

DRAFT Income and Expenditure budget for 2020-21 and three-year forecast (2021-2024)

The Council is required by the Local Government Finance Act 1992 s.50 to calculate the expected income and expenditure for the following financial year (1 April to 31 March), and thereby set a precept to be levied by the principal authority on the households in the group parish. The Council's Financial Regulations also require a three-year forecast of revenue and expenditure to be made.

Herefordshire Council have requested that precept requests for 2020-21 be made to them by 31 December 2019, although the legal deadline for this is the end of February, and many neighbouring councils do not intend to set their final budgets and precepts until January. The Council may wish, therefore, to discuss this proposed budget at this meeting, but defer approving a budget until the January meeting.

This proposed budget has been prepared by the RFO following discussion with the Finance Working Group.

Each item has an explanatory note. However, there are some main issues for Council to consider:

Parish Pump advertising

Budgeted advertising revenue has not been realised in recent years. At current rates, it is estimated that £800 to £900 should be received for the adverts placed, but income has been less than £600 in four of the last five years. However, the trend for the current year looks promising, and revenue of £900 is currently expected by March 2020. Advertising rates (£36 p.a) have not increased for many years and do not vary by size of advert.

Assuming that advertising will be reviewed and revenue maintained, income of £900 has been budgeted for 2020-21.

Lenghsmen Scheme funding and spending

Grants from Herefordshire Council for Lenghsmen work stopped altogether from 2018-19 (although some invoiced grant income carried over into 2019-20). No grant income has therefore been budgeted for 2020-21, although this may need review if Herefordshire Council reinstate grant funding, as has been suggested.

The proposed spending on Lenghsmen work has been increased slightly in line with earlier 3-year forecasts, but with some re-balancing of highways and PROW work.

Clerk/RFO's salary

In 2017 the Council agreed to vary the Clerk/RFO's contract to 6.5 hours per week, excluding holiday entitlement (338 hours annually plus 47 hours holiday entitlement), and work towards raising the Clerk's remuneration to the minimum pay level for the appropriate (LC1) nationally-agreed scale, agreeing a salary of £3990 for 2019-20.

The Clerk/RFO's contract is for payment on point 21 of the LC1 scale (currently £11.00 per hour). For the contracted total 385 hours (including holiday entitlement) this would be a salary of £4235 in 2019-20.

Actual work hours in the twelve months to October 2019 were 510 hours (9.8 hours per week), excluding the holiday entitlement (which would be a further 70 hours pro-rata). At LC1 point 21 at current rates this would have been a salary of £6380 in 2019-20.

Assuming a 2% increase in the nationally-agreed rates for 2020-21 (yet to be published), the salary for the notional 6.5 hours per week (excluding pro-rata holiday) would be £4320, and this is the figure included in the proposed budget.

Costs of a purchase of The Lamb Inn

The costs of any completed purchase and ongoing management of The Lamb Inn are built into the draft Acquisition and Borrowing Plan for this project, and would not have a net implication for the revenue or expenditure budget. However, as there may be some pre-contract costs of any attempted purchase of The Lamb, Council agreed in 2018 to ear-mark £2000 of reserves for this, and maintain it in future even if The Lamb is purchased, as a small 'buffer' for unexpected management costs.

It is not proposed to build into the budget a one-off significant increase in the precept to provide reserve against a period without tenancy income. This would be a blunt instrument, in that the precept can only be set once a year when it may not be known whether an acquisition is likely and so whether such a reserve is needed or what it might need to be. It is also simpler and more justifiable to residents that the ongoing costs of owning The Lamb are covered through the borrowing plan, such as borrowing enough to provide this reserve.

Reserves

As at 31 March 2019 the Council had total cash reserves of £8320 made up of the following contingencies:

- £2000 ear-marked for possible pre-purchase costs of The Lamb.
- £1500 ear-marked for up to two possible by-elections.
- £500 ear-marked for emergency Clerk cover.
- £517 funds raised by and available for use by Community Week.
- £3803 in general reserves.

Guidance on the level of reserves which should be maintained is: "*As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.*" (Governance and Accountability for Smaller Authorities April 2018, para 5.166). NALC has in the past offered advice that small councils should have between £3000-5000 in general reserves.

On the assumptions of income and expenditure in 2019-20 in the main budget spreadsheet the Council's total reserves at the end of March 2020 will be £9216. The budget for 2020-21 would maintain close to that level.

