

Budget and Precept 2016/17

Attachments:

1. Risk Matrix for Budget Setting
2. A-D, Budget Working Papers
3. Contingency Calculation
4. Earmarked Reserves
5. Project Wish List

Introduction

1. This paper provides information to accompany the budget working papers; it provides some general background and also some detailed information that is too lengthy to include on the budget working paper.
2. Throughout the year, the Resources Committee and the Open Spaces Committee receive information on income and expenditure compared to the budget for the year, this is to monitor and plan in-year expenditure and helps identify potential budget changes for future years.
3. Councillor workshops, based upon Committee responsibilities, took place in November / December 2015 and provided an informal opportunity to understand the budget process and make suggestions regarding the 2016/17 income and expenditure.
4. Councillors were asked to contact the Town Clerk if they had any questions about the budget setting process or any suggestions for items to be discussed for inclusion in the 2016/17 budget; one councillor availed themselves of the opportunity and spent some time with the Admin Officer (Finance) learning about the budget headings and the associated expenditure.
5. To provide assistance to Councillors in making budget decisions, the budget working paper shows information relating to past and present expenditure namely:
 - actual expenditure in 2014/15 – the last complete financial year
 - the budget for the current financial year, 2015/16,
 - the actual expenditure as at 31 December 2015 (66% of the year)
 - the potential spend for 01.01.16 -31.03.16
 - the forecast spend for 2015/16
6. As part of the Town Council's positive efforts to keep the public informed of its decisions and actions, information on expenditure compared to the budget for the year is posted on the Town Council's website at <http://www.ilminster.gov.uk/about-ilminster/finances/> . In accordance with best practice, we also publish information relating to single payments over £500.00 and cumulative payments to a single supplier amounting to £500.00 or more.

Budget and Precept Definitions

7. The **Budget** is the amount of money that the Council intends to spend, save or otherwise allocate and is usually divided into categories or headings.
8. The **Precept** is the amount of income raised through billing authorities (district or unitary councils) by a council as Council Tax in order to provide services.

9. The budget and precept amounts do not have to be the same, for example the budget can exceed the amount of money raised by the precept if money can be taken from existing reserves for some items of expenditure.

Town Council Duties and Legal Responsibilities

10. Town Councils have few duties regarding direct service provision - for example the maintenance of a closed churchyard;
11. There are many duties relating to the way in which the Town Council functions for example it must be convened at least three times a year in addition to the annual council meeting, a Responsible Financial Officer must be appointed and Councils must review the effectiveness of their system of internal control at least once year.
12. The Town Council also has legal duties resulting from the things it does - examples are the Town Council employs staff it has to provide them with personal protective equipment (PPE) and it must have insurance for vehicles it owns and takes on the road.

Risk Management

13. "Risk Management is not just about financial management; it is about protecting the achievement of objectives set by the Council to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills." (Governance and Accountability for Local Councils, March 2014 para 2.101)
14. Whilst the Town Council has not yet formally set corporate / strategic objectives it is important that an appropriate budget is set to enable the Town Council to function, provide services to an acceptable level and undertake any planned work and projects. A risk matrix has been developed for the budget process which is Attachment 1.

Council Tax Capping

15. In the Localism Act 2011 the Government introduced the requirement for local authorities to hold local referendums on the level of Council Tax if an increase was considered to be excessive based upon a set of principles defined by the Secretary of State, and approved by the House of Commons. Whilst no principles have yet been applied to parish and town councils the Department for Communities and Local Government has said it is aware that many people continue to be concerned about parish spending, so it expects town and parish councils to behave responsibly and protect their taxpayers from excessive precept increases; if they fail to do so government has the option of making them subject to the referendum principles in future.

