**DRAFT FOR DISCUSSION**

**Budget and Precept financial year 2025-26**

**Background**

The Parish Council must produce an annual budget and comply with the relevant Financial Regulations, including its own Standing Orders, and is used to determine the precept to levy on Durham County Council (DCC) to allow the Parish Council to fund its own expenditure.

As in previous years, once the budget has been agreed by the Parish Council, it will be submitted to DCC in order for the precept to be included in the Council Tax charge for 2025/26.

The deadline for submission of the precept levy this year is 17th January 2025.

The Levelling Up and Regeneration Act 2023 introduced powers to levy a 100% Council tax premium for those properties where there is no resident and the property is substantially furnished, also known as a second home. A public consultation was carried out on this proposal, which saw 63% of those who responded agree or strongly agree with the introduction of a premium for these properties, which was approved by DCC Cabinet on 15 November 2023, effective from 1 April 2025. This has required a substantial amount of work in determining an accurate record of these properties and the data available was not adequately complete. It is hoped that the data will be more reliable next year.

The Government expects Town and Parish Councils, in setting their precepts, to consider all available options to mitigate the need for council tax increases. Annual increases in the precept set by Town and Parish Councils are not currently subject to ‘capping’ in the same way that local authority Council Tax charges are. However, the Secretary of State has advised that a briefing watch will be kept on local council precept increases, which may result in the capping of local council precepts in future years.

**Tax Base 2025/26**

DCC has updated its tax base modelling and calculated the tax base taking into account the impact of the council’s decision to extend the current The Local Council Tax Reduction Scheme (LCTRS) into next year, an updated prudent position in terms of assumptions for new build, the impact of the second homes proposals and incidence of other discounts and exemptions impacting on the tax base calculation.

**What it means for Woodland**

In 2024/25 the number of Band D properties within Woodland parish was calculated by DCC as being 78.7 and for the 2025/26 calculation this is 82.6, increasing the tax base by 3.9. Based on the 2024/25 Band D council tax this will generate an additional £168.48. The Local Council Tax Reduction Scheme (LCTRS) will reduce from £72 to £0. Overall therefore, the net increase in revenue is £96.48. This means that if there is no change in Council Tax levy for Woodland parish from the 2025/26 and 2025/26 budget years, the Precept will rise from £3,472 last year to £3,569 next year.

|  |  |
| --- | --- |
| Current tax base (2024/25) **[A]** | 78.7 |
| Tax base for 2025/26 **[B]** | 82.6 |
| Tax base increase/(decrease) from 2024/25 **[C]=[B]-[A]** | 3.9 |
|  |  |
| Current Band D Council Tax (2024/25) **[D]** | £43.20 |
| Increase/(decrease) in council tax yield **[E]= [C] x [D]** | £168.48 |
|  |  |
| Removal of 2024/25 LCTRS Grant **[F]** | (£72.00) |
| LCTRS Grant payable to Parish Council 2025/26 **[G]** | £0.00 |
| **Net position [E] – [F] + [G]** | £96.48 |

**Budget preparation**

This can be done in a couple of ways by using either (a) an incremental approach where information from previous years is used to determine the starting budget for next year, taking in to account inflationary increases/decreases and salary increases, or (b) zero based budgeting where a complete re-assessment of the budget is undertaken to make sure that it is fit for purpose and whether the budget or level of budget provision is required for the following year.

**Reserves/Balances**

As with any financial entity, it is essential that the Parish Council has sufficient reserves to finance both its day to day operations and future plans. Reserves can be:

* General Reserve, being made up of a working balance to iron out any uneven cash flow, and a contingency balance for any unforeseen expense
* Earmarked Reserve, for specific projects or known requirements
* Capital Reserves for any unapplied capital receipts such as sale of assets.

The general reserve is usually maintained at between 3 and 12 months net revenue expenditure, although there is currently no specific guidance, and it is up to individual councils to make their own determination on this.

It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive. There are no specific guidelines as to what is classed as excessive, but we can be guided by the external auditor Mazars, who will accept up to 115% of precept before they will query the level of general reserves held.

**Budget 2025/26**

In determining the amount of budget and precept required for the 2025/26 year, we need to consider the following:

* The requirement to fund the agreed priorities for the parish.
* The requirement to ensure that there are sufficient financial reserves available for emergencies and unforeseen expenditure.
* A desire to keep the level of precept as low as possible.
* The current reserves held by the Parish Council have been built from the remainder of a business grant applied during the Covid-19 pandemic, together with a budget allowance made for the salary for the Parish Clerk which has not been fully utilised, due to the period the Parish Council operated without a Clerk in place during the year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Budget 24/25 | Forecast Actual 24/25 | Budget 25/26 |
| Insurance | 400 | 400 | 650 |
| Postage/inks | 12 | 0 | 12 |
| CDALC/NALC subs | 40 | 41 | 47 |
| Poppy wreath | 30 | 20 | 30 |
| Clerk salary | 1944 | 462 | 1950 |
| IT/Website | 300 | 200 | 250 |
| Grass cutting | 500 | 580 | 700 |
| Meeting room hire | 92 | 150 | 180 |
| Playground rent | 0.50 | 11 | 0 |
| Playground inspection | 0 | 103 | 210 |
| Playground maintenance | 0 | 42 | 100 |
| General maintenance | 0 | 0 | 50 |
| Community donations | 150 | 100 | 150 |
| Training | 0 | 170 | 200 |
| Auditor | 0 | 50 | 75 |
|  |  |  |  |
| Total | 3468.50 | 2329 | 4604 |

Items in red are estimates of payments to the end of the financial year

Notes:

Zurich Insurance has advised that £50k of play equipment cover will draw a yearly premium of approximately £300. The Council paid £404.94 for renewal this year, so next years renewal is likely to exceed £600.

