

STANWAY PARISH COUNCIL

BUDGET

**FOR THE 12 MONTHS PERIOD
COMMENCING 1 APRIL 2024**

Introduction

This budget sets out Stanway Parish Council's income and expenditure plans for the 12 months period beginning 1 April 2024 and the Medium Term Financial Plan ('MTFP') for the following five years.

Background

Legislation Stanway Parish Council ('SPC') is a precepting authority. It receives part of its income from indirect taxation collected from electors in the ward by Colchester City Council as part of Council Tax, known as the 'precept'. SPC has a legal duty to ensure income covers operating costs and, because it generates negligible income from business activities, it relies on the precept to fund revenue expenditure. Members and officers also each have a personal fiduciary duty to exercise regularity and propriety in the use of public funds.

Macroeconomic Conditions Gross Domestic Product has fallen to around 0.4% and is forecast to slow still further in 2024; headline inflation is 3.6% and is predicted to remain above the Bank of England's 2% target until at least Q3 2025; interest rates are high (the base rate is at its highest level in 15 years); the labour market is slowing; higher interest rates are impacting the housing market, with transactions down 16% on 2022; and corporate insolvencies are approaching the level following the 2008 'financial crisis'. These and other factors impact on the costs incurred by SPC to deliver services.

Population Over the past twenty years the population of Stanway has grown by nearly a third to around 9,700 residents. Developments already approved at Catchbells, Fiveways Fruit Farm and Wyvern Farm will create a further 1,000 new homes in Stanway by 2027.

Tax Base Despite the new homes and growing population a reduced tax base (used by Colchester City Council to allocate the precept) for 2024–25 leads to a higher than expected rise in the proportion of the precept allocated to each household.

Volatility and Deficits Funding deficits in three of the last five years (and eight of the last 20 years) eroded reserves, restricted growth, negatively impacted liquidity and created financial stress. In April 2023 SPC commenced a programme of financial discipline, which will continue into 2024–25 and beyond, to restore reserves and build economic resilience.

Budget Process

SPC sets expenditure budgets within the context of priorities identified by members which determine the financial resources required to meet operational requirements. For 2024–25 the Staffing Committee, Community Services Committee and Community Assets Committee formulated preliminary budgets that were reviewed and refined by the Corporate Governance Committee. The costs of future plans, reserves and financial contingencies were included and the resulting precept was calculated in line with the formulae set out in the Local Government Finance Act 1992.

Robustness of Forecasts and Estimates

Budget estimates for 2024–25 are predictions of spending and income made at a point in time, based on service needs and known expenditure patterns. Expenditure budgets reflect the need to maintain certain service levels, but it is a demand-led budget and inevitably entails a degree of judgement. There are also assumptions within the budget forecasts as summarised below.

Revenue Income The budget includes targets for income reflecting updated charges and estimates of demand for services. Although the assumptions lead to prudent income forecasts, there is a risk of income volatility. The General Reserve provides some contingency in case of material shortfalls in income.

Borrowing The capital programme exceeded capital receipts during 2006–07, and required borrowing to support SPC’s priorities and ambitions. Further capital expenditure may require raising funds through loans.

Inflation Cost estimates within the MTFP include assumptions for increases in pay, utilities, contracts and general prices for goods and service. The MTFP assumes an average 2% inflation increase year-on-year which is considered a reasonable estimate, slightly below short term economic forecasts but in line the Bank of England’s long term target.

Gifts and Donations For the purposes of creating a balanced budget, income from gifts and donations ignores the potential proceeds of Mrs Jansma’s estate, which in any event would be moved immediately to an Earmarked Reserve and, as such, has no immediate impact on budgeting and financial planning for 2024–25.

Revenue Expenditure

Revenue expenditure are the day-to-day running costs of providing services, many of which are outsourced (discussed further below) which makes some costs volatile and unpredictable.

Staff Costs In common with other local authorities, SPC’s wage bill (along with associated liabilities for National Insurance and pension contributions) is the single largest overhead. However, unlike many UK workers who saw pay rise by an average of 8.2%, SPC awarded a pay increment in April of less than inflation (average of 5.7%) and similar below inflation increases are anticipated in future years.

Outsourced Services SPC outsources many key services. The Community Assets Committee oversees provisioning, service delivery and supplier performance. Despite periodic retendering, costs across the board have risen over the past three years by a factor many times greater than inflation. For example, over the period 2020–23, the bill for grounds maintenance rose by 28.6%; and streetlights by 60.4%. Further price increases are expected for 2024–25. Looking beyond the next financial year, Jansma Park (currently anticipated to be operational in 2025–26) will lead to a further uplift in maintenance costs, although by how much depends very much on the facilities to be delivered there.

