

TO: All Town Councillors
FROM: M.E.Thomas, Clerk

SUBJECT: Precept 2011-12
DATE: 13 January 2011

REPORT ON THE BUDGET PROPOSALS OF LAMPETER TOWN COUNCIL FOR THE FINANCIAL YEAR COMMENCING 1ST APRIL 2011 AND ENDING 31ST MARCH 2012

1.0 TERMS OF REFERENCE

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 estimate next year's expenditure and to make appropriate recommendations. This will enable councillors to decide on the amount of money, which will be needed to be collected, by means of the precept. It will also attempt to provide value for money, for the Lampeter Council-Tax payer, bearing in mind that the country remains in recession. . The report is to be submitted by the 13th January to the Council for consideration.

2. PROCEDURE

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

- 2.1** The current year's precept (1 April 2010 - 31 March 2011) was reviewed.
- 2.2** The impact of the provision of CCTV cameras was assessed.
- 2.3** The income and expenditure of the previous year (1 April 2009 – 31 March 2010) were considered. (Appendix 1)
- 2.4** The income and expenditure of the present year (1 April 2010 – 31 March 2011) were compared to the previous year and predictions made.
- 2.5** The budget for the Maesyderi Field Project was examined
- 2.6** The projected amount of reserves in the Bank Accounts at the end of the present financial year i.e. 31 March 2011, were calculated. Interest rates were included.
- 2.7** Donations to charities were appraised.
- 2.8** Future concerns/projects were highlighted.
- 2.9** Conclusions were drawn and options regarding the amount levied by means of the precept (2011-12) were proposed.
- 2.10** Recommendations were made.

3. FINDINGS

3.1 REVIEW OF THE CURRENT YEAR'S PRECEPT (1 APRIL 2010 - 31 MARCH 2011)

The total precept in respect of this financial year (fiscal year ending 31 March 2011), was £43,220. This amount has been constant for the last six years – no increase in the precept of £43,220. The annual precept payment for the Band D Council-Tax Payer has remained constant at £48.48, for the past six years and allowing for inflation, this has represented a reduction in payment.

3.2 THE CCTV SYSTEM

The Lampeter CCTV system became operational in April 2002 and the yearly contribution made by the Town Council up until the 8th January 2008 had been £19,600 (exc. VAT), paid to MLL Telecom LTD. The £19,600 formed a

significant portion of the precept and as a result, the Town Council's precept remains the second highest in the county, when compared to its peers. From the 9th January 2008, the yearly fee was reduced to £12,000, as the CCTV System was upgraded to enable the CCTV images from Lampeter to be carried on the Ceredigion County Council's telecommunications network, as opposed to the MLL Telecom's network. This reduction has affected the precept in recent years, which has not been increased due to the saving of £7,600 during each of the last 3 years, £2,264 the previous year and a refund of £11,433 in April 2006, due to the under-performance of the cameras. These savings have enabled the TC to meet its normal annual running costs without imposing an increase on the rate-payer and also to a growth in its reserves.

Members visited the CCTV cameras' control room in Aberystwyth in October 2008 and all 6 cameras were fully functional at that time. A CCTV Forum comprising the Police and Elected Members was set up in October 2008. The cost of £12,000 per annum could be increased in the future and could be further increased should additional cameras be acquired. Transmission for a maximum of 8 cameras is allowed by Ceredigion CC, at £2,000/annum per camera. (present cost)

3.3 THE INCOME AND EXPENDITURE OF THE PREVIOUS YEAR (1 APRIL 2009 – 31 MARCH 2010) WERE CONSIDERED (LAST FINANCIAL YEAR)

Please refer to Appendix 1, which provides a breakdown of the income and expenditure for the financial year ending 31st March 2010.

3.3.1 EXPENDITURE 2009-10

EXPENDITURE (Ex VAT) 2009-10	
Expenditure from Balance Sheet	£73,718.50
Subtract error (double entry)	£585
Subtract the money held in the bequest A/c	£ 11,500
TOTAL EXPENDITURE INC VAT	£61,633.50

This expenditure includes capital expenditure i.e. costs in addition to the normal running costs e.g.

