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Briefing Note
Budget & Precept Preparation
1 April 2025 – 31 March 2026

For Council 24 October 2024

Introduction

This briefing note sets out the proposed timetable and the principles and assumptions, which underpin the four-month long budget setting process which commences in October each year in order to arrive at the precept required by the end of the following January. The precept (Council Tax requirement) is the sum collected by Mid Sussex District Council on the Parish Council's behalf, which is raised through the Council Tax bill. The half yearly monitoring of the current year's 2024-2025 budget is covered elsewhere on this agenda.

Background to the 2024/25 Process

At the Council meeting on 14 December 2023, the Parish Council approved the 2024/25 budget and precept **C23/24.105: Draft Council Budget 2024/25**, and it was:

> **RESOLVED: That the Council AGREES the Parish Council budget requirements for 2024/25 as income of £106,798, expenditure of £424,959 and a precept required to balance the budget of £318,161. Based on the tax base figure of 3,339.2, this equates to a Band D (Precept) Council Tax payment of £95.28 (an increase of 2.97% on the 2023/24 figure of £92.54).**

Timescales for Budget Setting for 2025/26

As per the Parish Council's adopted Financial Regulation 4.9, the Clerk/RFO shall issue the precept to the billing authority no later than the end of February and supply each member with a copy of the agreed annual budget. To facilitate this, the following timescales are recommended:

- Thursday 17 October 2024 – **Finance, Governance & Estates Committee** agree principles and assumptions for budget setting process 2025/26 and review the first half year Income and Expenditure for 2024/25.
- Thursday 24 October **Council** Review the first half year Income and Expenditure for 2024/25 and agree the assumptions and timetable for the budget setting process as recommended by the Finance, Governance and Estates Committee.
- Monday 4 November 2024 – **Planning Committee** review their Action Plan and prepare the initial Committee budget for 2025/26.
- Thursday 14 November 2024 - **Community Engagement Committee** review their Action Plan and prepare their initial Committee budget for 2025/26.
- Thursday 21 November 2024 – **Finance, Governance & Estates Committee** recommend schedule of charges for 2025/26 to Council, agree staffing budget for 2025/26, review their Action Plans and prepare initial Committee budget for 2025/26.
- Thursday 28 November 2024 **Council** to agree schedule of charges for 2025/26.
- Thursday 5 December 2024 – **Finance, Governance & Estates Committee** assess collated budgets from all Committees to produce first draft of 2025/26 budget for recommendation to Council with updated Action Plans.
- Thursday 12 December 2024 – **Council** review draft budget recommendation from Finance, Governance and Estates Committee with updated Action Plans.

- Thursday 17 January 2025 - unless completed in December, **Finance, Governance & Estates Committee** finalise individual Committee and Council budget proposals and assess Council Tax requirement using Tax Base information; propose budget and precept to Council with supporting Action Plans.
- Thursday 23 January 2025 - unless completed earlier, **Council** approves Action Plans, budget for 2025/26 and sets the precept. Precept submission due to MSDC by 31 January 2025.

Principles and assumptions of revenue expenditure and income

The following principles have been carried forward from previous years:

1. Revenue income and expenditure should balance therefore a balanced budget is required to be set. Reserves should only be used for one-off expenditure or capital items.
2. Basic operations: there are no changes to service levels.
3. Income: charges will be reviewed and any increases agreed and applied to budget modelling with effect from 1 April 2025 (1 October 2025 for allotments).
4. Inflation: items affected will have +1.7% allowance* unless cost increases to contracts are known and then actuals will apply.

   *Source: Office of National Statistics: The Consumer Price Index (excluding owner occupiers' housing costs) rose by 1.7% in the twelve months to September 2024. (Release date 16 October 2024.) The rate of inflation is the change in prices for goods and services over time.

Principles and assumptions of one-off and capital expenditure

The aspirations and planned work programme of the Parish Council is set out in the Action Plans. Projects within the Action Plans contain details of the responsible Committee and funding sources, which include but are not limited to the use of Parish Council reserves and Section 106 funds.

Some projects which are important to the Parish Council but not funded by the Parish Council are also included. For example, where the Parish Council hopes to influence other projects (such as Community Highways Schemes) these are included although the expenditure is not controlled by the Parish Council.

General Reserves

The Parish Council has a Reserves Policy, adopted on 29 February 2024 (Minute C23/24.132.4(i)). Guidance regarding the appropriate level of general reserve varies, but typically recommends 3-6 months of revenue expenditure or 50% of the precept, as adjusted for local conditions. On 30 September 2024, £87,046 is held in General Reserves, equating to 27% of the £318,161 2024/25 precept.

The Parish Council is aware that the level of General Reserve is relatively low but this level was supported when at the internal audit conducted on 7 October 2024, the auditor noted "The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states '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 and twelve months of net revenue expenditure' (para 5.33). The general reserve balance is within range."

At the year-end any underspend or overspend against the budget directly affects the General Reserve, unless the Parish Council resolves to allocate the funds differently.

