

Keswick and Intwood Parish Council Draft Budget 2023-24 and Precept Setting.

This document compares the actual performance of the 2022-23 budget with the original proposal. It also contains a draft budget for 2023-24; and proposals for the 2023-24 precept.

1. Keswick and Intwood Parish Council Actual Performance 2021-22 & 2022-23

1.1 The following table compares actual expenditure of 2021-22 alongside the budget and the year-end expenditure forecast for 2022-23:

	ACTUAL 2021/22 (£)	BUDGET 2022/23 (£)	YTD 2022/23 As of 28th November 2022 (£)	Y/E Forecast 2022/23 (£)
TOTAL PAYMENTS	4485.96	6,005.00	2775.07	5413.49
Information Commissioner's Office	35.00	35.00	35.00	35.00
NALC Subscription	166.72	175.00	170.67	170.67
Internal Audit Fee	66.00	75.00	66.00	66.00
Training	85.00	200.00	200.00	200.00
Insurance	682.90	680.00	-	837.00
HR Payments	2049.43	2,900.00	2121.40	3002.82
Clerk's Expenses	99.37	150.00	-	50.00
Payroll	-	110.00	102.00	102.00
Legal Expenses	-	500.00	-	-
Computer Service	499.99	600.00	-	600.00*
Sundry	-	100.00	-	-
Bus Shelter maintenance	140.00	180.00	80.00	120.00
Asset Replacement	-	150.00	-	150.00*
SLCC membership	80.00	150.00	-	80.00
Bench payment	581.55	-	-	-

**Budget for Computer Service and Asset Replacement to be used towards a new laptop for the parish council – to be discussed at the February 2023 meeting before purchase.*

1.2 Notes:

2021-22 Outcome:

The projected expenditure variances are made up as follows:

NALC Subscription	4.33
Internal Audit Fee	9.00

Annual Insurance	(157.00)
HR Payments	(102.82)
Clerk's Expenses	100.00
Payroll	8.00
Legal Expenses	500.00
Sundry	100.00
Bus Shelter Maintenance	60.00
SLCC Membership	70.00

1.3 Explanation of significant variances (£100.00 or more):

- Annual Insurance – the insurance was higher than what was budgeted for. There has been no change to the Parish Council's requirements, however economic issues could be the reason for the companies increase in prices. The Council had agreed the increase price for the 2023 year, however other insurance companies would be investigated in the New Year for competitive prices for the 2024 year.
- HR Payments – the salary increases agreed by the unions are estimated, as they are not received until later than the budget setting process (the agreed salaries were received in November 2022 for back dating to April 2022 – the budget was set in January 2022).
- Clerks Expenses – a third of the budget for Clerk's expenses was the projected payments for the year. The Parish Clerk would reassess the budget for the forthcoming year.
- Legal Expenses - no legal expenses had been incurred.
- Sundry Expenses - no sundry expenses had been incurred. The Parish Clerk would reassess the budget for the forthcoming year.

2. Parish Council Reserves

2.1 Introduction

Keswick & Intwood Parish Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three main purposes:

- A working balance to help cushion the impact of uneven cash flows, such as the time lag between the start of the new financial year and the receipt of the first precept payment and the upfront payment of VAT prior to reclaiming
- A contingency to cushion the impact of unexpected events or emergencies
- Earmarked reserves:
 - A means of building up funds, to meet known or predicted requirements

- Money held for specific purposes such as CIL (Community Infrastructure Levy)
- Money pledged but payments unmade

2.2 Keswick & Intwood's specific requirements for 2022-23:

Working Balance

	Use	Budget
Cash Flow	To enable the payment of invoices prior to the receipt of the precept payment	£2000
VAT Payments	The payment of VAT prior to reclaim	£200
Total		£2200

Contingency

	Use	Budget
Parish Council Assets	To cover unexpected maintenance costs	£3000
Election	The potential cost of a by-election	£500
Unexpected Costs	To cover the cost of unexpected legal costs or other parish needs	£3500
Total		£7000

Earmarked Reserves

Earmarked reserves at 28 November 2022:

CIL receipts £496.42 (£266.00 of this amount should have been spent, or allocated to a project, by 1st April 2022).

Any further earmarked reserves identified before the year end will be shown in the end of year accounts.

3. Keswick and Intwood Parish Council Draft Budget 2023-24

	BUDGET 2023-24
TOTAL PAYMENTS	£6535.00
Information Commissioner's Office	£35.00

NALC subscription	£180.00
SLCC subscription	£90.00
IT subscriptions	£100.00
Internal Audit Fee	£55.00
Training	£400.00
Insurance	£900.00
HR Payments	£3,500.00
Clerk's Expenses	£75.00
Payroll	£120.00
Legal Expenses	£500.00
Sundry	£50.00
Bus Shelter maintenance	£160.00
Asset Replacement	£150.00
Donations	£200.00

3.1 Explanation of budget changes:

- Annual increases to regular payments e.g. insurance, maintenance costs, and subscriptions have been predicted based on previous yearly increments.
- 'Clerk Expenses' and 'Sundry Expenses' have been reduced after analysis of projected expenses for the 2022/23 financial year
- 'Legal Expenses' budget has remained the same as previous years, however the Council may want to consider reducing this amount as no legal expenses have been incurred for several years.
- 'IT subscriptions' has been added to the budget further to discussions at the November meeting regarding purchase of a new computer and termination of the computer maintenance agreement. The IT subscriptions would include things such as Microsoft yearly package and anti-virus software. This would be further discussed at the February 2023 meeting and agreed.
- 'Donations' has been added to the budget further to grant requests from community groups during the year. The Council had adopted a donations policy during the year and the Clerk had agreed to add a line for donations in the following budget.
- 'Training' budget has been doubled as it is an election year, and the Council may welcome new members who require additional training.