- **EXPENDITURE ASSOCIATED WITH THE MAESYDERI FIELD IN 2009-10 (EX vat)**

Levelling Field	£3,882
Picnic benches	£ 600
Tree Services	£ 830
Grass-cutting	£ 800
Leaflets	£ 36
Signs	£ 108
Moles	£ 280
TOTAL	£6,536

- **The TC has delivered certain capital projects, which were paid for, in part, from the reserves viz (ex VAT):**

New Fence at Parc-yr-Orsedd	£8,535
3 Town Entrance Signs	£2,960
Repair of Notice Board	£ 550
Website Design	£1,000

- **VAT, which was paid will be recoverable by the TC i.e. £4,545**

The actual day to day expenditure is reduced to **£37,507** should the four Capital items, the VAT, and the running costs of the Maesyderi Field, be deducted from the £61, 633.50.

3.3.2 INCOME 2009-10

The total income was £64,811 (less £585 error) = **£64,226**; which includes the £43,220 (precept); VAT reclaim (£2,594 from the previous year), interest from savings + grants, the most significant of which, was the £15,000 Police Grant for the development of the Maesyderi Field. (£15,000 less £6,535, already spent on the field = **£8,465** remaining for next financial year). The carried forward figure on the 1 April 2010 was £147,259 i.e. £64,226 (Income) less £61,633.50 (expenditure), an increase of £2,723.98 to the figure c/f a year earlier.

3.4 THE INCOME AND EXPENDITURE OF THE PRESENT YEAR (1 APRIL 2010 – 31 MARCH 2011) WERE COMPARED TO THE PREVIOUS YEAR AND PREDICTIONS MADE.

3.4.1 DEFINITION OF THE TOWN COUNCIL'S ORDINARY RUNNING COSTS

These are ordinary running costs excluding costs associated with the Maesyderi Field, Capital Costs e.g. Alcohol Exclusion Zone Part-Payment, and VAT costs. They are outlined in the following table.

ITEM	COST (Estimate) Based on 2010-11 figures
CCTV CAMERAS	£12,000
CLERK'S SALARY inc tax and NI	£7,750
DONATIONS TO CHARITIES	£7,500
MAYOR'S ALLOWANCE	£2,700
INSURANCES	£2,600
FOOTPATHS (75% GRANT AWARDED)	£1,060
PARC-YR-ORSEDD	£900
AUDITS – EXTERNAL AND INTERNAL	£560
HIRE OF HALLS: VICTORIA (YOUNG AT HEART); ST PETER'S CHURCH HALL (MEETINGS); OLD HALL (MAYOR'S INSTALLATION)	£500
WEBSITE HOSTING	£200
BUS SHELTERS CLEANING	£240
REMEMBRANCE SUNDAY	£140
TRANSLATOR (MAYOR'S INSTALLATION)	£ 80
OVW CONFERENCE	£130
STATIONERY/INK/STAMPS/PHONE & BROADBAND; COMPUTER; ELECTRICITY; STORAGE COSTS	£800

3.4.2 CALCULATION OF EXPENDITURE IN THE NEXT 3 MONTHS BASED ON ACTUAL EXPENDITURE DURING THE FIRST 9 MONTHS OF THE YEAR (2010-11)

ACTUAL RUNNING COSTS FROM 1 APRIL TO 31 DEC 2010 (inc vat)	£46,540
Subtract VAT, which will be recoverable	£ 3,797
Subtract annual CCTV payment	£12,000
Subtract annual Mayor's Allowance	£2,700
Subtract Maesyderi Field	£11,197.50
Normal running costs (9 months)	£16,845.50
Therefore normal running costs for 12 months	£16,845.50 x 4/3 = £22,461
Add back on CCTV payment	£12,000
Add back on Mayor's Allowance	£2,700
TOTAL EXPENDITURE EX VAT AND MAESYDERI FIELD	£37,161

VAT will be paid on certain items, during the next 3 months; this has not been included in the above calculation, as it is reclaimed. Sufficient reserves ensure that no temporary overdraft charges will be incurred. The expenditure for 2010-11 is £37,161 ex VAT and the Maesyderi Field Costs, which represents a reduction of £350, when compared to the previous year, for normal running costs. No capital projects have been undertaken in 2010-11, to date, apart from the Maesyderi Field Project. Improvements to Parc yr Orsedd have featured within this ordinary budget in the past. Payments could possibly be required, during this financial year for the Alcohol Exclusion Zone (≤ £2,500) and for the new town entrance sign £1,000. The precept of £43,220 should accommodate these 2 items.

