

Stratfield Mortimer Parish Council

Full Council 12/01/23

Budget 2023/24

BACKGROUND

The draft 2023/24 Budget structure is split into two sections - operating items, and reserves and community infrastructure.

The object of this is to enable:

- The regular on-going Precept and other income to cover regular Council operational and maintenance costs, ensuring the Parish Council is financed on a sustainable basis.
- The management of the Council's reserves, both those that have been established for short term spend and those for longer term capital projects such as the cemetery extension and the tennis court resurfacing.
- The management of the CIL income stream and expenditure.

Operating items

Operating Income comprises of the Precept, Cemetery and Fairground income and some other smaller items.

Operating Costs comprises of staffing and admin costs, the long term 'normal' levels of spending of Committees and grants that the Council makes to several bodies i.e. contribution to the Willink Leisure Centre and the library service.

The Precept figure has been set to balance the operating costs i.e. it is operating costs minus other income.

Consideration has been given as to how changes in costs may affect individual items of operating income and expenditure, and assumptions on changes are given on the spreadsheet. Due to the current economic situation, the Finance and General Purposes Committee (F&GP) are proposing the 23/24 Precept level is maintained at the 2022/23 rate of £149,319. Any additional operating expenditure, falling outside the budgeted figures, can be funded from General Reserves (GR) if required.

To alleviate the financial strain some residents are currently experiencing, F&GP did look at using the Council's GR to further reduce the Precept. However, halving the Precept would mean potential annual savings for Band A property of only £29. Band D properties would save £43 and Band H properties would benefit the most with a saving of £86.

The tax base figure received from West Berkshire Council for 2023/24 is 1707.30. A Precept of £149,319 gives a Band D rate of £87.46 ($\frac{£149,319}{1707.30}$). This represents a small decrease on last year's Band D rate of £0.18.

Community Infrastructure Levy (CIL) and CIL Project/s

The Council's current main source of CIL income is from MOR006. To date the following amounts have been received:

- Phase 1: £112,524 received 2021/22
- Phase 2a: £14,483 received 2022/23

West Berkshire Council (WBC) have confirmed a further payment for Phase 2a is due in April 2023 of £26,898.

It is estimated that the current CIL amount for Phase 2b would be £137,794 but, as the CIL rate is due to rise in Jan 2023, the amount due to SMPC should rise to £147,340 (*Cllr M. Dennett*).

TA Fishers will have to pay WBC 35% of the total CIL due for Phase 2b - £51,569 - within 60 days of work commencing. For CIL Monitoring purposes, it is assumed the work will have started by April 2023 and the £51,569 will, therefore, be received by SMPC in October 2023. The next 35% has to be paid to WBC within 180 days of work commencing and this is likely to be received by SMPC in April 2024 with the final 30%, which has to be paid to WBC within 270 days, potentially being received by SMPC in October 2024. Phases 1 and 2 together consist of 61 dwellings. There will be additional CIL due sometime in the future when the remaining 49 dwellings are built in phase 3.

Further other amounts of CIL may also be received throughout the year for smaller planning applications.

As CIL must be spent within 5 years of receipt, and there are restrictions on what it may be spent, amounts received are held in Earmarked Reserves and monitored accordingly by the Responsible Finance Officer.

A "CIL" spreadsheet has been included as part of the 2023/24 Budget document and provides a breakdown of CIL received and spent during 2022/23 along with predicted income and spend for 2023/24. The spend is based on amounts already approved i.e. for projects such as The Street Footway widening, the Fairground Utility Square, the Fairground footpath and the recently approved CCTV and the further spend needed for the Mortimer to Burghfield Cycleway and Footpath.

Other Projects

Other ongoing projects are as follows:

- Allotment Provision: dependent on the availability of suitable land and costs not currently known
Cemetery Extension: forecast EMR currently held of £15,555. It is proposed to transfer a further £10,000 to provide £25,555 for the cemetery landscaping. (This may be seen on the Reserves sheet).

General Reserve (GR)

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Although there is no specific minimum level of reserves which an authority should hold The Joint Panel on Accountability and Governance (JPAG) (March 2022 edition) provides:

5.33. 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 of net revenue expenditure.

5.34. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.35. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained.

SMPC is a smaller authority i.e. it has gross annual income or expenditure (turnover) below £6.5 million, and because of the amount of CIL received and due, its annual income tends to be above £200,000. Previously, it was agreed by F&GP that an adequate level of GR held should be nine months' worth of operating costs.

F&GP are proposing the level of GR held be reduced by transferring £20,000 to the Tennis Courts Earmarked Reserve. It was a condition of the Sport England grant, originally obtained for the new tennis court surface, that funds should be saved for a further resurfacing of the courts. Previously, with the aim to have obtained by £50,000 by 2029, an annual transfer of £3,333 has been made for this purpose from CIL reserves. The transfer of £20,000 shall provide £46,666 for the tennis court resurfacing giving a forecast year end GR of £114,504.

The budgeted operating costs for 2023/24 are £172,569. A forecast GR of £114,504 gives 7.96 months of operating costs¹. As mentioned previously, any additional operating expenditure falling outside the budgeted figures can be funded from GR if required.

Section 106 Reserve

The S106 agreement is such that the contribution 1) must be used specifically for the purpose of existing public open space and 2) has to be repaid to the developer, together with interest calculated by reference to the Retail Price index, if within 10 years from the date of receipt the monies are not spent for the specified purpose,

At the beginning of the Financial Year the S106 Earmarked Reserve, with a reserve period until March 2026, stood at £12,437. This amount is being used as part payment for the fitness equipment which shall leave a £0.00 balance as at the end of the FY 22/23.

Other Earmarked Reserves

- Fairground and Cemetery (£1,000 is currently held for the conservation area boards).

¹ Budgeted annual operational costs £172,569

Average monthly operational costs: £14,380.77 (£172,569/12)

General Reserve of £114,504/£14,380 = 7.96 months of operational costs

- Neighbourhood Plan
- Community Projects
- Election Expenses
- Garth Hall
- Climate and Environment
- Community Grants
- Youth Club Donated Funds
- Cemetery Extension
- Tennis Court Resurfacing

It should be noted that JPAG's view of Ear Marked and Other Capital Receipt Reserves (CRR) is as follows:

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 remunerated. Significant levels of EMRs in particular may give rise to enquiries from Internal and/or External auditors.

For 2023/24, it is proposed:

- A transfer of £10,000 is made from General Reserves for Community Grants.
- A transfer of £2,500 is made from General Reserves for election expenses. There is currently £2,574 in the Election EMR but it is assumed that the election in May will be contested for which there will be a charge from WBC.
- As mentioned, a transfer of £20,000 is made from General Reserves to the Tennis Court reserve.
- A transfer of £10,000 is made from CIL reserves into the Cemetery Extension reserve
- A transfer of £4,522 is made from General Reserves to the Neighbourhood Plan EMR to cover predicted expenditure during 2023/24 of £25,000

Full details of the opening and predicted year end reserve balances may be found on the "Reserve" sheet of the Draft Budget.

Clerk 06/01/2023