Future projects

The draft budget is currently very much a "continue as before" plan, which does not include any new initiatives which the Council may wish to take on, and Council should consider these, as there is only one chance each year to raise the precept. One suggestion has been whether the Council wishes to take forward and fund some schemes to alleviate flooding locations, perhaps through new drains, soakaways or attenuation ponds.

A reduction of 13.75% in the Precept as planned

There was a one-off increase in the precept last year to increase reserves, and after that it was planned to return to 2018-19 levels with a small annual increase, forecasting a precept of £10598 for 2020-21.

The above policies would meet that intention, with the precept reducing from £12289 to £10598 as planned (a 13.75% reduction).

It is not possible to calculate exactly the rates payable by each property for the proposed precept for 2020-21 as this will depend on the number of properties paying Council tax (which is increasing with the new houses being built). However, the gross precept of £12289 in 2019-20 resulted in a charge of £42.92 (or 82.5p per week) for an average (Band D) house. The proposed decrease is therefore likely to result in an average (Band D) household paying £6 less each year or 11p each week.

Three-year forecast 2021-2024

On this page, a summary three-year forecast (2021-2024) has been prepared of income and expenditure, showing projected reserves. The figures for 2020-21 come from the detailed draft budget on the next page.

The figures for the next three years are projections based on a broad estimate of anticipated income and expenditure trends.

The projected precepts for those years are a 3% increase on previous years.

Under expenditure, most items increase by about 2% or an estimated small margin.

The budget for the Parish Pump increases by more against possible increased production costs.

The budget for councillor training increases in 2023 following elections in that year.

The budget for elections is zero until normal elections in 2023, although there are earmarked reserves of £1500.

The Lengthsman budget remains at levels to continue present activity.

General reserves will be maintained at over £4000 which is considered prudent, falling in 2023-24 with anticipated normal election costs.

Three-year forecast Income and Expenditure

	2020-21 budget	2021-22 forecast	2022-23 forecast	2023-24 forecast
Income				
Precept	10598.00	10916.00	11134.00	11357.00
Pump advertising	900.00	1000.00	1050.00	1100.00
Misc	4.00	7.00	4.00	7.00
VAT reclaim	1000.00	900.00	1000.00	1050.00
Community Week fundraising	600.00	600.00	600.00	600.00
Total Income	13102.00	13423.00	13788.00	14114.00
Expenditure				
A. Clerk	4600.00	4692.00	4786.00	4882.00
B. Administration	275.00	280.00	285.00	290.00
C. Insurance, Audit, Professional etc	1240.00	1300.00	1350.00	1400.00
D. Hire of Halls for meetings	280.00	290.00	300.00	300.00
E. Parish Pump printing and postage	1400.00	1500.00	1600.00	1650.00
F. Training and Development	300.00	300.00	300.00	500.00
G. Asset Maintenance and purchase	210.00	215.00	220.00	225.00
H. Grants and donations	430.00	430.00	430.00	430.00
I. Election costs	0.00	0.00	0.00	2000.00
J. Lengthsman work	2900.00	3000.00	3100.00	3200.00
K. Special projects	0.00	0.00	0.00	0.00
L. Community Week costs	600.00	600.00	600.00	600.00
M. Reclaimable VAT on above	900.00	1000.00	1050.00	1100.00
Total Expenditure	13135.00	13607.00	14021.00	16577.00
Surplus (Deficit)	-33.00	-184.00	-233.00	-2463.00
Overall Reserves	9216.00	9032.00	8799.00	6336.00
Community Week funds	431.00	431.00	431.00	431.00
By-election costs	1500.00	1500.00	1500.00	1500.00
Emergency Clerk cover	500.00	500.00	500.00	500.00
The Lamb	2000.00	2000.00	2000.00	2000.00
General reserves available	4785.00	4601.00	4368.00	1905.00

