

# Hawkley Parish Council

## Precept for 2023-24

### *Budget proposal*

- 1 We must set the Precept for the year from 1 April 2023 to March 2024 at the December 8<sup>th</sup> meeting. I cannot be present for that.
- 2 There are a few issues that need to be discussed. The accompanying financial information has been prepared assuming the outcomes proposed herein. The Precept request may need to be adjusted if your discussion reaches a different conclusion on specific items.

#### **Background: Reserve accounting**

- 3 Historically, we have set our precept at an amount equal to our anticipated expenditure. Our actual expenditure in any year is never exactly the same as budget - there are always unders and overs. Historically we have tended to enjoy small overall surpluses which been used gradually to build reserves to achieve our goal of having approximately a year's expenditure available in our free (or unallocated) reserves.
- 4 This one year's expenditure objective allows us to deal with large, unexpected costs without needing to adjust the precept up and down erratically. So, for example, when the play area refurbishment arose we were able to set aside £5,000 of our reserves at the end of last year to fund that grant and then make that payment this year without needing to raise it directly from the 2022-23 precept.
- 5 Similarly, it became clear that our assumption about the likely cost of a contested election was far to low. The practical experience of other small councils suggested that we need perhaps £3,500 to cover such a contest against we had no specific reserve designated. We knew that we had 12 months to provide against this possibility and so we set aside £2,000 at March 2022 and then budgeted a further £1,000 to be raised from this year's precept which, unspent, will allow us to carry forward a £3,000 reserve at the end of this year against the possibility of a contested election next May. If the election is uncontested the whole £3,000 balance then can be carried forward as a designated reserve against a future contest.
- 6 This designation of reserves for a specific purpose allows us to determine how much we need in reserves ay any particular time – but the designation is not irreversible. If an urgent item of expenditure comes up that is not covered by our budget, it is always open to us to reprioritise expenditure needs. For example, assuming the election is uncontested, we may in future decide to use this money for another urgent cause but then develop a plan to ensure that the reserve can be rebuilt before the date of the next election.
- 7 Finally, note that as a consequence carrying forward designated reserves, when those reserves are budgeted to be expended it results in our budgeted expenditure exceeding

the proposed precept in that year – as it does in our budget for 2023-24. That overspend is not a problem because we are carrying forward designated reserves to cover it.

### **FY 2022-23 Outturn**

- 8 At the start of the 2022-23 financial year, we had total reserves of £13,137 in the bank but £5,000 of that was already designated (or earmarked) for the play area and a further £2,000 designated for election expenses. This left £6,237 of free, unallocated, reserves brought forward – well below our ideal free reserves target, (see para 3).
- 9 If we consider our “Normal” activities - setting aside consideration of the play area for now - we project that we will spend £10,575 this year. Assuming the Grants are approved at their budgeted level in February, and barring the unforeseen, the projected “Normal” surplus (the unspent budget) for the year is expected to be around £4,525 <sup>1</sup>.
- 10 That £4,525 difference is attributable principally to:
- Our clerk’s salary is £820 ahead of budget because, last May, we agreed an unbudgeted pay rise to reflect market conditions.
  - The contractor who last year we asked to refurbish the Upper Green finger post sign materialised this summer when the sun came out leading to £400 of previously approved but unbudgeted expenditure.
  - Grants and donations are expected to be £650 lower.
  - Maintenance is currently projected to be £611 lower than budget (primarily because we now expect HCC to cut the verges saving £800) and our £1,328 contingency is also unlikely to be spent this year - although there is still over four months of the year to go.
  - Two planned projects (Phone box £500 and Empshott Noticeboard £650) have been deferred into next year so we will carry forward the unspent budget for these items in our reserves into next year.
  - We decided against upgrading the website and, finally
  - The budgeted-but-unspent election expenses reserve contributes £1,000 of that surplus.
- 11 Turning now to the play area, we set aside a designated reserve of £5,000 last year for a grant towards its refurbishment payable when the project was funded (as it now is). Community Infrastructure Levy is charged on new developments – our share of which is unpredictable – both as to timing and amount. We opportunistically increased our

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<sup>1</sup> Note however, that we expect to carry forward £2,150 of this unspent budget into 2023-24 as designated reserves against future expenditure (additional Election expenses: £1,000, Empshott Notice Board: £650 and Phone Box: £500).

funding of the play area to £7,760 in the light of the unplanned receipt of £2,760 CIL money.

- 12 Although the £5,000 grant was set aside from brought forward reserves last year, it was paid this year and so is shown as a current year expense <sup>2</sup>, resulting in a small reported deficit of £575 and we project we will have free reserves of just £8,412 at year end, roughly half our target level.

### **FY2023-24 and beyond**

- 13 At this point, we should consider the various demands on our resources in the coming year and beyond so that we can prioritise expenditure.

- 14 Firstly, there is going to be a structural change in our Lengthsman arrangements. We have been given notice that from April 2023 we will have to fund our own Lengthsman costs which previously have been borne by HCC. We currently contract with the lengthsman jointly with other Parish Councils and receive 40 man hours of labour per annum over four or five visits. HCC have previously imposed contracting and insurance requirements which would make it difficult for us to contract this on our own so we will probably have to continue to contract jointly with other councils. Discussions are at an early stage but we nonetheless need to budget for a minimum of 40 man hours at say £30 per hour, plus machinery, and waste disposal costs – say £1,500.

