**REPORT TO A MEETING OF DUSTON PARISH COUNCIL 18TH JANUARY 2018**

**AGENDA ITEM 6 – BUDGET AND PRECEPT DEMAND FOR 2018/2019**

**1. PURPOSE OF THE REPORT**

To present Members the proposed budget for the Council for the 2018/19 financial year and to ask them to approve the precept demand.

**2. BACKGROUND INFORMATION - FINANCIAL IMPLICATIONS**

In calculating the level of Precept the Council must establish a budget sufficient to cover the four following classes of items:

a) Next year’s expenditure, including an allowance for contingencies;

b) Outstanding expenditure incurred in previous years;

c) Expenditure likely to be incurred before the precepted sum becomes available; and

d) Payments to a capital fund or building maintenance reserve

**3. BUDGET ASSUMPTIONS**

**Expenditure**

The salaries model is based on the existing staff structure and working patterns and includes the part time Receptionist, an increase in hours of the Community and Business Development Manager, an increase of hours for the Deputy Clerk post and provision for the Assistant Clerk role. Staff who are not at the top of their scale are assumed to have moved up one salary point. Employer’s contributions into the pension scheme are currently included at 27.3% of pensionable pay for 2018/19 (26.3% in 2017/18, although incorrectly budgeted for at 25.3%). In addition, it appears that the Employers National Insurance contribution rate has been adjusted to 13.8% (incorrectly budgeted for at 12.8% in 2017/18). Under the new Local Government Pension Scheme overtime payments are now included as pensionable pay which needs to be considered when forecasting salary costs.

Public sector pay increases were capped at 1% for the three years until March 2016. In the July 2015 budget the Chancellor of the Exchequer extended the 1% cap for a further four years until March 2020. Recently however, the Government announced a lifting of the pay cap for Police and Prison Officers and a commitment to “flexibility” for all public sector workers from 2018/19. It has been confirmed that the 2018 award is a 2% increase and this has been included in the revised budget.

An inflationary increase of 1% has been included for other budget lines where appropriate.

**4. COUNCIL - PROPOSED AND ONGOING PROJECTS**

The draft budget has been prepared on a “business as usual” basis with the aim of maintaing a full programme of events and services delivered at the lowest possible cost. The only additional items included are a sum of £20,000 for building maintenance and £7,500 to ensure General Data Protection Regulation (GDPR) compliance. There is also a contingency of £22,000 to cover any expenses related to devolution of additional services such as grass cutting/libraries etc.

The anticipated income has been increased in the budget by a modest 5% although it is hoped there will be a more significantly increase venue hire income in 2018/19.

The budgeted net expenditure is £713,048 which represents an increase of 2.6% on the budgeted net expenditure originally set for 2017/18. Assuming income grows by 5% and the Council approves a draw down on reserves of £47,473, the Council’s precept requirement is £464,950 which represents a 1.99% increase on 2017/18 (although Parish Councils are not subject to precept capping).

Should the Council decide not to draw down on reserves, the precept requirement would be £512,423 representing a 12.4% increase on 2017/18.

**5. GENERAL RESERVE / TREASURY MANAGEMENT POLICY**

The general reserve held by the Council ensures that there is sufficient cash flow in the period from the end of the financial year until receipt of the first precept instalment for the following year (usually late April). The general reserve is also a contingency for unforeseen expenditure or loss of income.

To achieve a balanced budget with 5% growth and an increased precept of 1.9%, any costs relating to building repairs and maintenance, elections and environmental capital expenditure to a total of £47,473 will be met from ear-marked reserves.

For the purpose of the precept calculation a prudent target closing reserve figure at 31st March 2019 would be £531,364 which is approximately 9 months net expenditure. Due to the number of contingency items built into the budget which may remain unspent by the end of the year the eventual closing reserve normally turns out to be higher than this. NALC’s “Governance & Accountability for Local Councils – Practitioners’ Guide” recommends that councils hold a minimum general reserve equivalent to at least 3 months gross expenditure.

**7. CONCLUSION**

The current budget proposes a precept of £464,950 which represents a 1.99% increase on 2017/18 and equates to a Band D charge of £84.21 (£82.57 in 2017/18)

**8. RECOMMENDATIONS**

It is **RECOMMENDED** that:

a) The Council approve the recommendation for a precept of £464,950 which represents a 1.99% increase on 2017/18 and equates to a Band D charge of £84.21

b) The Council adopts a balance of £531,364 as a prudent minimum general reserve for the 31st March 2019 when considering the calculation of the Precept for 2018/19.

Report by: Nina L. Villa, Assistant Parish Clerk