3.4.2.1 MAESYDERI FIELD BREAKDOWN OF COSTS 2010-11 (EX vat)

ITEM	COST
FENCE	£7,675
FOOTPATH	£1,925
BENCHES	£ 650
GRASS CUTTING	£ 850
BINS	£ 87
REFUSE BAGS	£ 10.50
TOTAL	£11,197.50

3.4.3 INCOME FOR THE FINANCIAL YEAR (COMMENCING 1 APRIL 2010 AND ENDING 31 MARCH 2011) - the present financial year (includes projected income for the next 3 months ex VAT)

The precept for the year 2010-11	£ 43,220
Interest Received:	£ 1,500
Grant (Community Paths Scheme)	£ 795
Anonymous gift	£ 100
Interest Received Barclays Bank	£ 600
TOTAL	£46,215

The £37,161 running costs can be met from this income.

3.5 MAESYDERI FIELD PROJECT (Ex VAT)

EXPENDITURE 2009-10	£6,536
EXPENDITURE 2010-11	£11,197
TOTAL SPENT TO DATE	£17,733
MET BY POLICE GRANT	(£15,000)
REMAINDER PAID BY TOWN COUNCIL	£2,733
MET BY £1,500 ANNUAL ALLOCATION TO THE FIELD AS RESOLVED IN THE TC'S BUDGET MEETING OF JAN 2010	£1,500 £1,500
REMAINING BUDGET FOR 2010-11	£267

It is hoped to construct a Bike Track on the field. To date £300.60 bursary has been received c/o Mr Damian Conti and fundraising efforts have raised £600. The £900.60 has not been accounted for, within this Budget Report.

3.6 THE PROJECTED AMOUNT OF RESERVES IN THE BANK ACCOUNTS AT THE END OF THE FINANCIAL YEAR (COMMENCING 1 APRIL 2010 AND ENDING 31 MARCH 2011) - the present financial year

- Lloyds TSB £2,390 @31.12.2010
- Lloyds Bank 24 months' a/c £60,000 (started 10.04.2010)
- Lloyds Bank 24 months' a/c Interest at year end £1,413 (not available until 10.04.12 when £1,413x2 will be paid)
- Barclays 2% 12 months' a/c (commenced 12 Feb 2010) £30,000
- Interest at 11.02.2011 £598
- Barclays 2% £25,000 (matures 27.05.11)
- Barclays 2.25% £25,000 (matures 2.09.2011)
- Swansea B/s (commenced March 2009) £7,997
- Alliance & Leicester £827

TOTAL £153,225

If spending will continue at the same pace for the next 3 months (excluding the Maesyderi Field + VAT + Capital Expenditure), the reserves will be reduced to £153,225 – (£5,616) = **£147,609** , minus the money which will be spent on the Maesyderi Field say £267 as illustrated in the last table.

Therefore- estimate £147,342. This does not allow for capital expenditure, which could be needed in the next 3 months eg part-payment for the Alcohol Exclusion Zone and the Town Entrance Sign.

3.7 CHARITIES: APPROPRIATE SUM UNDER SECTION 137(3) OF THE LOCAL GOVERNMENT ACT 1972

S137 of the Local Government Act 1972, permits a town or community council to spend on activities for which it has no other specific powers, if the council considers the expenditure is in the interests of, and will bring benefit to, their area or any part of it, or all or some of inhabitants, providing the benefit is commensurate with the expenditure. Town and Community Councils are also permitted under S137 to incur expenditure for certain charitable purposes, and in both instances there is a spending limit attached to this power. For the financial year 2010-11 the discretionary limit for the purposes of section 137 (4) is approximately £6.00 per elector. As there are 1,600 people on the

electoral list of Lampeter, then about £9,600 can be given to charity by the Town Council. To date, to the 31st December 2010, £5,162.73 has been donated.

A grant of £1,500 was donated to the Citizen's Advice Bureau (CAB) in the years 2004-05 and 2005-06. No donation was given in 2006-07 and £300 in 2007-08. £500 was donated in December 2009.

3.8 FUTURE CONCERNS ARISING FROM THE RUNNING COSTS

There could be extra costs incurred when undertaking work associated with the following projects. Costs may have to be met, in part, from reserves, if the TC chooses not to increase the precept of £43,220.

3.8.1 FOOTPATHS

A 75% (£795) grant funding has been received in the past year for work on footpaths in the area. £1,060 had been the total sum. It is hoped that the TC will be able to take advantage of grant funding (50%) during the forthcoming year, but this cannot be assumed.

