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Paper submitted by the Clerk to the Council at the meeting of 11.01.23 (amended version of that which was submitted at the meeting of 07.12.22)

## **A briefing paper for Councillors on the Budget Preparation for 2023 - 2024**

### **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 and it's legal basis.**

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.

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

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.
- Comparisons between expenditure and income

### **Risks associated with the setting of the budget**

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

Whilst capping is possible in the future, the Department for Levelling Up, Housing and Communities published in December the Provisional Local Government Finance Settlement for 2023-2024, which confirmed that the government did not intend extending to local councils the requirement to hold a referendum on increased council tax.

Risk Assessment – low likelihood and low 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 22% for 2023 - 2024. The detailed breakdown of the budget to be set (*Paper 7*) shows the hours covered by the budget and any associated employment costs (*known National Insurance Increase & unknown annual pay increase for 2022/2024. The costings for the annual pay award for 22/23 have been fully implemented in the current year*).

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. Currently Council has an earmarked reserve of £5,000 for asset replacement.

Risk Assessment – medium likelihood and medium impact

5. Risk 5 – Failure to Contribute to General Reserves

The Parish Council currently has a significantly 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.

MSDC issued a statement dated 17<sup>th</sup> November 2022 which detailed an indicative tax base and whilst they did not anticipate any significant changes, the Final Tax Base was not confirmed until 5<sup>th</sup> January 2023.

Council was therefore advised to be “minded to set” a budget of £200,550 on 12<sup>th</sup> December 2022 with formal approval of the budget and the precept to be agreed at the meeting of 11<sup>th</sup> January 2023 (for the year commencing 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024).

**The Budget Proposal, summarized below, has since been amended as revised figures have been received for the PCSO Contract. Council is therefore required to accept the revised proposed budget in the sum of £205,550.00.**

CATEGORY	Budget 2021-22	Actual 2021-22	Budget 2022-23	Revised 31.12.22	Projected 2022-23	Budget 2023-24
STAFF	60265	61458	68545	54483	68536	85,234
STREET LIGHTING	5930	5405	6500	0	6557	4,500
GROUND MAINTENANCE	2000	1259	2000	900	1500	8,500
PLAY AREA MAINTENANCE	5700	3652	6000	515	5802	5,850
VILLAGE MAINTENANCE	5940	9295	6000	10967	11071	12,485
PCSO CONTRACT *	39300	39350	39300	39550	39550	48,300
OFFICE ADMINISTRATION	13400	11672	16500	10138	14302	18,980
AUDIT/ACCOUNTANCY	1130	1184	1800	1433	1890	2,000
LEGAL /PROFESSIONAL FEES	0	36628	10000	20812	25000	15,000
HEATH ROAD PLAY AREA	4055	722	3055	420	2355	3,055
SUBSCRIPTIONS	1310	1338	1350	1448	1448	1,646
LIBRARY	2700	3289	2700	2700	2700	CIL
SMALL GRANT DONATIONS	5230	6071	3030	3929	3030	CIL
COVID-19 / COST OF LIVING	1000	101	1000	0	1000	CIL
<b>TOTALS</b>	<b>147,960</b>	<b>181,424</b>	<b>167,780</b>	<b>147,295</b>	<b>184,741</b>	<b>205,550</b>

FUNDED BY						
PRECEPT	105864	105864	125480	125480	125480	152,920
LCTS	908	908	0	0	0	0
RESERVES	0	2500	0	0	0	0
GRANTS	0	3858	0	3600	3600	0
CLEANSING GRANT	2988	3461	3000	1887	2830	4,330
CIL RESERVES PCSO FUNDING	36000	36000	39300	39550	39550	48,300
MISC INCOME	0	409	0	1087	1060	0
<b>TOTALS</b>	<b>145,760</b>	<b>153,000</b>	<b>167,780</b>	<b>171,604</b>	<b>172,520</b>	<b>205,550</b>

### Tax Base

MSDC have advised that the Taxbase calculator and Indicative Tax Base information as issued via email on 17<sup>th</sup> November 2022 is not subject to change (email of 5<sup>th</sup> January 2023) and can be used in the calculation of the Precept to be set as per the detailed workings in Paper 7.

Tax Base for 2023/2024 £1645.31	Tax Base for 2022/2023 £1380.20	% Change 19.2%	Status CONFIRMED
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**The budget in the sum of £200,550 was approved by full Council at the meeting of 7<sup>th</sup> December 2022. Given the increase in the PCSO contract, Council will need to approved an increase to the budget of £5,000 which will result in a budget of £205,550. As the indicative tax base has not been amended, the Precept required to cover the non-funded aspects of the budget set for 2023/2024 will remain at a charge of £92.94 on a BAND D property. This represents an increase of £2.04 per annum or 2.23% 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	1380.20	90.91	4.20	4.84	125,480	0
2023-24	1645.31	92.94	2.04	2.23	152,920	0

### 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 20212) 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.

### 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	
		£	%
£9,921	£24,500	£14,579	59%

**The General Reserve Fund will be determined at 31<sup>st</sup> March 2023 (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:**

Earmarked Reserves (Designated Reserves)				
	Opening Balance 01.04.22	Movement	Reasoning	Closing Balance 31.12.22
Asset Replacement Fund	5,000			5,000
Staff Reserve	4,290			4,290
Parish Poll / Election	3,645			3,645
Village Maintenance	0	+10,000	Reallocation	10,000
Newsletter Funds	3,797	-1,779	Increase in circulation	1,658
Legal Expenses	0	+10,000	Reallocation	10,000
CIL Restricted Funds	354,188	-90,841	Income/expenditure	263,347
<b>TOTALS</b>	<b>370,920</b>			<b>297,940</b>