Council Tax in Ilminster

16. The full amount of Council Tax currently levied in Ilminster includes the following elements:
 - Somerset County Council
 - South Somerset District Council
 - Ilminster Town Council
 - Avon and Somerset Police and Crime Commissioner
 - Devon and Somerset Fire and Rescue Authority.
17. For the 2016/17 budget it is possible that

- Somerset County Council will choose to utilise the option for an additional social care Council Tax precept of 2% a year guaranteed to be spent on social care
- Somerset County Council and the District Councils within Somerset will levy an additional amount for A Somerset Rivers Authority (SRA) which was formed in January 2015 to deliver the Somerset Levels and Moors Flood Action Plan, which was developed after the prolonged flooding in the county during winter 2013/14. (The scope of the SRA includes strategic planning, land management and building local resilience as key activities, with community engagement around these responsibilities.)

Council Tax Reduction Scheme (CTRS)

18. In April 2013 the national Council Tax Benefits Scheme was abolished and replaced with Council Tax Reduction Schemes devised and operated by District / Unitary Councils. These schemes have an impact upon the Band D equivalent calculation of the Council Tax Base and thus on the precept.
19. The Government decided that Town and Parish Councils would not be exempt from calculation of CTRS and this meant the number of Band D equivalent properties was reduced.

Council Tax Base

20. The Council Tax Base is a calculated figure, (not a real figure) of the number of dwellings converted to Band D equivalent. The method of calculation is set out in legislation and the calculation is undertaken by South Somerset District Council (SSDC). Broadly the calculation works out the number of properties per council tax band per Town and Parish and then makes adjustments for:
 - New properties/demolitions
 - Exempt properties
 - Disabled adaptations
 - Empty Homes Premium – 150%
 - Discounts
 - One adult households
 - No liable adults
 - Empty properties
 - Second homes – Up until 2013/14 gave 10% discount, now charge full rate
 - Households receiving Council Tax Reduction Scheme discountThe figure after the adjustments is then multiplied by a specified factor to give a Band D equivalent.
21. In 2014/15 the council tax base for Ilminster was 1,888.22, for 2015/16 was 1,913.56 and for 2016/17 is 1,999.95

Council Tax Reduction Scheme Grant

22. The Government give a grant to District Councils to pass to Town and Parish Councils to help alleviate the impact of the CTRS on the Council Tax Base. (South Somerset District Council have voted to pass on the grant but this is not the case everywhere.)

23. The grant in most cases is insufficient to cover the difference between what would be raised by Band D equivalents under the council tax benefits scheme and the new system.
24. Analysis by SSDC shows that CTRS has impacted on towns more than parishes because claimants of discounts more likely to live in towns and Band D charges tend to be greater for towns than parishes
25. When, in 2013, the Government decided to transfer financial responsibility for these reductions to Local Authorities it initially paid around 90% of the estimated share deemed to be the responsibility of Town and Parish Councils. That payment was then absorbed into Revenue Support Grant and could not be identified but South Somerset District Council (SSDC) have assumed that it has been reducing proportionally in line with Local Authority reductions in central Government grant. The grant was a compensatory sum as the Council Tax Reduction Scheme reduced the tax base for each authority and therefore impacted the amount of precept that could be raised from residents.
26. SSDC fixed the level of grant to be made to Town and Parish Councils in the 2016/17 financial year to give certainty in budget setting considerations and was based on their initial estimate of Revenue Support Grant cuts.
27. The Revenue Support Grant cut announced after the Chancellor's Autumn Statement was heavily front-loaded for SSDC and the figures show that by 2019/20 SSDC will receive no Revenue Support Grant at all.
28. Although this will not affect the amounts of Revenue Support Grant allocated to Ilminster Town Council by SSDC in 2016/17, the impact of the Government reducing SSDC's grant to zero will mean that they will not have any grant to pass on in future years.
29. As this will affect precept considerations SSDC have provided their estimate of future years so that we can plan accordingly. Based upon the current CTRS caseload the impact on Ilminster over the following years has been assessed as:-
 - 2016/17 - £17,690 as already advised
 - 2017/18 - £5,840
 - 2018/19 - £1,970
 - 2019/20 - £Nil
30. The largest reduction will be in 2017/18 and this is because the reduction for SSDC in 2016/17 was greater than expected but they have chosen to protect towns and parishes from that reduction.
31. Please note that the above figures are estimates and the figures may vary depending on the profile of residents within Ilminster who are in receipt of CTRS and any Council Tax increases in future years.