4. Precept Setting 2023-24

4.1 Current reserves 2022/23

The Council should consider that its current predicted general reserves at the end of the financial year (31st March 2023) totals **£15,026.99**.

This balance is more than double the annual precept and will require explaining during the annual audit of the Council's finances. It is essential that a Parish Council has sufficient reserves (general and earmarked) in order to finance its day to day operations and future

plans. However, as they are funds generated from taxation and public levies, it is imperative that these reserves are not excessive. The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three and twelve months Net Revenue Expenditure (the smaller the authority the closer the figure should be to 12 months). In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their budget so as to ensure that the adopted level is maintained.¹

The Clerk has included a draft general reserve policy (appendix 1) for Councillors to consider at the February 2023 Council meeting, which indicates that reserves (including general and earmarked) should consider being reduced to £9,696.42. This can be done by either (a) reducing the precept for the forthcoming year by a significant amount; or (b) reducing the precept by a small amount over a number of years in order to deplete the general reserves at a slower rate.

4.2 Calculating the precept

The Band D figure shown in the Council Tax bills is calculated by dividing the Precept amount by the tax base. The Parish tax base for the forthcoming year has been supplied by South Norfolk District Council and is 211 (last year it was 202).

The Band D figure in 2022-23 was £29.70 based on the tax base of 202.

4.3 Setting the precept

The Council should consider the previous year's expenditure alongside its current reserves and the budget that has been drafted for the 2023-24 year. The Clerk has drafted 4 options below that should be considered:

Option 1 – reduce the precept significantly for the 2023-24 financial year in order to achieve the desired general reserves for a parish the size of Keswick and Intwood. This could be achieved by reducing the precept to £1204.43. The remainder of expenses (budgeted at £6535.00) would be taken from the current reserves (£15,026.99) which would result in predicted general reserves of £9696.42 at the end of the 2023-24 financial year.

Option 2 – reduce the precept by a smaller amount (£1000.00) for the 2023-24 financial year and review on a yearly basis. A reduction of £1000.00 a year (of budget vs. precept) would offset the surplus general reserves of £5330.57) for the next five years in order to achieve the desired general reserves for a parish the size of Keswick and Intwood by 2028/9.

¹ JPAG Joint Panel on Accountability and Governance Practitioners' Guide 2021/22, pg. 38

Option 3 – maintain the precept at its current amount (£6000.00) and use the general reserves to pay for the remaining payments expected from the draft budget (£535.00).

Option 4 – consider increasing the precept to the draft budget requirements (£6535.00) and keeping the general reserves at a higher level than may be required (£15,026.99).

Options	Precept Amount (£)	Band D charge (£)	Band D Charge for 202/23 (£)	Precept Increase/Decrease (%)
Option 1	£1204.43	£5.71	£29.70	-80.77%
Option 2	£5000.00	£23.70		-20.22%
Option 3	£6000.00	£28.44		-4.24%
Option 4	£6535.00	£30.98		+4.31%

4.4 Recommendations

The Clerk recommends that the Parish Council selects either option 2 or option 3. Option 2 ensures that the required funds are accessible for necessary expenditure, however it also acknowledges that the current general reserves are much higher than would be expected. It is therefore a good first step towards reducing the surplus in a controlled manner, which can be monitored on an annual basis. Option 3 maintains the precept amount that was set for the previous two years, and the payment per household is less than previous years due to the increase in parishioners.

Two other important factors that Council may like to consider are the following:

- If the precept is reduced in order to control the general reserves then it may require increasing back to current levels at some point in the future, which may then be a 'shock' to parishioners.
- Currently the country is going through an economic crisis with sky high living costs for all. The Parish Council may consider that raising the precept may be an unwise decision if it is not absolutely necessary.

Councillors should consider the budget and the precept setting for 2023-24 and decide on the appropriate course of action.

Appendix

Appendix 1

RESERVES POLICY

Keswick and Intwood Parish Council

Introduction

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The Council will hold reserves for these three main purposes:

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The Council's specific requirements are detailed on appendix 1

Appendix 1

Working Balance

The Council has considered the need for a working balance for 2023/24:

	Use	Budget
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VAT Payments	The payment of VAT prior to reclaim	£200
Total		£2200

Contingency

The Council has considered the need for a contingency for 2023/24:

	Use	Budget
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Election	The potential cost of a by-election	£500
Unexpected Costs	To cover the cost of unexpected legal costs or other parish needs	£3500
Total		£7000

Earmarked Reserves

Earmarked reserves at 28 November 2022:

CIL receipts £496.42

Any further earmarked reserves identified before the year end will be shown in the end of year accounts.