

Date of Meeting: 10th December 2020

Budget Proposals 2021/22

1. Purpose of Report

To consider the proposed budget and agree the precept demand for 2021/22.

2. Introduction

The report includes as appendices:

Appendix 1 – Report considered by Finance Committee (29 October 2020)

Appendix 2 - Draft Budget as proposed by the Finance Committee

Appendix 3 – Town Council Income 2021/22

Appendix 4 – Precept calculations spreadsheet.

Appendix 5 – Capital Reserves

Appendix 6 – Planned Maintenance Programme

3. Considerations

3.1 Budget

The Finance Committee considered the attached report detailing how the draft budget had been developed by the Clerk. Members are asked to read this attachment as it forms the basis of the proposed budget.

When the Finance Committee considered the proposals at the end of October, the Clerk provided two budget options, a budget based on resuming “normal” business for the last half of the year, and a budget based on worst case scenario (the same as this year but without any government grants etc.). Both options were based on the old tax base of 5486.86. Surprisingly, the budget based on worst case scenario had a better impact on general reserves, whilst the income was reduced significantly there is also an impact on expenditure, less business activity results in less expenditure. Although there is now hope of a vaccine which may mean normal business could resume after the summer next year, it is more likely that the budget drafted based on resuming normal business is a realistic estimate, which from a less positive view means it will have more of a negative impact on general reserves.

Unfortunately, the Clerk has now been advised by CEC that the Tax Base is likely to reduce for 2021/22 to 5334.23 which will have a further impact on our precept based on a £1pw increase recommended by the Finance Committee. In monetary terms it equates to £26,678 less precept than the Finance Committee considered when they reached their recommendation.

Members must also consider that the draft budget proposals do not take into consideration the VAT bill awaited from HMRC following the exercise carried out by the Clerk to amend historical errors when VAT was not charged on show ticket sales. It is not known how much this figure is likely to be, but it dates back to 2016/17 and is likely to be significant. The budget does not take into consideration any additional capital funds needed for the planned maintenance programme we have to repair/improve our assets, although it does account for any additional revenue costs associated with the planned maintenance programme (attached).

3.2 General Reserves

The important figure you need to consider is the general reserve figure highlighted in yellow on appendix 2. Based on the new tax base at £1.00 per week precept increase per band D property there would only be an estimated £97,708.00 in general reserves at the end of the next financial year (March 2022). This goes against the town council's approved policy on Investment and Reserves which states general reserves equivalent to 3-6 months nett revenue expenditure. It goes against the advice of the internal auditor, and more importantly it goes against proper practices. Local councils are required to comply with "proper practices", which have statutory force and are set out in "Governance and Accountability for Smaller Authorities in England". The following extract relating to general reserves is from the Governance and Accountability for Smaller Authorities in England document which the Town Council's Reserves policy is built upon -

“General Reserve

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 (3) and twelve (12) months Net Revenue Expenditure (N R E). The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months N R E, the larger the authority the nearer to 3 months. In all of this it is important that each authority adopt a General Reserve policy.”

The Clerk would strongly advise a general reserve figure of between £240,000 and £480,000 (based on £80,000 net monthly expenditure). The above general reserves figure does not meet this advice, the town council policy, advice from the auditor or proper practices.

3.3 Revenue Reserves (earmarked reserves)

Reserve	£
Election	10,000
Allotment – Tree Felling	20,000
Nantwich Partnership	10,000
CCTV	7,500
Wellington Road – Fencing	5,000
Total	52,500

The above table was considered by the Finance Committee and Policy Committee, which was supported.

3.4 Capital Reserves

The attached spreadsheet (appendix 4) provides detail of current capital funds held including details of funds spent from capital during 2020. The current Capital Reserves stands at £571,910.17.

Members are reminded to note that the approved sum of £62,356 for the purchase of a cherry picker is yet to be deducted from the capital reserves figure, although the physical funds have been transferred to the trading account to allow for the payment of the vehicle.

3.5 Estimated Income 2020/21

The Finance Committee considered the attached report (appendix 3) on fees and charges for the Market, Civic Hall, Brookfield Hall and allotments which form the main sources of income other than the precept. The Finance Committee recommends that the existing fees at the Civic Hall and Brookfield Hall remain the same for 2021/22, with the introduction of the new rent policy for the market which would result in a similar weekly income for 2021/22. The Council has already approved the new rent policy for allotments which will result in a similar yearly income to that of 2019/22.

3.6 Effects of Proposals for 2021/22

The Finance Committee recognises that there is a need for an increase in the precept income and has recommended an increase of an additional £1 per week per Band D household. This results in a projected balance at the end of the year 2021/22 of £97,709.00 which would not meet the requirements of the general reserves target.

The summary shown at appendix 4 shows a precept of £932,373 which reflects an increase of 42.5%. The result is an amount of £174.79 from each average Band 'D' council taxpayer (equivalent to £14.56 per month).

4. Decisions Required

Members are asked to consider the report and attached appendices and:

- a) Approve the budget for the coming year, noting that regular reviews will be undertaken; and
- b) Note the current capital reserves held and approve the proposed spend from Capital during 2021/22.
- c) Approve the revenue reserve proposals for 2021/22
- d) Approve a precept for the year 2021/22.