Budget heading	Note	Last year 2018-19 actual £	This year (2019-20) Budgeted (adjusted) £	projected £	Next year 2020-21 Budget £
REVENUE					
Precept	1	9989.00	12289.00	12289.00	10598.00
Advertising in Parish Pump	2	558.00	900.00	900.00	900.00
Wayleaves for poles & stays	3	0.00	3.00	3.06	0.00
Savings account interest	4	9.02	9.00	8.00	4.00
VAT reclaimed from previous year	5	840.25	1000.00	896.62	1000.00
Grants and Donations	6	524.99	0.00	300.00	0.00
Community Week fundraising	7	204.00	200.00	633.86	600.00
Lengthsman Scheme devolved funding	8	100.00	0.00	834.32	0.00
Total Income		12225.26	14401.00	15864.86	13102.00
EXPENDITURE (net of reclaimable VAT)					
A. Clerk					
Clerk's salary	9	3660.00	3990.00	3990.00	4320.00
Clerk's expenses	10	224.00	280.00	280.00	280.00
B. Admin (stationery, postage, copying etc)					
Petty cash (stationery, postage, misc)	11	132.31	120.00	205.00	150.00
Photocopying charges	12	107.94	120.00	120.00	125.00
C. Insurance, audit, professional, etc					
Insurance	13	167.44	180.00	167.44	170.00
Internal and External audit fees	14	150.00	150.00	150.00	150.00
HALC subscription	15	428.58	450.00	450.00	460.00
CPRE subscription	16	36.00	36.00	36.00	36.00
Clerk's subscriptions	17	89.00	114.00	110.00	114.00
Information Commissioner fees	18	35.00	35.00	35.00	35.00
Parish Online fee	19	30.00	15.00	30.00	30.00
Data adviser fees	20	75.00	75.00	75.00	75.00
Website fees	21	139.17	170.00	170.00	170.00
D. Hire of halls for meetings	22	261.00	280.00	280.00	280.00
E. Parish Pump printing & postage	23	1210.00	1400.00	1210.00	1400.00
F. Training and development					
Books and training materials for Clerk	24	107.99	35.00	0.00	50.00
Conference fees	25	0.00	50.00	0.00	50.00
Training courses for Clerk & Councillors	26	0.00	500.00	500.00	200.00
G. Purchase and maintenance of Assets					
Maintenance of assets	27	0.00	350.00	660.00	50.00
Purchase of assets	28	675.81	160.00	250.00	160.00
H/I. Grants & Donations					
Royal British Legion poppy appeal	29	30.00	30.00	30.00	30.00
Other donations	30	0.00	400.00	0.00	400.00
J. Election costs	31	0.00	2000.00	250.00	0.00
K. Lengthsman work					
Minor highways maintenance	32	1465.00	2300.00	2000.00	2300.00
PROW maintenance	33	1084.62	500.00	500.00	600.00
L. Special Projects	34	192.00	0.00	2000.00	0.00
M. Community Week costs	35	0.00	200.00	470.00	600.00
N. Reclaimable VAT paid on above	36	896.62	1029.00	1000.00	900.00
TOTAL EXPENDITURE		11197.48	14969.00	14968.44	13135.00
SURPLUS (DEFICIT) OF INCOME OVER EXPENDITURE	37	1027.78	-568.00	896.42	-33.00
Funds available (Reserves) as at 31 March	38	8320.00	7752.00	9216.42	9183.42
Funds available (Reserves) as at 31 March 2019					
		£			
Current bank account		3789.21			
Deposit account		4525.77			
Cash in hand		5.02			
Total		8320.00			

Notes:

Notes relating to specific budget items:

