

TO: All Town Councillors

SUBJECT: Precept 2007-08

FROM: M.E.Thomas, Clerk

DATE: 11 January 2007

REPORT ON THE BUDGET PROPOSALS OF LAMPETER TOWN COUNCIL FOR THE FINANCIAL YEAR COMMENCING 1ST APRIL 2007 AND ENDING 31ST MARCH 2008

1.0 TERMS OF REFERENCE

Due to the statutory requirement for all councils to prepare an annual budget, and in order to plan ahead effectively for the forthcoming financial year, the clerk, as designated Financial Officer, was asked by members of the Town Council to prepare a detailed budget and to make appropriate recommendations. These proposals would then enable councillors to decide on the amount of money needed to be raised, by means of the precept. The report was to be submitted by the 11th January to the Council for consideration.

2.0 INTRODUCTION

2.1 THE PRECEPT

The precept is the tax levied by the Town Council. This is collected on their behalf by Ceredigion County Council. The Town Council's precept represents a small proportion of the total Council Tax collected by Ceredigion County Council. For example, for the year 2006-07, the total Band D (average) charge of £956.87 for a Lampeter Council-Tax payer is broken down as:-

	£	%	per week
Ceredigion County Council	755.84	78.99	£14.54
Dyfed Powys Police	150.21	15.70	£ 2.88
Lampeter Town Council	50.82	5.31	£ 0.97
Total	956.87		

2.2 THE TOWN COUNCIL'S FIXED AND CURRENT ASSETS

The Town Council's entire funds were previously held in the Lloyds TSB "90 Day Notice Account-formerly Investment Account". Funds were transferred into the current account as and when they were required, thus taking advantage of the interest offered on the "90 Day Notice Account".

In May 2006, £80,170 was deposited in the "Alliance & Leicester 30 Day Notice Account for Clubs and Charities" as this account offered a more attractive return on the capital invested.

Of the £80,170, it was resolved, in the last Budget Meeting of January 2006, that £70,000 should be kept as a reserve. The remaining £10,170 consisted of the money (and interest accumulated), donated in the will of a deceased resident of Lampeter.

The Town Council's fixed assets include the "Parc-yr-Orsedd" Play area, Play equipment, 14 Civic Cloaks, Civic Regalia, Christmas Decorations and Computer equipment. The total value last August, including insurance valuations, is approximately £96,000.

This report will endeavour to calculate the money required by the Town Council to meet its objectives for the coming financial year and will also attempt to provide value for money for the Lampeter Council-Tax payer.

3.0 PROCEDURE

In order to obtain relevant information and opinion, the following procedures were adopted to acquire the information in the report:

- 3.1 The current year's precept (1 April 2006 - 31 March 2007) was reviewed.
- 3.2 The impact of the provision of CCTV cameras was assessed.
- 3.3 Running costs for this current year were deemed relevant and changes considered where appropriate. Future concerns were examined.
- 3.4 The income and expenditure of the present year (1 April 2006 - 31 March 2007) was compared to the previous year (31 March 2005 - 1 April 2006) and predictions made. Donations to charities were appraised.
- 3.5 The projected amount of reserves in the Bank Accounts at the end of the present financial year i.e. 31 March 2007, were calculated. Interest rates were included.
- 3.6 Options regarding the amount levied by means of the precept (2007-08) were proposed.
- 3.7 The amount levied by means of the precept was recommended.

4.0 FINDINGS

4.1 THE PRECEPT FOR THE CURRENT FINANCIAL YEAR commencing on the 1 April 2006 and ending on the 31 March 2007

The total precept in respect of this financial year (fiscal year ending 31 March 2007), was £43,220. There had been no increase in the precept for this financial year, when compared to the previous year.

4.2 THE CCTV SYSTEM

The CCTV system became operational in April 2002 and to date, the yearly contribution made by the Town Council has been £19,600 (exc. VAT), paid to MLL Telecom LTD. The anticipated cost of this facility for the fiscal year ending 31st March 2007 had been £12,000. This did not, however, materialize and the Town Council has had to continue paying the £19,600, despite its malfunction. A refund of £11,433 was received in April 2006, as the cameras had encountered considerable inactivity in the previous year.