Financing costs Interest and bank charges represent the third largest overhead. The loan taken in 2005 will not be repaid until 2030, but there could be benefits to early repayment including a saving on debit interest of around £10,000 over the next five years.

Insurance Insurance costs have risen in recent years, and are expected to rise again in 2024–25. The acquisition of the land which will become Jansma Park will bring further insurance costs which are included.

Professional Services SPC pays solicitors, accounts, auditors and other advisers for support and advice. Some costs are unavoidable (such as audit fees); others are discretionary.

The revenue expenditure budgets for 2024–25 are summarised as follows:

Staff	£202,000
Office & IT	£8,500
Banking and Finance	£20,700
Professional Services	£36,200
Other Administrative Expenditure	£13,400
Grounds	£35,700
Streets	£26,500
Burial Ground	£2,500
Community Services	£18,500
Total	£364,000

A breakdown for each accounting cost code is provided at Appendix One.

Capital Expenditure

Capital expenditure is the long-term investment in infrastructure and assets, like buildings, parks, sports grounds and other facilities.

Capital expenditure is also the money spent to refurbish and repair assets (such as vandalised playground equipment) and to replace them when they reach end of life. During the past year, for example, SPC spent more than £75,000 to extend the car park at Tollgate Hall, replace the surface rainwater soakaways to the existing car park and install air-conditioning to parts of Victory Hall.

However, the unpredictable nature of an asset’s lifespan means capital expenditure is difficult to plan and varies significantly from one year to the next.

Over the next 2–3 years SPC expects to incur significant costs to transform 10 acres of arable farmland into Jansma Park. A notional figure of £200,000 is included for 2024–25 reflecting the costs of the preliminary stages of the project.

The capital expenditure plans for 2024–25 are as follows:

Bus shelter corner Holly Rd & Wheatfield Rd	£10,000
Jansma Park	£200,000
Total	£210,000

However, these costs will not be incurred unless there is matching capital income from grants, gifts or loans and, as such, have no impact on the overall budget or precept.

Revenue Income

SPC charges individual consumers for some of its services through fees and charges, with the remaining expenditure funded through the precept.

Income from business activities and events SPC expects to derive a small income from business activities and community events, which offsets the precept. In practice, the burial ground is SPC's only source of regular income, but it is unpredictable and varies by as much as 300% year-on-year.

Precept As a precepting authority, SPC has a legal duty to ensure the precept is sufficient to cover the costs of delivering services. Based on the revenue expenditure budget for 2024–25 and the Earmarked Reserves, the required precept is £364,200. This represents a year-on-year uplift of 2.94% compared to 2023–24. Owing to the lower tax base decided by Colchester City Council, the average impact per household (usually referred to as the 'Band D Equivalent') is slightly higher — rising by 3.11% from £81.35 to £83.89 per annum — though still comfortably below inflation.

The budgeted revenue income for 2024–25 is summarised as follows:

Burial Ground	£4,000
Community Events	£1,000
Credit Interest	£750
Wayleaves	£1
Subtotal	£5,751
Precept	£364,200
Transfers to reserves	(£5,949)
Total	£364,002

Capital Receipts

Capital expenditure is funded either from forward planning and the accumulation of an Earmarked Reserve for a specific project (discussed later) or from other capital receipts such as grants and gifts.

Jansma Park Funding costly projects requires careful planning and management to avoid overspend leading to persistent deficits. Notional figures are included to match capital expenditure and create a balanced budget; however, these figures must be regarded as placeholders.

Grants Aside from the Local Council Tax Subsidy, no other grants are predictable. Notional figures are again included and must be regarded as placeholders.

Capital gifts and donations It impracticable to predict voluntary gifts and donations; accordingly they are not included in the budget.

Loans There are no plans to take out further loans in 2024–25.

The budgeted capital income for 2024–25 is as follows:

LCTS Administration Subsidy	£5,259
City Council Grants	£1,000
All other Grants	£203,741
Capital gifts and donations	£0
Total	£210,000

Reserves

Reserves refer to the money held by SPC to meet future planned expenditure and as a contingency against unexpected financial stresses.

General Reserves SPC has a legal duty to maintain sufficient liquidity to fund its ongoing operations and has committed to maintaining a reserve equivalent to 25 per cent of its expected revenue expenditure. Based on the figures for 2024–25 this means it must maintain a reserve of not less than £91,000 throughout the next financial year.

