

## THURSTON PARISH COUNCIL

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Paper submitted by the Clerk to the Council at the meeting of 01.12.21 following approval of the recommendation to set a budget of £165,300 as agreed at the Policy & Resources Committee Meeting of 26.11.2021

### **A briefing paper for Councillors on the Budget Preparation for 2022-2023**

#### **including its Financial Position**

#### **Introduction**

The budget is a key part of the council's plans and must tie in with its policies. The council needs to be budget for a number of reasons:

- To plan its future activities
- To provide an opportunity to monitor progress during the year, by comparing what it actually spends against what it plans to spend.
- To assist the council in setting its precept
- To provide the framework authority for expenditure under various headings.

#### **Precept – what is the precept?**

The precept is the parish council's share of the council tax. The precept demand goes to the billing authority, the district council or equivalent, which collects the tax for the parish council.

#### **Legal Basis for setting a precept**

Section 50 of the Local Government Finance Act 1992 specifies the calculation of the budget requirement for local precepting authorities.

During the process of calculating the precept, Council should be mindful that sums it sets must be sufficient to cover the following:

- Next year's expenditure, including an allowance for contingencies
- Outstanding expenditure in previous years
- Expenditure that is anticipated to be incurred before the precepted sum become available
- Payments to a sinking fund, capital fund or a renewal and repairs fund.

The budget requirement for the year is the difference between expenditure and income calculated in accordance with Section 50.

In accordance with the Accounts and Audit Regulations 2015, the Parish Council must also ensure that its financial management is adequate and effective and that it has a sound system of internal control.

## Risks associated with the setting of the budget

### 1. Risk 1 – Capping of Parish Council Precepts

Capping is possible in the future. However, the indications are, once again, that the Ministry of Housing and Local Communities will only implement capping on Principal Authorities (District and County). This will be confirmed in the local government finance settlement which is the annual determination of funding to local government. It needs to be approved by the House of Commons and usually is determined during December. It has been confirmed by MSDC, that until the Provisional Local Government Finance Settlement in December 2021 is known, it cannot be confirmed that there will be no council tax referendum limits for town and parish councils in 2022/23.

Risk Assessment – low likelihood and high impact.

### 2. Risk 2 – Sustainability of village amenities

The continuing operation of amenities in the parish relies upon efforts of the parish council to raise income whilst controlling costs. There are times and circumstances when the parish council will need to rely on external funding or where the parish council itself will be asked for financial assistance. With the continued growth of the village of Thurston there will be a greater call on the current facilities as well as the need for improved or a wider range available to the population.

Risk Assessment – medium likelihood and medium impact

### 3. Risk 3 – Personnel Costs

Council must be aware that it needs to comply with employment law and pension legislation. Annual pay awards and performance reviews should be built into budgets for future years. In addition, if any new employees “opt-in” to the local government pension scheme, there will be higher staff costs through employer contributions to the pension scheme. The Clerk and Deputy Clerk are currently the only members of staff enrolled into the Local Government Pension Scheme (as operated by Suffolk County Council) with employers contributions at 23% for 2022/2023. The detailed breakdown of the budget to be set (*Paper 6*) shows the hours covered by the budget and any associated employment costs (*known National Insurance Increase & unknown annual pay increase for 21/22 and 22/23*).

Risk Assessment – medium likelihood and medium impact

### 4. Risk 4 – Asset Replacement Reserve

Council should consider allocating on an annual basis a sum to be made as a contribution to an Asset Replacement Reserve to allow a reasonable sum to be maintained for the replacement of the assets held by the council on a rolling basis. Whilst the Annual Play Inspection Risk Assessment Reports for the Council owned and maintained play areas highlighted (in 2019) that all play equipment had a life expectancy of between 5 – 10 years, Council should ensure that it has sufficient reserves to allow for a partial replacement on a rolling basis.

## Risk Assessment – medium likelihood and medium impact

### 5. Risk 5 – Failure to Contribute to General Reserves

The Parish Council currently has a low level of general reserves and should ensure that such reserves are held in accordance with Proper Practices which states that one of the key stages in determining the budget is to “provide for contingences and consider the need for reserves”. As with any financial entity, the parish council must ensure that it has sufficient reserves (both general and earmarked) to finance both its day-to-day operations and future plans. However, it should be remembered that given that the majority of its funds are generated from taxation / public reserves, it needs to ensure that such reserves are not excessive.

