

---

**TO: MEETING OF SHAVINGTON-CUM-GRESTY PARISH COUNCIL**

**DATE: 4 DECEMBER 2019**

**SUBJECT: BUDGET PROPOSALS 2020-2021**

---

## **1 INTRODUCTION**

Members are invited to give consideration to the Council's budget proposals for 2020-2021. The enclosed documents represent a draft budget only.

These proposals are based on recommendations from the Finance Committee which met on 30 October 2019.

At the Parish Council meeting on 6 November 2019, the Clerk was asked to make revisions to the way in which the draft budget was presented. This revised document is now enclosed.

The deadline date for precept requests to be submitted to Cheshire East Council is 17 January 2020.

## **2 PRECEPTS**

Members are reminded that a precept is described in law as a *peremptory order to a billing authority* (i.e. Cheshire East Council) *to pay a local council a named sum*. This is payable in instalments – 1 April and 1 September each year. Cheshire East Council has no power to approve or not approve the amount and cannot vary it. The cost of the requested precept is then passed on to the electorate in the form of additional Council Tax which is recovered by Cheshire East Council.

Tax base: In 2019-2020, a budget of £180,595.00 was approved and this required a precept of £129,000.00. The Council tax base was 2087.67 and the effect of the precept on a Band D property was an additional £67.92 in Council Tax. This is calculated by dividing the precept by the tax base.

The tax base for 2020-2021 (2143.62) is to be confirmed by Cheshire East Council at its meeting to be held on 12 December 2019.

## **3 FORMAT OF REPORT**

This report is in similar format to that for 2018-2019 and comprises the following information.

Paragraph 4	Decisions required by the Parish Council.
Paragraph 5	Calculation of Clerk's salary (This paragraph will not appear in the public version of this document.)
Paragraph 6	Budgeting approach.
Paragraph 7	Revised estimates to 31 March 2020. Explanation of how this is calculated and its importance in the process.
Paragraph 8	Reserves Policy.
Paragraph 9	Narrative to accompany budget proposals.
Separate Document	Receipts and Payments Statements to 30 September 2019 for both accounts.

Separate document

Budget monitoring schedule to 30 September 2019 showing:

- Spend to 30 September 2019
- Revised estimates for the period to 31 March 2020.
- Draft budget for 2020-2021.

#### 4 DECISIONS REQUIRED

At its meeting in January 2020, the Parish Council will be asked to **RESOLVE** the following:

- i. That a budget of (to be agreed at the Parish Council meeting) be approved;
- ii. That the Clerk be authorised to request a precept of (to be agreed at the Parish Council meeting) from Cheshire East Council; and
- iii. That the Clerk's salary be increased to (to be agreed at the Parish Council meeting) with effect from 1 April 2020 in line with the National Association of Local Councils agreed rates and the contractual obligations in the Clerk's contract of employment.

#### 5 CALCULATION OF CLERK'S SALARY

**REDACTED:** This is excluded from public circulation and deposit as it refers to the Clerk's salary which is a staffing matter.

Members of the public are entitled to know the annual figure only.

#### 6 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 style of Annual Return changed in 2015-2016 to emphasise to local councils their duty in confirming that the accountability framework is satisfactory.

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:

- a) It results in the Council setting the precept for the year (i.e. 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).
- b) Subject to the Financial Regulations, it gives the Clerk overall authority to make spending commitments in accordance with the plans approved by Members.
- c) 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. 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; however, the Village Hall generates income which, in broad terms, has previously resulted in a break-even position. This will not be the case for 2019-2020. Promotional pricing was introduced in late 2018 to attract more clients following the six-month closure in 2018 for the up-grading work; a consequence of this was a significant reduction in income.

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 which **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.** 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.

Members will also need to take into account the Internal Auditor's comment on the accounts for 2018-2019 in which he stated that the reserves were insufficient, and that the Council should be aiming for at least six months' level of precept as its reserve.

## 7 REVISED ESTIMATES

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 half-way position of spend, it cannot be predicted accurately.

The calculation of the expected spend for the remaining half 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.