Mr. Mark Elliott, Assistant Director, Corporate Performance, Ceredigion County Council, has informed the Town Council that the cost of the CCTV for the next financial year will be £12,000.

4.3 RUNNING COSTS

4.3.1 Office Costs

The usual office costs have been dealt with prudently. The acquisition of a new photocopier, computer and Broadband connection, has resulted in an increased efficiency in the clerk's time and a saving on the use of paper. Careful purchase and recycling of envelopes have also reduced costs and the VAT charged on the stationery has been reclaimed. Ink for the printer and photocopier is an expensive commodity and bulk purchase of ink cartridges and copy-paper has resulted in some saving. Heat & Light and storage costs have been kept at £20/ month, despite increases in fuel costs. Also, many letters are delivered by hand, giving further savings for the people of Lampeter.

4.3.2 Accounting Procedures

New accounting procedures set up by the Audit Commission insist on the appointment of an independent internal assessor and various quotes in the region of £200 are currently being received. These costs are in addition to the £350 charged by the external accountants. Mr. Robert Thomas, a retired Bank Manager from Cellan is prepared to undertake the independent audit, which is a check on the clerk's work, for a fee of £50- £100 in the next financial year, thus saving on the full fee.

4.3.3 Footpaths

During the financial year, ending the 31 March 2006, an application for grant funding of £2,600 (75% = £1,950), was submitted to the county council under the *Community Path Grant Scheme*, for work to be undertaken in this present financial year. The Town Council was awarded £304, as many of the tasks were considered unnecessary or would be undertaken by the county council. It was therefore agreed, that an additional £500, from the Town Council's funds would be used to accommodate some of the tasks involved.

A grant application of £985 has been submitted by the Town Council for the year 2007-08(next financial year) and another application, (two quotes received of £806 and £611), on behalf of the Lampeter Ramblers' Association. The awarded amount is not yet known. In the November meeting of the Town Council, it was felt that the work requested by the Town Council, should be undertaken in the next financial year, regardless of the outcome of the grant application. Therefore, financial provisions would be needed, to meet any extra expenses.

4.3.4 Parc yr Orsedd

Remedial work, following the findings of the recent inspection by PlayWales and general upkeep will involve an outlay of a few hundred pounds.

4.3.5 Clerk's Remuneration

The workload cannot be achieved within the allocated 12 hours per week. It is recommended that this be increased to 15 hours per week and allowances made for 2 years' service, commencing on the anniversary date of the 9th May 2007 -

(increase from £7.99/hr present rate to £8.225/hr). Presently the clerk earns £7.99/hr x 12hrs/wk x 52weeks = £4,985.76 (gross).

The suggested new structure would be:

£8.225/hr x 15hrs/wk x 52weeks = £6,415.50.

Please refer to Appendix 2 for the National Guidelines appertaining to "Basic Annual Salaries for Part-time Clerks" as stipulated by the NALC and SLCC.

4.3.6 Concerns

4.3.6.1 Administration

The study into Town and Community Councils highlights the need for bilingualism in respect of all reports and minutes etc. Should this fact be made mandatory, there will be increased costs in administration and payment for translations of Council meetings and documents. It would be advisable to keep this matter under review.

There may also be an increased workload if the proposals by the Welsh Assembly Government for greater powers for Community Councils come to fruition.

4.3.6.2 Venue of meetings

The present meeting room is small for the Town Council's purpose and a more suitable location within the Town Hall is required. Another venue is also sought for hosting Civic Ceremonies. Health and Safety and the Disability Discrimination Act legislation, should be adhered to.

4.3.6.3 Training for Clerks and Councillors

In order to keep abreast with new developments, it would be good practice for the clerk and councillors to

attend courses and training sessions, which would be mutually beneficial.

4.4 INCOME AND EXPENDITURE

The income and expenditure of the present year (1 April 2006-31 March 2007) is compared to the previous year (31 March 2005-1 April 2006) and predictions made.

