

## Report to Lydiard Millicent Parish Council setting out proposed Budget requirements for the Financial Year 2018-19.

### **Purpose of Report**

This report is produced to help new members understand, and to act as a reminder to experienced members, how the budget process is carried out. The Report will give members information on which to agree its precept demand to Wiltshire Council.

### **Background**

Historically, Parish Councils have been able to raise a tax from the time of their establishment in 1894. It was first linked to parish council's duties under the Poor Laws, when rates were levied on non-domestic and domestic property. In 1990 rates were replaced by the Community Charge and the National Non-Domestic Rate. Since that time Parish Councils precepts have only been charged on domestic property, at present this is through the Council Tax system. Council tax-payers can not refuse to pay it, and Billing Authorities can not refuse to levy it.

### **Collection**

Each year the Billing Authority will calculate the tax base against which precepts can be levied; this is expressed in terms of Band D households. The Billing Authority (in this case Wiltshire Council) will issue demands on behalf of itself, the Local Constabulary, Fire Authority, Parish Council, and (if there are additional tiers) local authorities within its area; for example harbour authorities. A Council Tax demand will be sent to each household detailing how much they must pay to the Billing Authority; in turn the Billing Authority must pay the amount demanded by each organisation levying a precept in full.

It should be noted at this point that Parish Councils are fully funded locally, unlike Principal Authorities who receive additionally a Rate Support Grant from the Government who raise this from business taxes, corporation tax, income tax and so forth.

In recent years the Department for Communities and Local Government (DCLG) have attempted to control increases in Parish Council expenditure by threatening to make them subject to the referendum principles that apply to principal authorities.

The Secretary of State for DCLG has also just announced "that the Government intends to defer the setting of referendum principles for town and parish councils for three years." This is to allow Parish Councils the ability to take on new duties if they wish, and to

budget accordingly. The Government will reconsider this approach again in readiness for the setting of the budgets at the end of 2020 for financial period 2021/22.

### **Policy, Budget, Precept**

In order to set its precept a Council should carry out the following process as indicated in Audit Regulations.

*Policy:* There should be clear policy as to what the Council wishes to achieve, or what projects the Council wishes to pursue.

*Budget:* Global figures should be discussed for these projects and aspirations. How much is it worth to the Residents? Can these projects and aspirations be justified to residents?

*Precept:* How will the finance be raised for the above projects and aspirations?  
Will finance need to be raised in one year, or over a period of time?

In accordance with the Local Government Finance Act 1992, the setting of the precept cannot be delegated, the decision must be taken by the council. In calculating its precept, the council must as far as possible secure that it will suffice for four classes of items, namely:

- next year's expenditure, including an allowance for contingencies;
- outstanding expenditure incurred in previous years;
- expenditure likely to be incurred before the precept becomes available;
- payments to financial reserves.

### **Annual Estimates of Income and Expenditure**

Good Governance dictates that each year an appraisal of the Councils Income and Expenditure is undertaken, in readiness to levy its precept. Attached is an estimate for the financial year ending March 2019. As in previous years, this is split between Expenditure and Income, with headings to highlight history.

Expenditure is split broadly between different management areas, highlighting how much is spent for each function. Income is measured against the Council as a whole and is not, at this stage, measured against individual activities. In preparing these figures, caution has been used with expenditure and income. The draft budget (included) will allow for the Council to honour its commitments to services it already provides, and to honour its duties and obligations as laid down in legislation, which must be adhered to.

A 3% increase has been applied to expenditure as appropriate, to reflect current inflation. An additional amount has been added to Salaries, allowing for the appointment of a p/t Book Keeper and the additional employer costs relating to new Pensions regulations.

*Training/Publication line:* As the role of Parish Councils grow it will be necessary for staff to be adequately qualified. At the present workload level Lydiard Millicent would be recommended to have a level four (CertHE Community Governance: Local Council Management) qualified clerk; enabling the Council to progress efficiently and legally with projects already considered and started. The chairman of Finance recommends that the clerk needs only be qualified to CiLCA (level 3) standard as Lydiard Millicent is a small Parish Council.

When considering this issue, members are reminded that the Legislation governing Parish Councils is the same regardless of size or productivity. The CiLCA qualification is designed to allow the smallest Council to carry out its basic legal responsibilities; the Annual Parish meeting, Annual Parish Council meeting plus three other meetings during the year, the setting of a budget and completion of accounts ready for audit. A Council that wishes to take on other duties like manage a cemetery, manage a sports ground, take responsibility for and install play equipment, be proactive in consulting with its principal authorities on highways issues, produce a Neighbourhood Plan will require either a level 4 (as a minimum) qualified clerk or will need to commission Project Managers for each project it wishes to undertake. Level four Community Governance is designed to include modules on Project Management, Neighbourhood Planning, Community Engagement, as well as taking Law and Finance to a more advanced level than CiLCA.

*Extras:* In addition to these estimates the Council can add extra amounts to allow for any projects it may wish to budget for in the next 12 months; some adjustments can be carried out in the meeting, in order to calculate the precept.

It is important to remember that although the Opening Balance looks large, Government guidelines state that approximately six to 12 months expenditure should be held in General Reserves. It is also good practise to include a “sinking fund” within the budget for the replacement of capital equipment (play equipment, heating boilers etc).

### **Cost to Residents**

The draft budget can be translated into what the charge will be for each household.

This year (2017/18) the Tax Base for Lydiard Millicent is: 759.25, the precept demand was £45,760 costing a Band D property £60.27; an increase of £14.55 from 2016/17. The budget increase for 2017/18 was 31%, this equated to a 23.7% increase at Band D.

For reference, within Wiltshire the average Band D property parish contribution was: £95.35, (£1.84 per week) this would equate to £72,395 if Lydiard Millicent was at the average for Wiltshire.

The Tax Base for calculation of next year (2018/19) is: 761.49.

	Budget Requirement	Increase on previous year	Band D Cost per year	Cost per week to a Band D property	% change in Council Tax
2017/18	£45,760	£11,048	£60.27	£1.16	31.08%
2018/19	£47,203	£1,443	£61.99	£1.19	3.15%

The table opposite shows what would happen to Band D properties if precept was raised by illustrative amount.

Illustrative amount	Band D Equivalent	Extra Cost per week
£1,000	£1.31	2.5p
£5,000	£6.57	12.5p
£3,807	£5.00	9.5p

### Recommendations:

1. That the Council adopts the draft budget of £47,203 for 2018/19, as presented by the RFO, and attached to this report.
2. The Council considers budgeting annually up to £20,000 into a projects and maintenance fund.
3. The Council considers early preparation of its Income and Expenditure for 2019/20 using the Policy / Budget / Precept approach required under Audit Regulations.
4. That a medium and long term plan is prepared which will encourage residents to have confidence in the Councils performance.
5. The Clerk is authorised to send the Precept Demand to Wiltshire Council on behalf of Lydiard Millicent Parish Council.

DEBORAH BOURNE  
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Lydiard Millicent Parish Council  
22 December 2017