

NOTES TO PRECEPT CALCULATIONS 2012/2013

1. General

The budget continues to be presented to meet the requirements of the Accounts and Audit Regulations. It is important to note that expenditure and income are shown separately and reflect a subjective form of analysis. This form of presentation is easier to understand and to monitor and control. As your Responsible Financial Officer I must present you with a balanced budget.

The revised form of presentation this year shows income and expenditure against the original budget provisions together with a reserves statement on which Precept is based. The figures reflect the revised Parish Plan proposals which have been agreed through public consultation and adopted by council. All of the parish plan proposals are shown to highlight the parish council's commitments over 2011/12 and 2012/13.

The recommended Precept figure of £100,000 (+£4480) to balance the budget for 2012/13 may be amended by council as a result of either changing its proposed programme, amending fund contributions, or through changes in policy. It is important to note in this context that £45,500 of reserves (29.8% of the budget) are being used in 2012/13 to finance your overall budget. These funds have been established and planned over recent years specifically to meet your ongoing commitments without placing irregular demands on your base budget. New fund contributions in 2012/13 are only being set aside to meet the deteriorating state of recreation areas. The remaining balances are the minimum I would recommend the council should sustain to continue to develop and sustain existing levels of service.

Proposed capping arrangements that may have applied to the parish council have been deferred by the coalition government. Although it is far from clear how the proposals were expected to work, if at all. (It is difficult to see how the parish council could be seen to be setting an excessive budget which is within overall inflation in the current year). It must be noted nevertheless this may be the last year that the parish council might have the autonomy to set its own budget.

2. Budget methodology

In accordance with previous practice, a budget working paper has been produced for each budget head showing the basis for the calculation of the original estimate for the current year (prepared in December 2010) the revised budget (December 2011) and the next financial year.

An allowance for inflation of 3% has been included where appropriate for next year. Higher provisions have been provided where it is expected they may arise e.g. Insurance premiums. Overall inflation provisions in 2012/13 amount to £2380.

Expenditure this year is analysed, as shown, between the cost of supporting the Council, the cost of regular parish plan services, the cost of planned projects in the financial year, and sums set aside in reserves to meet future commitments. Income projections are based on anticipated outcomes as shown.

3. Support Costs (Cost of Council)

The budget for administration reflects the overall cost of existing staffing arrangements; parish office expenses audit fees, and other expenditure to support the council's activities and services at their original level for 2011/12. There is no provision for any further staff changes in 2012/13. The budget for 2013/14 will need to provide for retirements or other changes but financial provisions are not necessary in advance.

The revised salary estimates for 2011/12 and those for 2012/13 allow for the part time employment of all three staff for the full year, and reflect the staffing resource agreed by council at successive staffing reviews. Removal of any of these resources agreed mean that the council would not be able to support the level of service the parish council continues to set for itself and would also impact on proper governance

arrangements. It has therefore been considered prudent to include sums based on council service policy at this time, and reflect the appropriate staffing resources to meet that need.

The staffing budget also reflects variations not previously forecast for 2011/12. The staff have not had a pay award again in the current year; subsequently a saving has accrued from the original provision of £250 p.a for each member of staff. This figure has been reinstated in 2012/13 to follow recent announcements in the Chancellors Autumn Statement regarding Public sector pay.

Financial provision was made in the original budget for 2011/12 (£5000) to meet potential salary and other costs arising from the evolving Localism agenda and development of the parish council's services. Council agreed when the budget was agreed last year that changes in salaries could be monitored as they arose.

Given the uncertainties at Cornwall Council about their Localism agenda it is only now becoming clearer how the parish council may positively move forward. It is very important to note at this point that while the existing level of service may be taken forward within existing staffing provisions all or most of the demands of the revised parish plan will mean additional work for the parish office staff who are already under great pressure. A provision has therefore been made in 2011/12 to increase the hours of the two Assistant Clerks from January 2012 and to continue that level into 2012/13. This is the cheapest and most effective way to ensure that your programmes can be taken forward as set out. The increases proposed and reflected in your budget are +6 hours for PD Hodge and + 2 for Mrs Major revising their contracts to 23 and 22 hours each week respectively. A saving of £3800 will be still be made in the current year and £500 for next year in addition to the savings reflected above. The fulltime equivalent number of staff employed by the council to undertake the programmes council has set will still just be 2.0 people.

