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Briefing Note
Budget & Precept Preparation
1 April 2026 – 31 March 2027

Finance, Governance and Estates Committee 16 October 2025

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 2025/2026 budget is covered elsewhere on this agenda.

Background to the 2025/26 Process

At the Council meeting on 23 January 2025, the Parish Council approved the 2025/26 budget and precept as follows:

C24/25.124: Final Council Budget 2025/26: Members re-considered the final Parish Council budget requirements for 2025/26 as provisionally agreed at the 12 December 2024 Council meeting (Minute Ref: C24/25.111: Draft Council Budget 2025/26), and it was: **RESOLVED: That the Council AGREES the final Parish Council budget requirements for 2025/26 as income of £110,591, expenditure of £442,452 and a precept required to balance the budget of £331,861. Based on the tax base figure of 3350.6 this equates to a Band D (Precept) Council Tax payment of £99.05 (an increase of 3.95% on the 2024/25 figure of £95.28).**

Timescales for Budget Setting for 2026/27

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 16 October 2025 – **Finance, Governance & Estates Committee** agrees principles and assumptions for budget setting process 2026/27 and reviews the first half year Income and Expenditure for 2025/26.
- Thursday 23 October - **Council** reviews the first half year Income and Expenditure for 2025/26 and agrees the assumptions and timetable for the budget setting process as recommended by the Finance, Governance and Estates Committee.
- Monday 3 November 2025 – **Planning Committee** review their Action Plan and prepare the initial Committee budget for 2026/27.
- Thursday 13 November 2025 - **Community Engagement Committee** review their Action Plan and prepare their initial Committee budget for 2026/27.
- Thursday 20 November 2025 – **Finance, Governance & Estates Committee** recommend schedule of charges for 2026/27 to Council, agree staffing budget for 2026/27, review their Action Plans and prepare initial Committee budget for 2026/27.
- Thursday 27 November 2025 **Council** to agree schedule of charges for 2026/27.
- Thursday 11 December 2025 – **Finance, Governance & Estates Committee** assess collated budgets from all Committees to produce first draft of 2026/27 budget for recommendation to Council with proposed precept and updated Action Plans.

- Thursday 18 December 2025 – **Council** review draft budget recommendation from Finance, Governance and Estates Committee with proposed precept and updated Action Plans, and, if ready, Council agrees the final budget and precept for 2026/27.
- Thursday 15 January 2026 - 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 22 January 2026 - unless completed in December, **Council** approves Action Plans, budget for 2026/27 and sets the precept. Precept submission due to MSDC by 31 January 2026.

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.
2. Reserves should only be used for one-off expenditure or capital items.
3. There are no changes to service levels.
4. Income: charges will be reviewed using a 3% increase, and any increases agreed and applied to budget modelling with effect from 1 April 2026 (1 October 2026 for allotments).
5. Inflation: items affected will have +3.6% allowance* unless cost increases to contracts are known and then actuals will apply.

   *Source: Office of National Statistics: The Consumer Price Index (excluding occupiers housing costs) rose by 3.6% in the twelve months to August 2025. (Release date 17 September 2025.) 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 27 February 2025 (Minute C24/25.140.3)**.** 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 2025, £134,759 is held in General Reserves, equating to 40% of the £331,861 2025/26 precept.

The Parish Council is aware that the level of General Reserve is relatively low but this level is consistently supported by the Internal Auditor, despite a comment made by the External Auditor this year.

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 30 September 2025 of £194,632 is the cash available that the Parish Council has left to spend before 31 March 2026.

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 2025, the following amounts were held in EMRs.

EMR	DESCRIPTION		£	Comment
320	CEMETERY		21,708	For unforeseen cemetery costs or new site.
335	SOUTH AVENUE		32,383	For South Avenue surface and drainage repairs
345	PROFESSIONAL SUPPORT		7,518	For District Plan and other professional support.
350	HURST MEADOWS S106	*	297,458	Ring-fenced for Hurst Meadows works.
355	HURST MEADOWS ACCESS		13,576	For Hurst Meadows access improvements.
360	MILLENNIUM GARDENS	**	7,505	Ring-fenced for the Millennium Garden costs.
380	COURT BUSHES SINKING FUND		37,884	Target of £7,000 end of lease top-up per annum.
390	YOUTH FACILITIES		5,451	For capital or one-off expenditure items.
391	HEALTH & WELLBEING PROJECTS		1,091	For capital or one-off expenditure items.
395	CHRISTMAS LIGHTS		4,544	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, two full-time and three part-time (3.97 full time equivalent (FTE) staff). The National Joint Council (NJC) for Local Government Services agreed the annual national pay arrangements, taking effect from 1 April 2025, back in July 2025. This was earlier than in recent years, so the national pay award for 2025/6 (equating to a 3.2% pay rise) has already been automatically paid to staff and backdated to 1 April 2025.

Assuming a 5% national pay increase for 2026/27, and assuming salary (SCP) increases on 1 April 2026 for worst case budgeting purposes, anticipated staff costs for 2026/27 are as set out below.

Anticipated Staff Costs for 2025/26 and 2026/27

	A 2025/2026 Budget	**B 2025/2026 Estimate**	**C 2026/2027 Estimate**
Nominal Code	**Current Budget**	**(includes the 3.2% national pay increases already backdated to 1.4.25)**	**Includes 5% increase on column B, and SCP increases from 1.4.26**
5100 Salaries	158,600	148,865	157,572
5110 National Insurance	20,040	18,578	19,886
5120 Pension Contributions	28,866	27,094	28,678
TOTAL	**207,506**	**194,537**	**206,136**

Conclusion

The Committee is asked to review the timetable, principles and assumptions outlined in this paper, which underpin the budget setting process for 2026/27 and to agree the following recommendation:

<u>RECOMMENDATION</u>: That the Committee AGREES the following:

a) The proposed timetable to commence the budget setting exercise for 1 April 2026 to 31 March 2027.

b) The principles and assumptions outlined in this paper which underpin the budget and precept setting process for 2026/27 as follows:

- **i. A balanced budget is required to be set.**
- **ii. Reserves should only be used for one-off expenditure or capital items.**
- **iii. There are no changes to service levels.**
- **iv. Charges will be sensitively reviewed using a 3% increase.**
- **v. Inflation of +3.6% will be applied to expenditure forecasts, unless cost increases to contracts are known, then actuals will apply.**
- **vi. Staff costs will initially be budgeted for at an increase of 5% for 2026/27.**