Earmarked Reserves As a discretionary matter SPC also allocates reserves to meet identified future capital expenditure. Broadly speaking reserves are (1) for outlay deemed too great to finance through the precept in a single year; (2) to replace assets at end of life; or (3) to reinstate assets impaired due to a foreseeable event that has uncertain timing (such as criminal damage or a storm).

The earmarked reserves for 2024–25 are as follows:

Burial Grounds	£2,700
Bus Shelters	£5,000
Car Park	£6,000
Community Safety	£3,000
Elections	£4,000
Footpaths	£19,000
Jansma Park	*£200,000
Maintenance Machinery	£1,000
Notice Boards	£3,000
Office Equipment	£4,000
Outdoor Gym	£6,000
Planning	£1,500
Play Equipment	£24,000
Specialist fees (Legal, etc)	£6,000
Staffing	£40,000
Streetlights	£6,000
Grounds	£5,500
Vehicle	£3,000
Village Halls	£25,000
Workshop and store	£3,000
Total	£367,700

* The reserve for Jansma Park is an arbitrary figure based on an estimate of the proceeds from Mrs Jansma's estate gifted to SPC. The figure may be higher or lower, depending on the sum received and has no impact on the budget for 2024–25.

Medium Term Financial Plan 2025–26 to 2029–30

The MTFP summarises estimates of costs and funding, and the impact of SPC’s plans for the medium to long-term. The MTFP balances the financial resources required to deliver SPC’s plans and SPC’s strategies. The plan also considers the financial climate at both the local and national level together with available resources and budgetary pressures.

The MTFP summarised below is for a five-year period.

	Financial year commencing 1 April				
	2025	2026	2027	2028	2029
Revenue Expenditure	362,000	378,000	38,000	399,000	410,000
Funded by:					
All other revenue	6,000	6,000	6,000	6,000	6,000
Resulting precept	356,000	372,000	382,000	393,000	404,000
Capital Expenditure	100,000	50,000	25,000	25,000	25,000
Funded by:					
Reserves	0	0	0	20,000	0
Grants	100,000	50,000	25,000	5,000	25,000
Loans	0	0	0	0	0
Budget Surplus (Deficit)	0	0	0	0	0

Appendix One — Revenue Expenditure budget for each Cost Code

Staff

Salaries (inc. employee's tax, NI & pension)	146,700
Employers' NI Contribution	13,600
Home Working Allowance	950
Employers' Pension Contribution	35,208
Training, Professional Fees & Subscriptions	5,000
Travel & Subsistence	600

Office & IT

Office Supplies & Consumables	1,900
Telephone and Broadband	2,300
IT Hardware & Software (inc. support)	4,300

Banking and Finance

Bank Charges	200
Capital Repayments	16,000
Debit Interest	4,450

Professional Services

Internal Audit	1,600
External Audit	1,100
Professional Fees	33,500

Other Administrative Expenditure

Communications and advertising	1,700
Insurance	10,000
Corporate Subscriptions	1,500
Chairman's Allowance	200

Grounds

Buildings & Car Parks	10,000
Play Areas	6,000
Grounds Maintenance	17,500
Tools and Consumables	1,000
Maintenance Vehicle	1,200
Burial Ground	2,500

Streets

Streetlights - ex. Electricity	6,000
Street Furniture	4,500
Streetlights – Electricity	15,000
Footpaths	1,000

Community Services

Community Events – Expenditure	6,000
Grants (all)	5,000
Community Safety	4,000
Community Services - other expenditure	500
Road Safety	3,000

Appendix Two — Full Budget

Revenue Expenditure

Staff	£202,000
Office & IT	£10,000
Banking and Finance	£20,700
Professional Services	£36,200
Other Administrative Expenditure	£13,400
Grounds	£35,700
Streets	£26,500
Burial Ground	£2,500
Community Services	£18,500
Subtotal	£364,000

Capital Expenditure

Bus shelter corner Holly Rd & Wheatfield Rd	£10,000
Jansma Park	£200,000
Subtotal	£210,000

Total Budgeted Expenditure **£574,000**

Revenue Income

Burial Ground	£4,000
Community Events	£1,000
Credit Interest	£750
Wayleaves	£1
Precept	£364,200
Subtotal	£369,951

Capital Income

LCTS Administration Subsidy	£5,259
City Council Grants	£1,000
All other Grants	£203,741
Capital gifts and donations	£0
Subtotal	£210,000

Total Budgeted Income **£579,951**

Transfers to Earmarked Reserves	(£5,949)
<u>Budget Surplus (Deficit)</u>	<u>£2</u>