## Risk Assessment – low likelihood and medium impact

### 6. Failure to Manage Restricted Reserves (CIL Funds)

A portion of CIL income is paid to the Parish Council to be spent by the parish council on offsetting the impacts of development in the area. These sums must be held in a designated reserve (restricted reserve) to support the expenditure on facilities and services to ensure that there is the capacity to sustain such growth. Over time this will lead to a reduction in the total reserve available and all associated revenue costs will need to be brought into the revenue budgets funded by the Precept. Such Reserves have a time limit in which expenditure must be incurred.

## Risk Assessment – Medium likelihood and Medium impact

### Precept Demand

The starting point for the preparation of the Draft Budget involves an examination of recent trends in respect of receipts and payments along with known associated costs for new assets and new expenditure incurred. Council has previously run with the presumption that any increase in Precept shall be less than 5% with an explanation for departure from such a trend. In normal years, there is very rarely any difference between the provisional tax base indicated by MSDC in November and the final approved Tax Base issued to be issued in early January.

Given the above it is therefore prudent for Council to be “minded to set” a budget on 1<sup>st</sup> December 2021 with formal approval of the budget and the precept to be set to be agreed at the meeting of 12<sup>th</sup> January 2022 (for the year commencing 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023).

The Budget Proposal, summarized below, assumes a working budget to be set in the sum of £165,300.

CATEGORY	Budget 2020-21	Actual 2020-21	Budget 2021-22	Mid-term 2021-22	Projected 2021-22	Budget 2022-23
STAFF	50924	49907	60265	34506	59153	66065
STREET LIGHTING	5800	0	5930	6178	12108	6500
GROUNDS MAINTENANCE	2000	680	2000	1259	1651	2000
PLAY AREA MAINTENANCE	2200	1603	5700	3202	5796	6000
VILLAGE MAINTENANCE	1800	4042	5940	4092	4817	6000
PCSO CONTRACT *	37300	44300	39300	19650	39300	39300
OFFICE ADMINISTRATION	11240	13021	13400	7948	12811	16300
AUDIT/ACCOUNTANCY	725	660	1130	1060	1060	2000
LEGAL /PROFESSIONAL FEES	0	3888	0	10400	33900	10000

ELECTIONS	500	0	0	0	0	0
HEATH ROAD PLAY AREA	1655	1840	4055	513	2055	3055
SUBSCRIPTIONS	1000	1294	1310	1303	1303	1350
LIBRARY – EXTRA HOURS	2700	2700	2700	0	2700	2700
SMALL GRANT DONATIONS	5030	2251	5230	3800	5230	3030
NEW FACILITIES/EQUIPMENT	0	77895	CIL	CIL	CIL	CIL
COVID-19 EXPENDITURE	0	1092	1000	101	500	1000
<b>TOTALS</b>	<b>122874</b>	<b>205173</b>	<b>145760</b>	<b>94012</b>	<b>182384</b>	<b>165300</b>

FUNDED BY						
PRECEPT	105162	105162	105864	105864	105864	123000
LCTS	0	0	908	908	908	0
RESERVES	12219	29019	0	0		0
CIL RESERVES / RECEIPTS	0	167700	36000	36000	36000	0
GRANTS	5488	21076	2988	985	2988	3000
MISC INCOME	25	1037	0	348	400	39300
<b>TOTALS</b>	<b>122894</b>	<b>323994</b>	<b>145760</b>	<b>144105</b>		<b>165300</b>

\* overtime costs are to be added for attendance at the following meetings:

May 20<sup>th</sup>; November 3<sup>rd</sup>; December 1<sup>st</sup>; February 2<sup>nd</sup>; 17<sup>th</sup> March (APM)

## Tax Base

MSDC advised the Parish Council of the Taxbase calculator and Indicative Tax Base information via email on 17<sup>th</sup> November 2021. Although they do not anticipate any significant change they will confirm the Final Tax Base early January 2022.