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	Village Hall income	(2,000)	31,000
LESS	VAT re-claim	(1,500)	29,500
	Precept required	<u>29,500</u>	

## 8 RESERVES POLICY (Line 89)

In view of the comments made by the Internal Auditor during the audit of the accounts for 2018-2019, the Parish Council needs to address the issue of holding sufficient reserves.

The auditor stated –

*The Council should urgently improve budgetary control and budget setting:*

- The Council should review its budget analysis and ensure that they can balance the budget for 2019/2020. The items in particular that need to be review are the £10,000 unallocated sum and the £20,000 for purchase of a parcel of land. These two budgets may be needed instead to ensure that general cash reserves are in place at the year end.*
- The Council must ensure that they are carrying an adequate general reserve. Sector guidance is that this should be between 3 and 12 months of the precept level.*
- Budgetary control reports detailing spend to date against budget should be regularly reported during 2019-2020.*

The Finance Committee recommended that the Parish Council should take into account Sections 32 and 43 of the Local Government Finance Act 1992 which requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There is no specified minimum level of reserves which should be held. It is for 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 Clerk has set this at £40,000 for 2020-2021 but it will be for Members to decide if this is appropriate taking into account the impact of a high precept. Half the precept for 2020-2021 would be £84,000. At the half-way mark of this financial year, the spend has been £60,000.

The precept for the current year is £129,000; if reserves of £64,000+ had been included, this would be unlikely to be acceptable to the electorate; a sum which represents three months' operating costs would probably be acceptable and £30-40,000 would seem to be the correct level.

## 9 BUDGET PROPOSALS – 2020-2021

**9.1** The budget proposals form part of the budget monitoring report which shows the financial position at 30 August 2019. Attention is drawn to the following.

### Line 6 Additional Member of Staff (Community Manager) £4,000

This post has been suggested informally at Parish Council meetings and is based on 7 hours a week. The post-holder would be required to have a range of skills.

**Line 9 Clerk's Stationery Items £1,000**

The cost of ink cartridges is significant. It costs £370.00 to purchase a full set of replacement cartridges for the laser jet printer, and this is required two/three times a year.

**Line 10 Purchase of computer for use by Clerk £2,000**

This was included in the current budget and has not yet been purchased. The purpose of the purchase is to comply with the General Data Protection Regulation which requires all town and parish councils to ensure that their data is on a computer owned by the Council and is not kept on personal computers.

**Line 12 Improvements at Allotments Site £1,000**

The plot-holders have requested a number of improvements at the site; eg, replacement sliding gate, notice-boards, a skip to be provided twice a year.

At its meeting held on 30 October 2019, the Finance Committee recommended that there should be an increase in the fees. At present, these are set at £25 per plot, with a discount to £15 for those in receipt of state pension or disability allowance.

The purpose of the rents is to break-even, but the cost this year has been £490.00 and the expenditure is not yet complete. There is some pruning of a hedge required between the allotments site and the company adjacent to the site.

One of the plots is vacant but is in such a poor state that it is not reasonable to offer it to the next person on the waiting list. It was suggested at the Committee meeting that this could be offered on the basis that it would be free for the first year, to allow a new tenant to clear the site himself.

**Line 28 New Website £4,000**

From September 2020 all public sector websites must meet certain requirements in accordance with The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 which states that '*a failure by a public sector body to comply with accessibility requirement is to be treated as a failure to make a reasonable adjustment*'. (Section 12).

- Meet minimum accessibility standards specified by international standards, and
- Provide an accessibility statement (a model template is available online from Government Digital Services) which informs disabled users
  - How they can benefit from the Council's accessibility practices.
  - Which bits of the accessibility requirement the Council has not yet met.
  - What the Council is going to do to address this; and
  - What alternative support the Council offers to people who cannot easily access the website owing to its deficiencies and accessibility.

(The accessibility requirement applies to uploaded content (PDFs, videos etc.) as well as the actual web pages.

**Lines 44, 46, 48 and 50 Events**

Clarification is required in respect of the retainer arrangement with Brave Little Tank. The Clerk is not clear if the monthly cost covers the design work for these events.

**Lines 53 – 55 Remembrance Sunday**

Specific allocations have been included to cover the cost of a marquee, seating and traffic management in 2020.

