

Valley Community Council – Budget Setting Report

Presented to Finance Committee 01.11.22

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By: Gwenda Owen, Clerk

PURPOSE

The purpose of this report is to outline a number of draft budget proposals for 2023/24 for consideration, initially, by the Finance Committee and subsequently by the full Council in line with the Community Council’s Standing Orders.

BASIS FOR THE BUDGET SETTING PROCESS

Due to the unprecedented financial situation facing the Country and the impact this is likely to have on the residents in Valley, particularly in relation to the escalating level of inflation, the budget setting process this year has, in the first instance, been restricted to a “Standstill Budget” with projections for 10% and 15% inflation added on to it.

A “Standstill Budget” includes for all the essential costs which must be incurred by the Council during a financial year in order to maintain the services/equipment it already provides, without any additional funding for new capital projects. (Capital projects include such items as provision of a bicycle storage facility, basketball pitch, new play equipment, repairs to the triangle boundary in parc mwd).

In addition, a chart has been included allowing for a capital sum of £5,000, £10,000 and £15,000 to be added to the budget in order to demonstrate the impact this would have on the precept and an estimate of the increased cost per household of including these sums of monies to the budget. It will also enable members to consider the likely impact of any capital project on the budget and the knock-on effect it will have on increasing the precept required.

SUPPORTING DOCUMENTS

The Budget Setting document 23_24 v1 is appended to this report and includes three worksheets on which the draft budget has been based. These are as follows

Sheet 1 Title “STARTING POINT”

This worksheet sets out the budget for 2023/24 and gives a projected out-turn at the end of March 2023, i.e. it sets out the actual income and expenditure from April 2022 to September 2022 and what the Council’s committed expenditure is likely to be for October 2022 to March 2023.

Line 243 gives an indication of the “Total Projected Spend”, i.e. this is what the Council will have spent during the year to provide the services for which it is responsible. This will

include routine expenditure and also some one off-expenditure items, i.e. those which are not required on an annual basis.

Sheet 2 Title “23_24 budget with 10% inflation

Sheet 3 “23_24 budget with 15% inflation.

Sheets 2 and 3 use the same format, the only difference being that Sheet 2 has allowed for 10% inflation and Sheet 3 has allowed for 15% inflation.

Below is a breakdown per line of key lines within sheets 2 and 3

Row(s)	Detail
2 - 8	Budget set for 2022/23 i.e. this financial year
9 - 128	Actual spend for the period April 2022 to September 2022.
129-235	Projected expenditure for the period October 2022 to March 2023
243	Projected total expenditure for 2022 - 2023
245-256	Expenditure incurred in 2022-2023 which is for one-off items
257	2022/23 Expenditure less one off-items
259-275	Anticipated additional costs for 2023/24. Those in black are guaranteed expenditure although actual amounts could fluctuate as these are estimates. Those in red are on the Council’s wish list and are classed as capital items. No figures have been included for these as they are not to hand and these may be funded through grant applications and not directly from the Council’s budget.
276	Projected total expenditure for 2023/24 based on a standstill budget with no allowance for capital projects.
278	This sets out the cost of inflation at a rate of either 10% on Sheet 2 or 15% on sheet 3
280	Projected total cost of expenditure including 10% inflation on Sheet 2 or 15% inflation on sheet 3
282-289	Provides a list of income we expect to receive during 2023/24. It includes for the funds carried over at the 2022/23 year in the current account, a transfer of funds from Ynys Wen account to cover this year’s expenditure on the cemetery and a VAT rebate. The latter two have been higher this year due to increased ground maintenance costs and the contractor becoming VAT registered.
290	Total anticipated income for 2023/24
293	Anticipated total expenditure (spend) for 2023/24 including inflation
294	A minimal allowance of £3000 to be carried over at the end of 2023/24 to the beginning of 2024/25. This is good practise as bills will need paying before the precept is received.
295	Actual budget required for 2023/24 to meet financial obligations
296	Anticipated income (row 290) to be deducted from 295
297	Precept required to meet Standstill budget +10% inflation on Sheet 2 or Standstill budget +15% inflation on Sheet 3.
J288-J292	Columns J288 to J292 set out the budget set for 2022/23 including the total budget, precept set, estimated number of properties, and estimated cost per property in Valley.
J299-305	Sheet 2: D299-305 Standstill budget plus 10% F299-304 Standstill budget plus 10% plus £5k capital allowance H299-304 Standstill budget plus 10% plus £10k capital allowance

