

Setting the precept for 2019-2020

Year-end forecast

At their meeting last week, the Finance Committee reviewed expenditure against budget and consider a forecast for the position at the end of March this year.

The budget that was set for the current year anticipated a deficit of £50,827, this figure to be taken from reserves since the Council agreed that unallocated balances of £217,723 at the end of March 2018 were significantly higher than the amount normally recognised as acceptable.

In fact, the work on the forecast indicates that expenditure over income for the year 2018-2019 will be closer to £42K and so the forecast unallocated balance at 31 March 2019 will be, in round numbers, £176K. This is still higher than the precept in 2018-2019 and there is scope to budget so that it is reduced further.

Budget for 2019-2020

This was set by the finance committee and has total expenditure of (in round thousands) £237K. Income, excluding the precept, was set at £61K. The gap, to be covered wholly or partly by the precept is thus £176K.

Setting the precept

In 2018-2019 the Waterbeach Band D Council tax was £82, down from £90 (a reduction of just under 10%) from the previous 2017/8 FY. In comparison with all other parishes in the District, this put us right on the border between the third and fourth quartile; in other words, 75% of parishes had a lower Band D tax and 25% had a higher Band D tax.

Comparing Waterbeach with local parishes, in 2018-2019, Cottenham had the highest Band D in the District at £140.19, Histon and Impington's Band D was £106.31 and Horningsea's was £104.08. Fen Ditton's was £74.78, Milton's was £71.21 and Landbeach's Band D was £63.31. We thus sit quite nicely in the middle of the local parishes which have been used as a comparator in previous years.

Our Council Tax base has gone up again and for 2019-2020 it will be £1939.1, an increase of 2.6%. This means that if we were to freeze our Band D at £82, our precept would go up from £154,923 to £159,006. To provide some idea of the effect of various Band D Council Tax levels, here are a few examples

Band D	Precept
£80	£155,128
£82	£159,006
£84	£162,884
£86	£166,763
£88	£170,641
£90	£174,519

The decision as to the level of precept to be set depends largely upon the Council's view of prudent reserves. Councils have no right to hold high levels of reserves that are not specifically allocated. Guidance in Governance and Accountability for smaller Authorities in England (March 2018) states:

5.166. As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.

In addition to this, further guidance suggests that a reasonable level of reserves is between 6- and 9-months' expenditure. In our terms this equates to between £119K and £178K.

If we feed into the equation our forecast unallocated opening balances, our budgeted income and expenditure and a precept corresponding to a Council tax level of £84 (which is the level recommended by the Finance Committee) we get the following table

Forecast balances at 31 March 2019	£176,000
Less Budgeted expenditure 2019-2020	(£237,024)
Add Budgeted income less precept 2019-2020	£12,800
Add Precept at £84 per Band D	£162,884
Forecast balances at 31 March 2020	£114,660
Balances at percentage of budgeted expenditure	48.3% = 5. months

This is below the level recommended of six months' expenditure and so the Council might feel that to let the reserves reduce by this much might store up trouble for the future and force a higher tax rise in the following years.

However, more new houses are still to be built within the 'old' village and these will increase our tax base. It is also the case that the budget put forward includes a fair amount in one-off projects (major Cemetery and Village Green work, Highways expenditure, etc.) so that the actual 'core' expenditure of the Council is rather less than that for next year.

A rise from £82 to £84 is 2.4% and compares with the current CPI rate of 2.3%. The increase in precept is £162,884-£154,923 = £7,961 (5.1%).

Michael Williamson – Chair, Finance Committee
23 January 2019