

Introduction

I have attached a draft budget for next year assuming that the precept is increased by a donation of £5,000 re Ruscombe and 50% of the open space expected annual costs of £3,500 to £26,000. Clearly both of these matters need final approval but have been discussed and need to be considered.

I have also attached a breakdown of reserves between the General Reserve, a Capital Reserve, a War Memorial reserve (recognizing expenditure every other year) and finally a reserve to support the Open Space project discussions.

I have not included a separate reserve for election costs. In 2015 these amounted to £2,623 and we should take this into account but I am currently assuming that they form part of the general reserve (see below).

Background

Two years ago I highlighted that in my view the Parish was heavily reliant on burial fees to balance income and expenditure and that a prudent approach should be taken to expected income when setting the budget/precept. You will note that the burial ground income last year and this year to date is exceptionally low which emphasises the issue previously highlighted. This has been compensated for by lower than budgeted grounds maintenance expenditure, with less cuts undertaken in both of the last two years than expected within the contract.

To remind you, we require an expected consistent surplus to provide the resources to make capital investments. My attempt at a capital replacement programme suggests that, ignoring any investment requirements in Shurlock Road or similar, we should be targeting a minimum underlying surplus of £1,300-£1,500 per annum.

Reserves

The Parish however does have relatively large reserves. At the last accounts these were at approximately £29,000. The Parish is small and guidelines indicate that reserves of 6-12 months precept are advisable. As a smaller parish where an unexpected expenditure requirement (eg the Pound) could have a major impact on annual expenditure, it would **be wise to hold 12 months of the annual precept**. Part of the reason to hold the reserve is to tide the Council through the timing of the receipt of the precept together with unexpected requirements. There is also a requirement to cover election costs if required during mid term. If there was a casual vacancy it would need to be advertised and an election held if there was more than one person willing to stand. We have been advised that these costs could be somewhere between £2,000 - £3,500.

Currently we have capital reserves of £7,747 of which c£6,000 is expected to be spent on the Pound this year. We also have a reserve for the Shurlock Road open space of £5,000 and general reserves at March 2017 were £16,253.

Currently the precept is set at £17,500. Due to the underspend the General Reserve is higher than forecast as I suggested that we should target increasing it to the level of the precept over a period of 5 years given the relatively large increase in 2016. However there are a number of expenses likely this year which were avoided last year such as clearing of ditches which should be taken into account.

Shurlock Road project

You will note that the Shurlock Road open space project first draft is estimated to cost £7,000 pa to manage. Shurlock Road will still not have a final decision from RBWM when the budget is set but it would be expected to come on line in 2018 so I do not see that we can ignore the expected expenditure in the budget.

Recommendation

I would suggest that we should be targeting an underlying surplus of £3,000 for the year made up of £1,400 for Capital Reserve, £400 for a war memorial reserve, £500 to bring the Open Space Reserve up to £7,500 over 5 years and £700 to bring the General Reserve up to £17,500 over 5

years.

The draft budget indicates an underlying deficit of £407 (after drawing the cost of capital expenditure from the Capital Reserve). Part of the reason for this is that we have been informed in the draft precept documentation that there will be a £751 reduction in the precept next year due to the calculation of the Compensation Grant. I have to confess to not following this but in previous years it has worked in our favour.

However the deficit assumes £1,400 of Burial Ground income and previous years have had income in excess of £3,000 (although the current year and prior year is very low). The underlying surplus achieved in 2016/17 was c£4,000 (target was £2,500) and 2017/18 is likely to be around the £2,500 target level.

Given that the deficiency in the draft budget surplus is circa £3,400 but that the Open Space has not yet commenced (£500), we have £1,500 surplus from 2016/17 and that the Pound is expected to cost slightly less than reserved (and, in addition, we may have c£1,400 capacity in the Capital Reserve), Burial Ground income is prudently forecast and that Grounds Maintenance may again require fewer than budgeted cuts, my recommendation would be that the Precept increase should be kept to the expected Ruscombe donation (£5,000) and half a year's maintenance for the Shurlock Road project (£3,500), ie £8,500 to £26,000 for 2018/19.

In 2019/20 we might assume that a base precept of £17,500 is required (assuming no inflation) plus £7,000 for the Open Space and £500 to build open space reserves, a total of £25,000. Therefore whilst there would be a step change this year to fund the Open Space and the Ruscombe donation (assuming agreed), thereafter the precept may once again be reasonably consistent.

Resolutions proposed

1. That in 2017/18 £1,400 is transferred from General Reserves to the Capital Reserve
2. That in 2017/18 £400 is transferred from General Reserves to the War Memorial Reserve
3. That the expenditure on the replacement to the Pound be drawn from the Capital Reserve together with any other expenditure on capital equipment
4. That the precept for 2017/18 be set at £26,000.

MJK