	<p>J209 -305 Standstill budget plus 10% plus £15k capital allowance</p> <p>(Taken from Sheet 3 as a comparison)</p> <p>M299-305 Standstill budget plus 15%</p> <p>O299-304 Standstill budget plus 15% plus £5k capital allowance</p> <p>Q299-304 Standstill budget plus 15% plus £10k capital allowance</p> <p>R209 -305 Standstill budget plus 15% plus £15k capital allowance</p>
J299-305	<p>Sheet 3:</p> <p>D299-305 Standstill budget plus 15%</p> <p>F299-304 Standstill budget plus 15% plus £5k capital allowance</p> <p>H299-304 Standstill budget plus 15% plus £10k capital allowance</p> <p>J209 -305 Standstill budget plus 15% plus £15k capital allowance</p> <p>(Taken from Sheet 2 as a comparison)</p> <p>M299-305 Standstill budget plus 10%</p> <p>O299-304 Standstill budget plus 10% plus £5k capital allowance</p> <p>Q299-304 Standstill budget plus 10% plus £10k capital allowance</p> <p>R299 -305 Standstill budget plus 10% plus £15k capital allowance</p>
307	The increased cost of each budget option put forward for 2023/24 versus the cost the budget set for 2022/23
309	The increased cost of the precept required for each budget option put forward for 2023/24 versus the cost of the precept set for 2022/23

CONSIDERATIONS

1. Setting the budget

The annual rate of inflation at September 2023 was 10.1% and there are indications that this may yet increase. It may therefore be prudent to set a standstill budget with an allowance of 15% for inflation and to seek innovative ways in which to proceed with capital projects.

2. Capital Expenditure

a) Should inflation peak around the 10 – 11% mark, there would be a possible saving in total expenditure in 2023/24 in the region of £4519. If this were added to any other potential underspends during the year, this would allow the Council to consider undertaking a smaller capital project later on during the financial year. This would best be considered towards the end of quarter two/three when actual costs for at least half the financial year have been recorded. This, for example, could be for a bike shelter in the main car park in the village

b) Basketball pitch/net.

In order for the Alliance to submit an application for Lottery Funding, the Community Council would need to enter into a minimum 10 year lease with them. Should a decision be made to enter into a lease, the Alliance would then become responsible for all elements of the project including future maintenance during the lease period. The Appliance would not be able to recover VAT.

It may be more advantageous for the Community Council to set up a small project group and ask the Alliance for support to:-

- Obtain two quotations for supply and fit of the pitch/nets based on the specification of works submitted, with a caveat for inflation should the project not proceed for 3, 6 or 9 months.
- Complete an application(s) for Lottery or other grant funding to cover the project.
- Provide project management support for the duration of the project.

The benefits of this are

- that the Community Council would not have to enter into a legal lease and therefore there would be no legal costs or delays
 - The Community Council is able to re-claim VAT and therefore the overall cost would be less. The Community Council could use its reserves to pay the VAT element and then return it to the Reserves once the VAT has been re-claimed.
 - The Community Council would be responsible for the management and maintenance of the pitch and an allowance for this could be included within the budget each year.
- c) Triangle repairs – possibly continue with a regular trimming back of the trees and overgrowth as part of the ground maintenance within the parc until a plan has been received/approved.

COUNCIL RESERVES

The Council's Reserves as at 30.09.22 are as follows:-

Money Manager (41188453)	£14921.89
Money Manager (5126996)	£ 2080.46
Ynys Wen (61209205)	£22043.89
Total	£39,046.34
Less Ynys Wen Commitment	£ 3936.00
Actual Total	£35,110.34 at year end

It is recommended within the Financial Regulations that the Council holds the equivalent of in the region of one year's precept in reserve. The precept for 2022/23 was £37,443.

Consideration should therefore be given to retaining the current level of reserves which, at the end of the financial year, will be around one year's precept level.