4.4.1 INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR COMMENCING 1 APRIL 2005 AND ENDING 31 MARCH 2006

Appendix 1 provides a breakdown of the income and expenditure for the financial year ending 31st March 2006. The actual expenditure for this year was £40,682.70 and the value of the precept, £43,220, allowing a surplus of £2,537.30 remaining from the precept. In addition the brought forward balance of £84,637.04 (b/f from the yr ending 31st March 2005) and the remaining income received (inclusive of approx £10,000, a donation from the will of the deceased), meant that a reserve of £106,072.18 was carried forward at the end of the year.

On the 1st April 2006, (beginning of the present financial year) the town council's balance was **£106,072** (£105,972.18 in the 90 Day a/c and £100 in the current a/c, Lloyds TSB)

4.4.2 INCOME FOR THE FINANCIAL YEAR (COMMENCING 1 APRIL 2006 AND ENDING 31 MARCH 2007) - the present financial year

The precept for the year 2006-07	£ 43,220
VAT reclaim for this period	£ 3,755
Interest Received:	
Lloyds TSB (-30 th Dec 2006)	£ 1,257
Alliance & Leicester (10/05/06-10/10/06)	£ 1,476
Grant (Community Paths Scheme)	£ 304
CCTV Refund	£ 11,433
Bench	£ 400
TOTAL	£ 61,845
Expected bank interest (projected)	
Lloyds TSB	£ 200
Alliance & Leicester	£1,770
PROJECTED TOTAL	<u>£ 63,815</u>

A grant of £1,000 towards the CCTV cameras is normally received from the University of Wales, Lampeter and a Christmas Lights' grant from CCC. It is not known whether the Town Council will be in receipt of these payments.

4.4.3 EXPENDITURE FOR THE FINANCIAL YEAR (COMMENCING 1 APRIL 2006 AND ENDING 31 MARCH 2007) - the present financial year

1st April 2006-31st March 2007			
Actual Exp:	Projected Exp:	Precept	Deficit
1/04/06-31/12/06	1/01/07-31/03/07		
£33,604.62	£11,201.54		
Total Projected Expenditure - £44,806.16		£43,220	£1,586.16

The monthly costs in respect of this year to date, has accumulated to £33,604.62 (April-Dec, 9 months). Over a 12-month period, should current spending be maintained, this would amount to £44,806.16, representing an expenditure of £3,734 per month. The deficit of £1,586.16 has arisen due to the non-adjustment in the CCTV payment. This deficit will be cancelled, by drawing from the reserves. (The CCTV refund of £11,433 will also be helpful, in this instance). Sums of £400 and £200 may also be required to meet the cost of the bench and the Barley Mow Street name-plate sign, should they be purchased in the present financial year.

4.4.4 CHARITIES: APPROPRIATE SUM UNDER SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972

These will have to comply with the ruling that they are in the interest of the majority of the ratepayers in the area and be affordable. The maximum sum for 2006-07 is £5.44 per local government elector. As there are 2,000 people on the electoral list of Lampeter, then about £10,000 can be given to charity by the Town Council. To date, to the 31st December 2006, £3,604.25 has been donated, which is well short of the Welsh Assembly Guidelines.

4.5 THE PROJECTED AMOUNT OF RESERVES IN THE BANK ACCOUNTS AT THE END OF THE FINANCIAL YEAR (COMMENCING 1 APRIL 2006 AND ENDING 31 MARCH 2007) - the present financial year

On the 31st December 2006 there was £52,569 in the Reserve Account, Lloyd's TSB Bank. If current spending per month is maintained it will be reduced to (£52,569-£11,201) £41,368 by the 31st March 2007. It could be further reduced to £40,768, should the bench and street-sign be purchased before the year end. Presently the Alliance & Leicester A/C holds £81,646. The reserve is therefore **£122,414**, (£40,768+ £81,646), which is higher than the amount which was carried forward at

the end of the last financial year (Appendix 1 - £106,072); an increase of approximately £16,500. (This £16,500 can be attributed to the £11,433 (CCTV refund), £3,754 VAT refund and Interest received of £2,733 = Approx £18,000 minus approx £1,500 deficit).

