept and this would lead to reserves being depleted.</p> <p>From a financial management point of view, it would be preferable to have a balanced budget which does not draw on reserves but it is not for the RFO to set the precept and the council needs to look at all options for setting the precept.</p> |
| Environmental maintenance grant | <p>There is a risk that the council may not be awarded this grant or that it may only get part of the amount it has asked for.</p> |
| Loan | <p>Medium risk - there is no guarantee that the council's application for a loan for the street lights will be accepted, in which case alternative funding would have to be found. It would be too late to amend the precept for 2019/20 so it may be necessary to use reserves and recover the funds through future years precepts. In the short term, this would increase risk to the council as either the works to the lights could not be done or the reserves would reduce significantly.</p> |
| Reserves | <p>Medium risk - the general reserves are 39% of expenditure which is modest but within audit guidelines.</p> |