- 15 There are also projects we've discussed that we'd like to deliver

- a. **Phone box – Upper Green:** We had hoped to complete this this year, but we don't yet own it so haven't repaired it! David Large will lead this project. We originally budgeted £500 for this based upon the costs incurred at Lower Green but inflation will inevitably take its toll: £650 (of which we will have £500 carried forward in reserves).
- b. **Notice Board at Empshott** For a variety of reasons, we are now proposing a complete replacement and repositioning it somewhere nearer Empshott Church where there is a natural pedestrian footfall. Based upon the costs we incurred at Upper Green this we have budgeted £1,500 (of which we will have £650 carried forward in reserves). This might sound a lot but the Upper Green one was £980 in 2019 – and we didn't need to dig foundations etc.
- c. **Pond project:** Liz Buckle's report at the last meeting set out various proposals which need to be funded. We haven't yet determined what work is to be done nor by whom but there will inevitably be an associated cost in 2023-24 - we have set aside £500 – and probably more in future years.

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<sup>2</sup> If we had rigorously followed the reserves accounting approach above, we should have budgeted that £5,000 as expenditure this year – but we did not.)

- d. **Finger Post signs:** This project is now largely complete with just the Oakshott sign outstanding. That's a complete replacement which was estimated at circa £2,300 two years ago but Katherine is exploring whether it could simply be refurbished. In the circumstances, we don't have the resources to deal with this while our free reserves remain depleted so, last year, we agreed to try to fund these repairs opportunistically using Councillor's Devolved Grants whenever these become available.

#### **FY 2023-24 Budget**

- 16 Katherine has prepared the Outline Budget for FY 2023-24. To some extent, it's still work in process, but it does clearly show how we plan to spend our money and can be used as a basis for considering the adequacy of the Precept. It has been prepared on a 'business as usual' basis taking account of the various matters and changes in circumstances discussed above.
- 17 Our total expenditure budget for FY 2023-24 is £17,209. This compares with the £10,575 total expenditure in this year's projected outturn. The principal causes of the proposed £6,634 increase over this year's **actual** spending are:
- When we set Katherine's salary last April, we agreed to base future pay raises against the movement in NJC National Pay Scales. The Pay Scales for 2022-23 have been published showing a year on year increase of 7.3% for the salary point 20 (where we benchmarked Katherine's salary (albeit as a practical matter a year in arrears.)). The budgeted salary increase is £420.
  - Grants and donations increase £150. We would expect to make a contribution to the biennial fireworks display this year but resulting overall budget is £500 less than the budget for this year.
  - Maintenance is £2,166 higher, including the £1,500 Lengthsman budget for the first time and £800 for verge cutting offset by a reduction in play area maintenance costs
  - A further £500 budget to cover Election Expenses and an overall budget contingency of £800 (rather less than the £1,328 we had last year)
  - Finally, the Empshott Notice Board is budgeted at £1,500, the Phone box £650 and the Pond project £500.

#### **FY 2023-24 Precept**

- 18 Determining the appropriate level for the Precept is both a financial and a political decision. The Parish Council is accomplishing more than it used to do in terms of structural improvements. Over the last five years we have completed the traffic project with the Heritage Signs and traffic signs, refurbished the fingerpost signs, two noticeboards and now made a major donation to the play area. Shortly will refurbish the phone box and then the ponds. Together these improvements will have cost more than £20,000 funded from the precept and taking advantage of available grants and levies.
- 19 Our budgeted expenses for 2023-24 are £17,209. The increase from the 2022-23 **precept budget** is essentially increases in lengthsman costs - £1,500 and salaries - £1,219 plus the need to replace the Empshott Notice board £1,500 and refurbish the Phone box – £650 to be funded by reductions in election costs - £500, grants and donations - £500 and a

reduction our overall contingency - £500, and £1,150 to be covered by designated reserves carried forward leaving £1,000 to be covered by an increase in the Precept.

- 20 Current inflation is around 10% - an increase in our costs is inevitable and a rise in precept for 2023-24 would be expected. Our historic precept has been £10,000 for the five years ending 2019, £13,000 for three years to 2022 and then a 15% rise to £15,000 this year because of the election expenses and general inflation. The cost per household (up to £110) is quite modest but another large hike is probably not sustainable.
- 21 It is proposed that we increase the Precept for FY 2023-24 to £16,000, an increase of 6.6%. There is no need to be defensive of this. We have accomplished a great deal over the last few years on meagre resources. If asked, draw attention to the need to fund the Lengthsman service and inflation in our payroll costs.
- 22 Our proposed 2023-24 budget is tighter than we are used to with less room for unexpected expenditure. In my view, we can properly afford to make this plan given the way I have explained our finances. If the election is in fact uncontested, or the unforeseen maintenance costs we have made contingency for don't emerge then we will be in surplus. Equally, if there is a major unexpected expense, we have budget flexibility in Grants and donations together with circa £8,400 of 'free' reserves which would cover most eventualities.
- 23 I do not expect the precept to reduce next year. Hopefully, the notice board and phone box will have been completed; expenditure at current prices would reduce to around £15,000. However, inflation will almost certainly remain in the 5-8% level which will keep our routine costs, and our precept, around £16,000 as a minimum. Any necessary increase ought to be manageable. If we don't increase the precept this year, we will need a big increase next.

**David Caukill**

**12 November 2023**