There will also be some interest rates payments of 3 months from the Lloyds TSB A/C and 6 months from the Alliance & Leicester A/C. Estimated interest is £1,676. The total held in reserves will be approximately **£124,000** on the 31 March 2007.

4.6 OPTIONS REGARDING THE AMOUNT LEVIED BY MEANS OF THE PRECEPT (2007-08)

There are a number of options regarding gauging the level of the precept for the next financial year. These include:

4.6.1 Option 1

No change in the level of the precept i.e. it remains at £43,220

Normal running costs (based on projected costs for this year £44,806 -£19,600 CCTV)	£25,206
Allowance for inflation @ 2.5% (Appendix 3)	£ 630
TOTAL	£ 25,836
CCTV Running Costs (with no donation from UCW Lampeter)	£ 12,000
TOTAL	<u>£37,836</u>

The remaining £5,384 (£43,220-£37,836) could be spent on other expenditure e.g. Footpaths, Parc yr Orsedd, Clerk's Salary Review, Courses/training sessions, translating facilities. A VAT refund of approximately £3,000 is also awaited, during the course of the next financial year.

4.6.2 Option 2

The precept is reduced in the next financial year to e.g. £41,000. Running costs £37,836; +£3,164 to meet other expenses. A VAT refund of approximately £3,000 is also awaited, during the course of the next financial year. Any unexpected expenditure could be met from reserves.

4.6.3 Option 3

The precept is increased in the next financial year. Despite assurances from the county council that the cost of CCTV will be reduced by £7,600, this is not a certainty. Running costs would then be £25,836 + £19,600= £45,436 and provisions would also have to be made for other expenditure.

5.0 RECOMMENDATIONS

As a result of the investigation, members of the Town Council are recommended to give active consideration to the following:

- 5.1 It is recommended that **Option 1** be adopted i.e. that the amount levied by means of the precept is £43,220. This amount of money, in addition to the expected £3,000 VAT refund, should meet the financial needs of the Town Council in the next year. Any other costs, which could arise, could be met from the reserves.
- 5.2 Consideration should be assigned to Option 2. A reduction in the level of the precept would be gracefully accepted, by many ratepayers, in light of the fact that the CCTV cameras have been underperforming in recent months. The quoted reduced figure is not a benchmark. It is possible to reduce the figure further, should a part of the running costs be met from reserves.
- 5.3 Should an additional charge to the anticipated £12,000 be required, to cover the CCTV provision, and should the Town Council not wish to draw from reserves, then consideration should be assigned to Option 3.
- 5.4 The reserve of £122,414 (+ projected interest from the bank acs) should be reviewed. The Audit Commission has suggested that the level of reserves should not, ideally, be more than twice the value of the precept.
- 5.5 A plurality of objectives exists (political, economic, social, regulatory and technical) and profit is not the primary long-term objective of the Town Council. It is a non-profit making organisation. A part of this money could therefore be spent on a community project, which would meet other objectives in the service of the people of Lampeter.
- 5.6 Attention should be assigned to the money donated in the will of a Lampeter resident, who did not wish to disclose his identity, as the words “to be used for the benefit of the people of Lampeter,” was his request. This could be tied in with the previous point.
- 5.7 An increase could be made in the amount of money donated to local charities.
- 5.8 That the meeting place and Civic Ceremonies venues, conform to current Health and Safety and DDA regulations.

6.0 CONCLUSION

The standstill budget of £43,220 for the next financial year, appears to offer the best value for money for the Lampeter Council-Tax payer. Approximately £38,000 will be required to meet the running costs and about £5,000 will remain, to cover other expenditure. An additional VAT refund of approximately £3,000 will be available. Should there be no decrease in the CCTV provision, the discrepancy could be financed from reserves.

The Town Council is aware of the money held in reserves, and this could be needed in the future, to be spent on a planned expenditure. A reduction in the precept by a few thousand pounds, will not make a significant difference to the Council Tax payment. An increase in the precept is not recommended, as the

savings made, due to the anticipated reduction in the CCTV payments, will cover running costs and allow for inflation. Any additional expenditure could be met from reserves.