In view of the efforts taken last year to define staffing resources with workload it is assumed that council will not consider it either appropriate or necessary to go through an expensive further review process at this time. Unless members consider it necessary therefore the staffing review for 2012 will be deferred until November 2013 when resources can be assessed again.

The pension fund has been revalued again this year to take account of liabilities for staff who have been employed for five years. It has become clear that the parish council was previously over providing for pension liabilities which are now very limited by Regulation. The current fund balance is considered sufficient to meet any further liabilities over the next three to five years. In the circumstances no further budget provisions are considered necessary or appropriate for either 2011/12 or 2012/13.

Parish office expenses continue to be reasonably stable generally. Reduced cost in the current year is very largely attributable to the Government's Small Business Rate holiday, which will extend into part of 2012/2013. There are still concerns about continual disproportionate increases in energy costs so sensible provisions have been made accordingly.

A provision of £300 made in 2011/12 to satisfy an Audit and Accounting Regulation requirement that internal audit arrangements be tested annually has not been spent and has not been included for next year because it is not now considered necessary. No provision has been made under this budget heading for any possible increase in Audit fees arising from the demise of the Audit Commission. Reports will be made to council when further information is available on this issue.

A sum of £450 has been included in the Members budget to provide for the normal Chairman's allowance and travelling expenses, and other costs associated with attending regular and irregular Unitary Authority meetings. The members training budget is continually under spent. A provision of only £100 has therefore been made for 2012/13.

The Insurance budget continues to be affected by abnormal increases in insurance premiums nationally. The increases in 2011/12 reflect an increase in the Fidelity Guarantee Insurance level for a full year, and Insurance property values of between 5% and 6%. The Council's premiums are reviewed regularly and tested periodically. Premiums paid are still very competitive, and claims experience is excellent.

There is no provision in either this year or next for the cost of elections as the next parish council elections are not due until May 2013.

Your budget for subscriptions includes allowances for Cornwall Association of Local Councils and the Society of Local Council Clerks.

4. Cost of current regular parish plan services

This budget provides for the gross cost of maintaining existing parish plan services including maintenance of council bus shelters, streetlights, parks, quays, village greens, seats and other common land and property. The maintenance costs on other property not owned by the council, but undertaken under various agreements, are also met from this budget including footpaths, contributions to churchyards, grass verges, and weed control in local villages. Miscellaneous expenses within this budget include the village newsletter and communications, contributions to local village halls and any liabilities under the Crime and Disorder Act.

Some of the Council's parish plan services do not incur specific costs as they are largely contained within the administration budget. These services include the Planning Access Point, statutory planning consultation responsibilities, advice, and close liaison with other authorities on the delivery of local services including roads and transport issues, waste, housing, noise, and open spaces and the local environment. Also absorbed within these costs are proper governance arrangements, and enhancement of the parish council's role.

Overall spending on maintenance of council properties varies widely from year to year. Significant unforeseen and abnormal maintenance costs are sometimes met from funds established for that purpose to avoid peaks and troughs in demand on Precept.

In 2009/10 the council's property report highlighted that the budget could not sustain the level of expenditure on the council's property at that time so it was agreed to cut the programme for 2010/11. Members will recall that despite a thorough approach to managing this budget there was still an overspend on the repair and maintenance budget in that year.

The maintenance budgets were increased for 2011/12 in line with historical expenditure patterns, and revised contract arrangements for the next three years, and were considered prudent. The overall additional provision of £2250 for repair and maintenance responsibilities in 2011/12 was included to avoid a deficit again. This has been subject to great scrutiny and considered necessary to ensure that all works are absolutely essential and of good value. Particular regard has been paid to any spending on playing field equipment, which will very shortly need renewal.

I am pleased to report that there is an overall saving in 2011/12 as a result of this careful control.