Suggested Income and Expenditure Amounts

32. Attachments 2A-D provide information on previous, present and possible future income and expenditure.

Income From Rents

33. During 2016/17 the Cricket Club will become liable for the rent for both the Cricket Pavilion and The Shed. The Cricket Club is planning extensive work to both buildings. It has been customary in previous years to increase the rent in

line with inflation. The Consumer Price Index (CPI) calculated by the Office for National Statistics (ONS) reported on 15 December 2015 for the period 1 January 2015 – 30 November 2015 that the average inflation rate for the year to date gives a figure of 0.0%; therefore no change has been made to the suggested annual rent.

34. The rent for new Football and Community Facility has yet to be negotiated advice is being actively sought from the Valuation Office. For the purpose of setting the 2016/17 budget the rental income has been included at the same level as 2015/16.

General Revenue Expenditure

35. In calculating budget figures for 2016/17 each budget heading and its component parts has been considered in the light of past expenditure together with expenditure during the current year and what is likely to be needed during the next year; no automatic increases have been applied.
36. In 2015/16 it was agreed to include the sum of £1,000 for small grants, the same amount has been included in the calculations for the 2016/17 budget.
37. A sum of £2,800 for 2 Revenue Support Grants, has been included in the 2016/17 budget - £2,00 for the Ile Youth Club and £800 for Ilminster Tourism, these are the same amounts as allocated in the 2015/16 budget.

Salaries

38. The salaries budget has been based on:
- Having the currently agreed complement of office staff employed for a full year (Town Clerk, Deputy Town Clerk, Admin Officer (Information) & Admin officer (Finance))
 - The Open Spaces Team having the currently agreed complement of staff (Senior Open Spaces Warden, Open Spaces Warden ,& Apprentice Open Spaces Warden)
 - The apprentice salary has been calculated at £7.20per hour – the compulsory national living wage (from 01.04.16) for employees aged 25 and over.
 - The proposed national pay award of a 1% increase
 - Changes to the employers contributions to National Insurance and Pensions have been included

Contingency

39. The contingency - gives a provision to cover 4 months general running costs. The recommendations from auditors are that a contingency allowance is made every year to cover between 3 and 24 months running costs. Attachment 3 shows the calculations and elements used to arrive at a suggested contingency figure for 2016/17.

Earmarked Reserves

40. (This was previously called renewals and provisions). In order to “save” for replacement equipment or maintain structures and land, or “save” towards larger projects, money from the precept is put aside each year. Attachment 4, the earmarked reserves papers, lists the items for which a reserve is held, purchase information and the renewal allowance to be “saved” in 2016/17.

41. Line 90 "Drains and Utilities" It is understood that this line was originally included to start saving for drainage work in the Wharf Lane Recreation Ground and Britten's Field - which has never been programmed. During 2014/15 it was suggested that a rolling programme should be created to aerate and re-seed the Wharf Lane Recreation Ground and Britten's Field; This budget line could be re-named and used to start such a programme.
42. Lines 113 & 114 "Fencing and Hedging" These earmarked reserves contain very little and the annual allowance is £100.00. In future years it may be advisable to increase the annual allowance particularly if there is new fencing and planting as part of the Open Spaces Review.

Projects

43. In calculating the budget for 2016/17 no account has been taken of specific projects as Committees have not specifically nominated any projects for inclusion in the 2016/17 budget. A wish list of projects mentioned over the last 12-18 months is included as Attachment 5.

Summary

44. There are many factors to examine and contemplate when considering setting the Town Council budget and precept; this paper and the attachments aim to provide Councillors with information to initiate and enable constructive debate and realistic decision making.

Background Papers:

The Good Councillors Guide 4th edition
Governance and Accountability for Local Councils March 2014

Report Prepared: 12 January 2016

For Further Information contact the Town Clerk: Tel 01460 52149 or
email

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