Tax Base for 2022/2023	Tax Base for 2021/2022	% Change	Status
£1380.20	£1220.96	13.0%	PROVISIONAL

If the above budget is approved by full Council, the Precept set for 2022/2023 could mean a charge of £89.12 on a BAND D property. This represents an increase of **£2.41 per annum** or **2.77%** on a BAND D property.

## Analysis of Tax Base for Thurston since 2014-2015

Year	Tax base	Band D	Movement in £	Movement in %	Precept in £	LCTS Grant
2014-15	1174.31	49.74	1.21	2.5	58,413	1,961
2015-16	1184.29	50.98	1.24	2.5	60,379	1,307
2016-17	1197.97	67.27	16.28	31.93	80,582	654
2017-18	1203.56	75.57	8.30	12.35	90,959	Phased out
2018-19	1206.53	77.96	2.39	3.17	94,067	0
2019-20	1219.82	79.43	1.46	1.88	96,889	0
2020-21	1228.87	85.58	6.15	7.74	105,162	0
2021-22	1220.96	86.71	1.15	1.32	105,864	908
2022-23	<b>1380.20</b>	<b>89.12</b>	<b>2.41</b>	<b>2.77</b>	<b>123,000</b>	<b>0</b>

## **Reserves – Earmarked, Restricted and General**

Council should be mindful of guidance given within the Practitioners' Guide to Proper Practices to be applied in the preparation of Statutory Annual Accounts and Governance Statements (March 2021) which states that "The authority (parish council) needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves."

As with any financial entity, it is essential that an authority has sufficient Reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

### **Earmarked Reserves**

Earmarked and Other Reserves — none of the above in any way affects the level of Earmarked and/or Capital Receipts Reserves (EMR/CRRs) that a authority may or should hold. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from Internal and/or External Auditors.

### **Restricted Reserves**

Neighbourhood CIL is passed to parish or town councils by MSDC where development is taking place. The amount will be 15% or 25% depending on whether the community has an adopted Neighbourhood Development Plan (NDP). Thurston has an adopted NDP as of October 2019.

The CIL Regulations 2010 as amended state that the parish council must spend the CIL income they received from the District on either:

- The provision, improvement, replacement, operation or maintenance of infrastructure;
- or
- Anything else that is concerned with addressing the demands that development places on an area.

Providing CIL is spent in accordance with the above, CIL monies may be used to provide seed or match funding with other income streams and / or may be spent collaboratively with other parish councils, community interest companies or other providers to make the most efficient use of funding to benefit the community.

Thurston Parish Council has a five-year period in which to spend CIL monies from the date received, thus funds may be accumulated to provide for major projects.

### **General Reserves**

The generally accepted recommendation with regard to the appropriate minimum level of a general reserve is that this should be maintained at between (3) and twelve (12) months of net revenue expenditure. This (subject to any planned surplus or deficit) is effectively the precept less any loan amounts included in the precept for capital projects and transfers to earmarked reserves.

*The reason for the variation is to cater for the large variation in sizes of individual authorities. In practice any authority with a net revenue expenditure in excess of £200,000 should plan on three (3) months equivalent General Reserve.*

Council is therefore encouraged to adopt as a General Reserve, the level that is appropriate to its size and situation and plan its Budget so as to ensure that the adopted level is maintained.

Current General Reserve	Level under 3 month equivalents to be held for contractual duties	Variance	
		£	%
£6,000	£26,000	£20,000	23%

The General Reserve Fund will be determined at 31<sup>st</sup> March 2022 (the end of the financial year) and Council is encouraged to ensure that it meets the three month rule as outlined above.

Current Earmarked Reserves stand at:

<b>Thurston Parish Council Earmarked Reserves (Designated Reserves)</b>				
	Opening Balance 01.04.21	Movement	Reasoning	Closing Balance 30.11.2021
Asset Replacement Fund	5,000			5,000
Staff Reserve	5,597			5,597
Parish Poll / Election	3645			3,645
Defibrillator (PC Office)	2,500	-2,500	Defibrillator installed	0
CIL Restricted Funds	182,948	+267,191	Income/expenditure	450,139
Newsletter Funds		+3477		3,477
<b>TOTALS</b>	<b>199,690</b>			<b>467,858</b>