The current year fund shown on the Balance Sheet of £180,846, is the cash available that the Parish Council has left to spend before 31 March 2025.

Earmarked Reserves (EMRs)

Earmarked Reserves are established to provide future funding for specific capital projects and/or areas under the control and management of the Parish Council. Reserves should only be used for one-off expenditure or capital items and should not be used to support revenue expenditure.

There is no guidance as to appropriate amounts to hold in EMRs, as this will vary depending on the projects under consideration. The EMRs are always shown on the monthly balance sheet. On 30 September 2024, the following amounts were held in EMRs.

EMR	DESCRIPTION		£	Comment
311	MAINTEN. VAN & EQUIP.		2,824	For Van Lease costs of equipment purchases.
320	CEMETERY		24,109	For unforeseen cemetery costs or new site.
335	SOUTH AVENUE		25,594	For South Avenue surface and drainage repairs
345	PROFESSIONAL SUPPORT		7,137	For District Plan and other professional support.
350	HURST MEADOWS S106	*	300,660	Ring-fenced for Hurst Meadows works.
355	HURST MEADOWS ACCESS		5,780	For access improvements.
360	MILLENNIUM GARDENS	**	7,624	Ring-fenced for the Millennium Garden costs.
380	COURT BUSHES SINKING FUND		36,043	Target of £7,000 end of lease top-up per annum.
390	YOUTH FACILITIES		5,186	For capital or one-off expenditure items.
391	HEALTH & WELLBEING PROJECTS		1,038	For capital or one-off expenditure items.
395	CHRISTMAS LIGHTS		3,175	For capital or one-off expenditure items.

*The Hurst Meadows S106 EMR is the amalgamation of the Little Park and Highfield Drive S.106 agreements. Funds of approx. £17,000 are planned to be used each year to cover expenditure at the site.

**The Millennium Garden EMR was established with an initial balance of £10,000 from the grant from St George's Millennium Garden Trust. Funds are planned to be drawn down from this EMR on an annual basis to cover ongoing maintenance costs for the site when applicable.

Both of these EMR's are ring-fenced and cannot be used for any other purpose, due to the nature of the receipt of the funds. Any future Section 106 receipts will be similarly ring-fenced, as will any capital receipt over £10,000 (which may only be used for a capital purchase and/or repayment of borrowing).

Staff Costs

The Parish Council has 5 employees (4.15 full time equivalent (FTE) staff but temporarily at 3.79 FTE). The National Joint Council (NJC) for Local Government Services are yet to agree the annual national pay arrangements taking effect from 1 April 2024. When agreed, this national pay award will automatically be paid to staff and backdated to 1 April 2024. Hopefully a decision will be made by 31 October 2024 to inform the budget monitoring process more accurately.

In the interim, the "full and final" pay offer was for a flat rate increase of £1,290 per annum for all Spinal Column Points (SCP) from 2 to 43 (SCP1 has been abolished) and 2.5% for all above SCP43, effective from 1 April 2024. (There are no employees on a SCP above 43.) If the above is agreed, the calculation will equate to a further £5,387 of Salary costs, plus Employer Pension and Employer NI Contributions, all of which are still within budget as shown in the table below.

Assuming a 6% national pay increase for 2025/26, and assuming salary (SCP) increases on 1 April 2025 for worst case budgeting purposes, anticipated staff costs for 2025/26 are as set out below. The Staff Panel also agreed to include costs for a full time employee on Spinal Colum Point 2 in 2025/26 which can be removed later as required:

<u>Anticipated Staff Costs for 2024/25 and 2025/26</u>

	A 2024/2025 Budget	**B 2024/2025 Estimate**	**C 2025/2026 Estimate**
Nominal Code	**Current Budget**	**(includes one-off £1,290 pro rata applied to Column A)**	**Includes 6% increase on column B, SCP increases from 1 April 2025 and new SCP2 post**
5100 Salaries	153,578	149,766	186,309
5110 National Insurance	15,237	14,389	18,176
5120 Pension Contributions	29,487	27,257	33,908
TOTAL	**£198,302**	**£191,412**	**£238,394**

Conclusion

The Committee is asked to review the timetable, principles and assumptions outlined in this paper, which underpin the budget setting process for 2025/26 and to agree the following recommendation:

RECOMMENDATION: That the Committee AGREES the following:

a) The proposed timetable to commence the budget setting exercise for 1 April 2025 to 31 March 2026.

b) The principles and assumptions outlined in this paper which underpin the budget and precept setting process for 2025/26 as follows:

- **i. A balanced budget is required to be set.**
- **ii. There are no changes to service levels.**
- **iii. Charges will be sensitively reviewed using a 1.7% increase.**
- **iv. Inflation of +1.7% will be applied to expenditure forecasts, unless cost increases to contracts are known, then actuals will apply.**
- **v. Staff costs will initially be budgeted for at an increase of 6% for 2025/26 and include a new full time SCP2 employee.**
- **vi. Reserves should only be used for one-off expenditure or capital items.**