1. The precept for 2020-21 is the balance of the income required to equal planned expenditure to maintain general reserves above £4000 considered prudent (see note 38).
2. Advertising revenue has recovered slightly since 2017, and is budgeted to regain expected levels.
3. The Council receives a small sum from Western Power for the stays on the un-registered land near Normans Lane. This is now paid every two years.
4. The Barclays Deposit account pays a small sum of interest, which has just reduced to 1%..
5. The Council can reclaim VAT on 'non-business activities' (broadly, the running and normal non-revenue generating activities of the Council) and also (provided specified limits are observed) VAT-exempt 'business' activities (eg charging for use of property). All expenditure is therefore stated as exclusive of reclaimable VAT, with reclaimable VAT paid as a separate item; The VAT shown under item 5 is not strictly net revenue, but a reimbursement of the reclaimable VAT paid out the previous year.
6. A grant of £524.99 was obtained for the purchase of a laptop computer and software in 2018-19.
Donations of £300 were received in 2019-20 towards the proposed War Memorial.
7. Although Community Week funds are handled through the Council's accounts, the understanding is that the Community Week committee will determine the use for any surplus. After anticipated invoices are received for the 2019 events and purchases are made from the surplus, it is expected that a total of £333 will be held in the Council's accounts for this purpose. (see note 35).
8. Grants for devolved Lengthsman work ceased in 2018-19. There was a final invoiced payment received in 2019-20.
9. See note on page 1.
10. The Clerk claims travel expenses: estimated annual mileage in 2019-20 is 700, claimed at 40p per mile.
11. Stationery/consumable costs are increasing, and an increase in the budget is included.
12. £125 is estimated for the copying/service contract on the photocopier, at 0.8p per standard copy.
13. Cover from the new insurers, Zurich, is cheaper than the previous insurer, but is budgeted to rise slightly in 2020.
14. Under new rules applicable from 2017-18, an authority with a turnover of less than £25,000 may choose to have 'exempt authority' status from external audit, and just publish its financial and other information following an internal audit. The Internal Auditor (HALC) charges £150 plus VAT.
15. The HALC subscription for each year is payable in advance. A modest increase is forecast. The subscription includes two free evening course training places for councillors, worth £50.
16. The minimum CPRE subscription for local authorities is set at £36.00.
17. The Council pays the Clerk's membership subscription a year in advance to the Society for Local Council Clerks (the professional body), as is permitted by HMRC rules. The SLCC subscription is based on salary bands: that for £4001-6000 is currently £106, and estimated to be £110 in 2020 and £114 in 2021.
18. The Information Commissioner fee is a statutory fee for the Council to register as a public body holding personal data.
19. Parish Online provides access for the Clerk and councillors to on-line local mapping data.
20. A fee of £75 is budgeted for the continuing services of a Data Protection Adviser, as agreed by Council in May 2018.
21. An annual fee of £170 is budgeted for 2020-21.
22. The Village Halls reviewed their hire rates to the Parish Council in 2018 and these increased from £6 to £9 per hour.
23. Council agreed in October 2013 to pay the Parish Pump Editor £110 for the copying and distribution costs of each standard monthly edition. There are 11 editions each year. These costs are offset by donated contributions for advertising (see item 2). An increase is budgeted against possible increases in production costs.
24. A small budget is provided for purchase of occasional essential reference books. In 2018-19 a new edition of the standard Clerk's legal reference book was purchased.
25. Most HALC and Council conferences are free. A small budget permits councillors' attendance at other events.
26. HALC training courses are charged at £40 +VAT per person for an evening course or £125 for a full-day course. HALC members receive two free evening training places per year for councillors. The budget was increased in 2019-20 for attendance of new councillors at training courses.
27. A sum of £50 is budgeted to cover any necessary repairs to council equipment and assets such as the noticeboards, waste-bins and benches. In 2019-20, in addition to this £300 was budgeted for renovating the phone kiosk in Risbury once re-located to the Village Hall, and for moving the heated defibrillator cabinet into the kiosk. These costs were higher than forecast.

28. In 2018-19 the £525 grant for a laptop/software was spent, and £160 was spent on purchasing two additional salt-grit bins at requested locations. In 2019-20 an estimated £250 will be spent from the Community Week reserves for purchase of a barbecue and portable PA system. 2 grit bins are budgeted for 2020-21.
29. A donation is made to the Royal British Legion for the annual poppy appeal.
30. A budget of £400 is provided for community activities and facilities.
31. There were elections for all parish councillors on 2 May 2019, and the costs of these are charged to parish councils by Herefordshire Council. The elections were uncontested, so charges of £250 are estimated although these have yet to be invoiced. It is estimated that for parishes with an electorate of between 200-300, the costs of a contested election will be £1000 per parish (taking into account that some costs will be attributable to ward elections held on the same day). The costs of any by-elections will be met from the earmarked reserves (see Note 38).
32. A budget of £2300 is continued for minor highways maintenance by the Lengthsman.
33. A slightly increased budget of £600 is made for PROW maintenance by the Lengthsman.
34. In 2018-19 £192 was spent on the pilot physical activities events. In 2019-20 £2000 is estimated for expenditure on the We Don't Buy Crime initiative (Smartwater kits). For 2020-21 no large special projects have been identified at this point.
35. These are costs of organising Community Week events (eg hire of portable toilets), met from Community Week fundraising or ear-marked reserves from previous years' surpluses.
36. See note 5 above.
37. A surplus is anticipated for 2019-20. A small deficit is planned for 2020-21, maintaining general reserves at a level considered prudent.
38. See note on page 2 above, and the forecast reserves on page 3 above.

Philip J Brown
Responsible Financial Officer

12 November 2019