

## THURSTON PARISH COUNCIL

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Paper submitted by the Clerk at the meeting of 2<sup>nd</sup> December 2020.

### **A briefing paper for Councillors on the Budget Preparation for 2021-2022**

#### **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.

**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 is currently the only members of staff enrolled into the Local Government Pension Scheme (as operated by Suffolk County Council) with employers contributions at 24% for 2020/2021. For 2020/2021 the balance of the cost of the Administrative Assistant (September – March) has been absorbed into the Clerk’s Salary due to the increase in overtime worked. For 2021/2022 the budget will include the additional cost of an increase to staffing costs of employment of a permanent part-time Deputy Clerk.

**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 (bar the Wobble Board at Thedwestre Play Area) 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 run with the presumption that any increase in Precept shall be less than 5% with an explanation for departure from such a trend.

The Budget Proposal as summarized below will require a Precept Demand in 2021/2022 of: £AWAITED For detailed workings refer to the DRAFT WORKINGS for the Annual Budget for 2021-2022

CATEGORY	Budget 2019-20	Actual 2019-20	Budget 2020-21	Mid-term 2020-21	Projected 2020-21	Budget 2021-22
STAFF	42288	46353	50924	27073	47942	60265
STREET LIGHTING	6000	5487	5800	0	5800	5930
GROUNDS MAINTENANCE	2000	1554	2000	966	966	2000
PLAY AREA MAINTENANCE	1650	165	2200	794	3200	3700
VILLAGE MAINTENANCE	2620	3669	1800	3723	4159	2950
PCSO CONTRACT	37300	18650	37300	18650	37300	39300
OFFICE ADMINISTRATION	10840	9955	11240	7647	12464	14400
AUDIT/ACCOUNTANCY	725	680	725	784	784	1130
LEGAL FEES	0	3500	0	882	882	0
ELECTIONS	2532	111	500	0	0	0
HEATH ROAD PLAY AREA	1155	2721	1655	475	1655	3055
SUBSCRIPTIONS	1000	989	1000	1267	1267	1310
LIBRARY – EXTRA HOURS	2700	2700	2700	2700	2700	2700
SMALL GRANT DONATIONS	3030	5766	5030	2251	5030	3030
NDP EXPENDITURE	2270	1123	0	0	0	0
<b>TOTALS</b>	<b>116110</b>	<b>103423</b>	<b>122874</b>	<b>67212</b>	<b>124149</b>	<b>139770</b>

FUNDED BY						
PRECEPT	96889	96889	105162	105162	105162	TBC
RESERVES	14137	0	12219	0	0	TBC
GRANTS	5084	4608	5488	3067	5488	TBC
MISC INCOME	850	6244	25	10604	15000	TBC
<b>TOTALS</b>	<b>116960</b>	<b>107741</b>	<b>122894</b>	<b>118833</b>	<b>125650</b>	<b>DRAFT</b>

## Tax Base

The tax base for Thurston is shown below:

Tax Base for 2021/2022	Tax Base for 2020/2021	% Change
<b>£1,227.12</b>	£1,228.87	<b>- 0.14%</b>

The Precept set for 2021/2022 will mean a charge of **£to be determined** on a BAND D property. This represents an increase of **£TBD** or **TBD%** 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	<b>AWAITED</b>	<b>AWAITED</b>	<b>AWAITED</b>	<b>AWAITED</b>	<b>AWAITED</b>	<b>AWAITED</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 2020) 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 authorities have 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.

**The General Reserve Fund forecast at 31<sup>st</sup> March 2021 (the end of the financial year) is £6,902 which fails to meet the three month rule as outlined above.**

<b>Thurston Parish Council</b>			
<b>Earmarked Reserves (Designated Reserves)</b>			
	Opening Balance 01.04.20	Movement	Closing Balance 31.03.21
Library for Community based Projects	5,500		5,500
Repairs - Play Areas	2,500	+2,500	5,000
Repairs - Safety Matting at Play Areas	3,500	+2,500	6,000
PC sum for Parish Poll	3,645	0	3,645
Village Maintenance Projects	5,050	-1,603	3,447
Recreation Ground Car Park Project	5,000	-5,000	0
Social Infrastructure Projects	5,000	0	5,000
Staff Reserve	7,796	0	7,796
PCSO Contract – underspend 19/20	7,770	<i>To be reallocated</i>	0
Asset Replacement Fund	0	<i>Allocated as above</i>	7,770
CIL Restricted Funds	63,297	-34,703	196,294
General Reserve	5,502	1,400	6,902
<b>TOTALS</b>	<b>114,560</b>		<b>247,354</b>