The budget for next year continues to reflect this careful approach, however provisions have been made where necessary to ensure that both contractual and safety are the primary focus and existing facilities remain fit for purpose.

It is likely that the Property Review in 2013 will be undertaken in a different way to reflect the need to carefully look after the council's assets but also review their purpose and their value to the council.

The costs of maintaining and cutting the grass verges in Carnon Downs, environmental weed clearance from local villages and contributions to churchyards maintenance remain stable for the current year. An allowance has been made next year to include similar maintenance on appropriate verges in Devoran.

The Footpath maintenance budget has increased as a result of the increased maintenance schedules agreed with Cornwall Council recently and is balanced by increased income as set out.

Weed clearance budgets are also based on present levels of County Council support because the allowances for 2012/13 have not yet been agreed.

It is possible that the level of financial support for these functions may be reduced by the Unitary Authority. If this is the case the parish council will have to consider their position at that time.

The council has not produced a regular newsletter again this year, but communications have been circulated directly from time to time and the parish plan has been reviewed which was consulted through public exhibitions in all three villages. All news is also posted to the council's website which appears to be well used. The revised budget allows for no further public consultation in the current year although the council will be communicating with every household soon regarding the Neighbourhood Plan. An allowance is made for this separately.

The provision for a newsletter has been reinstated for 2012/13 to facilitate two household circulations or consultations on services generally. It may be appropriate for the parish council to consider how it will wish to carry this out at a future meeting.

The Council's discretionary expenditure provisions continue to reflect the cost of supporting local meeting places, and feedback confirms that the investment of £20,000 over the past decade has helped meeting places to maintain their premises and thrive. In addition advice and support is available from the parish office should it be required.

The council planned to support three charities in the current year and has already made commitments to Cruse Bereavement Care, the Fal River Festival, the Cornwall Air Ambulance, and Spectrum. Similar provision has been made for 2012/13

No specific provisions have been made to fulfil the council's obligations under the Crime and Disorder Act although it is clear that close liaison with the Police will continue.

5. Parish Plan projects

The council has committed itself over recent years to supporting the cost of its parish plan. While much of this cost is met from the administration budget there are inevitably commitments that arise as a direct consequence of delivery of the aspirations set out.

The council meets these commitments by directly identifying these costs as they arise or by providing contributions to funds to ensure that monies are available when required. A contingency sum was included in the original budget to meet possible increased salary commitments as they arise as explained earlier in this report.

The budget report this year sets out all of the projects which the parish council has agreed should be carried out in the current year and during 2012/13.

The total cost of these priority projects (excluding administration) is £19750 in the current year and £65000 in the next financial year as set out. Over the two years the largest part of these commitments will be met from £25000 set aside in your base budget over two years (£12500 x2) and £45500 from reserves specifically set aside for those projects. Most of the balance is to meet the likely deficit this year and next year from the acquisition of the Market Hall site in Devoran. Members will recall that this deficit is much less than it was originally thought it might be, however this will be sustained at around this level or slightly below until the existing premises at Fourturnings are sold or let. A full report will be available when members consider this issue over the next few weeks; however at this time it is entirely prudent to include this in the budget.

Contributions to funds have increased in the current year and next year to ensure adequate provision is made in advance for the deteriorating condition of the playing fields. Feock in particular is in need of some refurbishment next year. While some match funding may be available the provisions will still only provide for a parish council contribution of £20,000. These matters will need to be the subject of an early report to the council in the New Year.

The correlation between parish plan projects and the funds from reserves to support them is set out on the last page of the financial forecast for 2012/13.

Funds will reduce to £47465 by 31st March 2013 but this will be entirely consistent with their purpose.

6. Income

Income has been planned on known issues at the time of preparation of the budget, and so provision has been made for grants and contributions in the normal way.

7. Additional projects

There are no specific provisions within the budget for further additional projects that are unknown at this point in time, and it is expected that an increase in administration costs and the various contingencies set out in this report will sustain the revised parish plan. However, given that the parish council is spending more, and

rapidly developing its role, it will need to be capable of continuing to sustain unexpected change. It has therefore been considered necessary to maintain working balances at around £7500 to provide a safety cushion should unexpected commitments arise.

