

Budgeting information for 2024/25

Kingshurst Parish Council

Parish councils normally prepare their budgets in October for the following financial year with a view to setting the precept at the January meeting. This summary provides information on precept, budgeting, subscription costs, internal and external audits fees, salary costs and service devolution.

Financial year

The information relates to the financial year 2024/25.

Precept referendum

Unlike principal councils, parish councils are not restricted in the increase that can be applied to the precept.

The Council Tax Referendum Principles do not apply to parish councils currently.

Number of District Borough councils have gone on record as saying that the cost of living crisis is causing a funding gap far worse than anything experienced previously.

Budgeting process

All Parish councils are under a Statutory duty to produce a budget.

Inflation forecast

The British Chambers of Commerce (BCC) forecasts the rate to fall to 5.6% in 2024. Clearly the economy is volatile and subjected to external forces, not least global energy prices, so all forecasts are inherently unreliable.

Salaries

The national negotiations on salaries for 2023/24 have recently concluded (November 23). For all pay scales, points to 43. The awards a flat rate £1,925 for pay scales points.

Historically calculations of hourly pay for local councils have been reached by dividing annual salary by 52 weeks and then by 37 hours. This is different from the recommendation for the Joint council which calculate rates by dividing annual salary by 52.143 weeks (365 days divided by 7) and then divided by 37 hours. This marginal difference causes confusion and it is intended that next year we shall move to the approach recommended by the National Joint Council (NJC)

Knowing what the final salaries are makes it a little easier to predict what budgetary provision to make for salaries in 2024/25. Inflation is expected to fall in 2024 to 5%, so it seems prudent that budgetary provisions of at least 5% (over 2024/25) predicted salaries) be made.

As a council grows and takes on more it must conduct a review of the clerk's terms and conditions to ensure that a) the contracted hours are sufficient to do the job and b) the appropriate salary scale is being used. October is the time to carry out such reviews, so that budgetary provision can be made for any consequential changes.

Service Devolution

Neither principal authority has confirmed any plans for wholesale devolution of assets or services in 2024/25, although the door is likely to be open to requests from individual parish and town councils. However, the financial situation looks bleak and nationally most principal authorities are reporting in-year overspends

It is inevitable that the district, borough, and county councils will focus first on their statutory obligations, so discretionary local services may be under increasing threat. It is impossible to accurately advise councils what they should put in the budget for 2024/25 to make up for services that may or may not be devolved in the future, but all parish and town councils are advised to ensure that they have good reserves so that if a service or asset is identified for devolution in 2024/25, the council at least has the option to consider it.

Membership Subscription Fees

The subscription fee council pays for membership of WALC and for the National Association of Local Councils (NALC) is based on the electorate in the parish.

WALC will be setting its fees for 2024-25 on the 5th December

Internal Audit Service

All parish councils, regardless of size, must appoint an independent and competent internal auditor

External Audit Fee

The external auditor for all parish and town councils for the audits of the years ending 31 March 2023 to 31 March 2028 is changing to Moore UK, from PKF Littlejohn.

The fees for external audit for the year ending 31 March 2023 (which will be payable in summer 2023)

Elections

WALC advises councils to budget for a quarter of the cost of an election each year to help smooth out the peaks, so councils should ensure they have costs allocated for the scheduled elections in May 2023 based on the 2019 fees plus a 10% increase.

You do not know if you will have an election or not until just before the election itself, so you must budget for a contested election as the costs for a small parish council could be equal to a quarter of their normal annual budget. If you do not need the budgeted funds then you can either vire them to another purpose, or keep them for the 2027 elections.

Training

All councils should ideally have a Training Plan, and a Training Record. All councils should allocate a budget for training for councilors and staff (in line with a new agreed Training Plan).

The 2022-23 budget covers an election year and the council's training needs will be higher than at any other point in the election cycle due to the new councilors who have joined the council.

Reserves

Councils must hold general reserves and may hold earmarked reserves. There is no limit at all on earmarked reserves, which are held for a particular purpose (normally a

long-term capital project). Advice on the appropriate level of general reserves which states that general reserves “should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE)”, where NRE = Precept minus (loan repayments + capital projects + transfers to earmarked reserves).

Having healthy general reserves gives a council more options, particularly in an operating environment that is uncertain.

Council Tax Base

The Council Tax Base is a measure of the tax-raising capacity of an authority. It is expressed in terms of the number of Band D equivalent dwellings in an authority's area, taking into account exemptions, discounts, disablement relief, and the authority's estimate of its collection rate for Council Tax.

The figures are calculated by the billing authority for the area.

The Parish Council should know what the impact of any change in the precept is in terms of the Band D tax rate.

The formula is:

$$\frac{\text{Precept}}{\text{Council Tax Base}} = \text{Band D Council Tax Rate}$$

So, for example, if a parish council's precept for 2022/23 was £50,000 and the Council Tax Base was 1,000, it would result in a Band D tax rate of £50.00

Even where the precept stays the same, a decrease in Council Tax Base would increase the Band D Tax Rate.

Using the example above, if the precept stayed at £50,000 for 2024/25 but the Council Tax Base reduced to 950, the Band D tax rate would increase to £52.63.

The Council Tax bill will show an increase of 5.3% for the parish council, even though the precept had not gone up.

The billing authorities will write to all parish and town councils in their area, normally in early January, to confirm the Council Tax Base figures per civil parish. However, it is

useful and interesting to benchmark one council against another and look at average Band D tax rates

Internet Banking

All councils are encouraged to use electronic banking, with appropriate dual or triple authority payment controls. Unity Trust Bank, Online bank accounts typically apply monthly charges depending on the level of funds in the account, so the 2024/25 budget needs to include bank fees

Section 137

“Section 137” (Section 137(4)(a) of the Local Government Act 1972) is the legal power to spend a limited amount of money for purposes for which councils have no other specific statutory power. It is a power of last resort. The amount that can be spent under the power is limited to an amount per elector. The S137 limit for 2023/24 is £8.82 and this will be increased for 2024/25 by the percentage increase in accordance with Schedule 12B to the 1972 Act. The amount is formally confirmed by the Department for Levelling Up, Housing and Communities (DLUHC), normally at the start of the calendar year.

Precepting & Cost-of-Living Crisis

The amount of precept to levy against council taxpayers in the area is a financial decision for the council. For this round of budgeting, perhaps more than ever, there will be differences of opinion on the council, ranging from those councilors who say the precept should not increase at all during a cost of living crisis, to those that say the precept must increase by inflation in order to “stand still”, to those that say the precept should increase to whatever it needs to increase to, even way above inflation, in order to provide vital council services just when people need them most of all.

It is very important that councils have the conversation and allow plenty of time for discussion. For example, it would be useful to have an item on your November agenda to discuss the principles of precepting, so that discussion can feed into the more detailed community well-being budgeting process.