Clerk salary marginally increased to cover pay award nationally – 144 hours at £13.47 per hour

Grass cutting budget increased to allow for cutting up to walls to control the incidence of ragwort experienced this year, as well as an inflationary rise

Meeting room hire increased to cover 6 meetings at £30 each

CDALC/NALC membership increased to cover increases in CDALC membership fees from 12p to 15p per elector and NALC subscription from 7.94p to 8.34p per elector. Assumed elector numbers remain at 201.

Playground inspection – This allows an increase in ROSPA inspection from £103 in 24/25 to £125 in 25/26 and 2 inspections from DCC (which is requirement of the grant received for the new play equipment) costing in total £ 70 excluding VAT

Playground and general maintenance figures included to allow for any unforeseen repairs required

Training – allowance made for Clerk to undertake Introduction to Local Council Administration (ILCA) qualification (currently £120 plus VAT) and ongoing Clerk/Councillor training as required

The playground rent in this year figures is shown at £11. This is to cover an invoice of £1 plus a licence fee of £10 which covers the rent for the duration of the licence, a period of 5 years. No budget allowance made for next year

All other costs budgeted are broadly in line with current year figures, with an allowance for inflation/cost rises generally

**Summary**

The budget costs for 2025/26 represent an increase of approximately 34%. This is predominantly due to

* the increased costs of insurance and inspections for the new playground, plus a budget to cover any unforeseen repairs/maintenance of the old equipment being retained
* a budget increase for the grass cutting contract to cut right up to walls
* ongoing training to professionalise the Parish Council

Suggestions for consideration

* Meetings to be much more focussed on the important matters requiring attention, rather than being prolonged through unnecessary arguments/disagreements between Councillors. This will then result in far shorter and more relevant, constructive and meaningful meetings, with an expected resultant reduction in the room hire costs at the village hall, as shorter bookings will be needed
* The budget for playground/general maintenance be removed, and any expenditure required be absorbed through retained funds
* The budget for donations be removed, and any agreed worthy requests be considered to be paid out of retained funds
* The training budget be reduced to say £50, with the cost of ILCA training being taken from existing funds, as this is a ‘one off’ cost for the clerk to undertake
* IT/website contract potentially to be reviewed to ascertain value for money/alternatives

If assumptions are made that room hire costs can be reduced by 25% to £135, the playground/general maintenance budget of £150 is removed, together with removal of the donation budget of £150 and a reduction in the training budget of £150, this will reduce budgeted expenditure to £4159, being a 20% increase on last years budget.

With inflation currently running around 1.7% against a Government inflation target of 2%, an increase of 20% in precept may be hard to justify to electors. It is possible that the Parish Council in the past has been able and willing to absorb some of the costs through reserves to keep precept increases low. However, this is not sustainable long term as the PC is wholly reliant upon the precept to fund itself.

There is the need to balance

* keeping reserves at a level that will cover contingencies, whilst also satisfying Mazars that excessive funds are not being built up
* paying all essential expenditure
* keeping precept increases sustainable and as low as possible for residents

Options could be

1. to stagger the increases over several years by say 10% year on year, using reserves to compensate for any shortfall year on year, with a full review being undertaken every year in light of any boundary changes, tax base changes, etc. Unless costs rise by more than 10% year on year, there should be a point at which the increase can be brought back to a level to cover inflationary costs
2. to apply a full increase of 20% this year as a one off (essentially to cover the cost of the playpark), with smaller rises then anticipated in future years to cover inflationary rises in costs
3. to apply a smaller increase this year, continuing to use reserves to cover shortfall. The downside is that at some point in future the reserves will become so depleted that with continuing budgetary requirements, a very large increase in precept will become necessary, which will not be well received by residents
4. to retain the precept at last years figure, again using reserves to balance the books. This is not viable long term however, and will lead to an even larger increase in precept at some future time than the previous option
5. consideration for grass cutting to be done ‘in house’ possibly using the goodwill of local farmers/residents

Faced with these choices, options 1 & 2 (coupled possibly with option 5) would seem the most sensible for consideration

**Other matters for discussion**

Stripping out the funds received for the playpark, there is currently around £12k held in reserves. There is no apparent split as to how these reserves are allocated, and it could on the face of it be viewed that these are all classed as general reserves, which may cause questions, particularly if the precept is significantly increased

It is proposed that some consideration be given to allocating some of these funds to earmarked reserves. This does not tie up the money to that specific reserve, but will make it easier to justify the level of balances held.

For example,

* £x be earmarked for replacement of PC laptop / purchase of printer
* £x be allocated to future replacement/upgrade of ‘old’ playground equipment
* £x be allocate for elections

It is perhaps prudent that the general reserve figure be kept around £5k level, but this is open for discussion.

It is also a consideration that it is sensible that the options for a savings account be researched for any monies agreed by councillors as allocated for earmarked reserves