Summary

The parish council's budget has for some years been based on meeting known commitments, incrementally developing its role, setting aside prudent sums to reserves to meet future commitments and meeting the aspirations set out in the parish plan.

The parish plan 2007 to 2014 was reviewed during 2011 to ensure that the parish council can continue to take a thoroughly measured approach to everything that it undertakes. Local communities gave a mandate for the plan early in 2011.

A surplus of £10,680 is expected in the current year which has arisen primarily from under spending on salary and other support costs mostly related to Cornwall Council's lack of progress in developing Localism during 2011, a thoroughly prudent approach to repair and maintenance works and the realignment of priorities for the parish plan. The budget has however been very successful in enabling some planned projects to go ahead and for the parish council to very closely follow its overall policy objectives in the year.

In 2012/13 there is a projected budget deficit (after financing parish plan projects specifically from reserves) of £7020 arising from reinstatement of commitments to Localism, inflation, extension of parish council services, the renewal of important assets, the acquisition of a site in Devoran, and realisation of important issues in the parish plan

The Precept set out for 2012/13 at £100,000 will enable the council to utilise balances from the under spend in the current year, make sensible provisions for inflation, continue to spend and deliver on its parish plan projects, deliver its own Localism agenda, and set aside monies for future projects as set out.

If the parish council approves the proposed budget and funding at this level it will mean an overall increase in Precept of £4480, an increase of 4.7% over the current year, including 2.5% for inflation. Given that this increase will absorb inflation and enable the parish council to carry forward a very credible plan for developing its role, and key objectives at this time, this is considered wholly appropriate.

If the council's Precept at this level were to be expressed in terms of a charge to each property in the parish area (around 1750 properties) it would equate to approximately £1.09 each per week. The proposed increase in Precept represents an annual increase to each household of £2.56 next year. In any analogy one would wish to create, this charge and the proposed increase represents good value for the benefits derived, especially as it is all based on real local aspiration.

If the parish council wishes to increase the Precept further to meet any issues not covered in the budget a further 1% will raise £1000. This is an issue for members, but is not considered necessary at present or appropriate in the current financial climate.

The council is very aware that its level of interaction with Cornwall Council is still not fully established or even fully understood at present, and it is also not likely that any substantial financial support will be available from the new authority for local projects. The general economic climate is also problematical.

Cornwall Council Tax has not yet been calculated so it is difficult at this point to relate the parish council's spending to the overall County Tax. It is clear however that relative tax level of Feock Parish Council is slightly less than 4% of that of the Cornwall Council after grant aid. It is important to put this into context. Any small increase the Parish Council makes will still only have a very small effect on the overall level of Council Tax paid by householders within this parish for 2012/13. This speaks for itself in terms of the value the local community is receiving from their parish council.

It is important to note at this point that the parish council doesn't receive direct support from the Government, neither has it been offered monies to cushion increases (which is currently being considered by Cornwall Council)

The parish council still continues to face great challenges in working with the new Unitary Authority, particularly in ensuring that the localism agenda continues to foster direct working relationships that have proven to be so successful, and that the compact between the local residents, community groups, and the parish council thrives in the new local government environment.

The council's budget is a very positive means of ensuring that the council can meet its overall objectives and the aspirations of the community it serves. It is important to focus on what it achieves and the mandate from the community to support it.

Recommendations:

- (a) The above report be adopted and the parish council's gross budget be set at £145,500 in accordance with the report above, including spending on parish plan projects, increases in administration, funding the estimated deficit for the Market Hall site at Devoran, utilisation of, and contributions to funds, and other amendments as set out.***

- (b) Precept be increased by a minimum of £4480 to £100,000 for 2012/13 to support planned expenditure and provide for future years reserves as set out. This is considered prudent, entirely reasonable and is in accordance with parish council policies currently in place.***

Alan Truan
Clerk and Treasurer to the Council
December 2011

Feock Parish Council

Budget and Precept for 2012/13