3.8.2 PARC YR ORSEDD

3.8.3 VENUE OF MEETINGS

3.8.4 TRAINING FOR CLERKS AND COUNCILLORS

3.8.5 TRAVELLING COSTS

3.8.6 BILINGUALISM

3.8.7 MAESYDERI FIELD

3.8.8 STREET LIGHTING

3.8.9 ALCOHOL EXCLUSION ZONE FOR LAMPETER

(awaiting the invoice – up to £2,500)

3.8.10 MAYOR'S ALLOWANCE

Resolved to be increased by 1.5% annually at the Jan Budget Meeting of 2010. This could be increased by 3% in light of the present inflation rate.

3.8.11 NEW TOWN ENTRANCE SIGN (£1,000)

3.8.12 HARFORD SQUARE PROJECT

3.8.13 VARIOUS SIGNS WITHIN THE TOWN

3.8.14 FLOWERS FOR THE TOWN OVER THE SUMMER MONTHS

3.8.15 PICTON LANE

3.8.16 NEW COMPUTER SYSTEM

3.8.17 OTHER DELEGATED SERVICES FROM THE COUNTY COUNCIL

4.0 CONCLUSIONS

THE AMOUNT LEVIED BY MEANS OF THE PRECEPT (2011-12)

There are a number of options regarding gauging the level of the precept for the next financial year. All calculations are exclusive of VAT, which will increase from 17.5% to 20% in early January 2011.

INFLATION: The inflation rate is an important economic indicator and is the rate at which prices are rising. Inflation is an increase in the prices for goods and services. The Town Council has assumed a 3% inflation allowance on all its calculations for next year's budget.

The options include:

OPTION 1

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

Normal running costs £37,161

(based on this year's expenditure)

Allowance for inflation @ 3%

£1,114.80

TOTAL

£ 38,374.80

VAT OF up to £7,674 (20%) could also have to be paid, but this can be recovered.

The £43,220-£38,374 = £4,846, and the possible grant funding for footpaths (a few hundred pounds), and interest from savings (estimate 2,000) will provide a leeway of £7,500 (approx) for the town council, which can be used in conjunction with a part of the reserves of £147,000 to meet the necessary expenditure.

OPTION 2

The precept is reduced in the next financial year to e.g. to £41,000.

Additional costs could be met from reserves.

OPTION 3

The precept is increased by a marginal amount to keep in line with inflation i.e. a 3% increase

£43,220 + £1,296 = £44,516. Less money would then have to be drawn from reserves, if necessary.

OPTION 4

There are variations to Option 3. The Town Council could opt to meet next year's capital expenditure by part funding from the reserves and part-funding, from an increase in next year's precept.

Value of Precept	Increase	Band D charge for Lampeter
£43,220 (present value)	0%	£48.48
£43,220 + £216	0.5%	£48.72
£43,220 + £432	1%	£48.96
£43,220 + £648	1.5%	£49.20
£43,220 + £864	2%	£49.45
£43,220 + £1,080	2.5%	£49.69
£43,220 + £1,296	3.0%	£49.93
£43,220 + £1,728	4.0%	£50.41
£43,220 + £2,160	5.0%	£50.90
£43,220 + £2,592	6.0%	£51.39
£43,220 + £3,024	7.0%	£51.87
£43,220 + £3,458	8.0%	£52.35
£43,220 + £3,548	8.2%	£52.45

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 Option 1 could be adopted i.e. that the amount levied by means of the precept will be £43,220 and will remain the same. A stand-still budget would be welcome by rate-payers in light of the recession. The county council is considering an increase to its portion of the council tax and it is likely that

the police will also impose a rise. Running costs of the town council and some additional costs can be met within this budget. Other expenses can be drawn from the reserves.

- 5.2 Consideration should be assigned to Option 2. A reduction in the level of the precept** would be gladly accepted, by many ratepayers, in view of the present economic climate. A reduction of £1,000 would mean an annual saving of approximately £1 for the Band D Council-tax payer.
- 5.3 Option 3 and an increase in the precept, in line with inflation should be examined.** The sum of £43,220 has remained frozen during the last 6 years. Due to inflation, this has meant a decrease for the Lampeter rate-payer.
- 5.4 The reserve of £147,000** should be considered. The BDO Stoy Hayward, External Auditors have recommended, "The council should continue to reduce its level of reserves to a more appropriate level. The generally accepted level of reserves is usually no more than twice the level of the precept (say £86,000). The council has no power to hold excessive reserves unless they are saving for something in particular". Nevertheless, statute or regulations do not dictate that a local council should maintain reserves of any particular size or indeed that they should maintain any at all. It is widely accepted that a case for a statutory minimum level of reserves, even in exceptional circumstances, has not been made. However, due prudence does require that reserves are built up, and maintained.
- 5.5 Local government** is facing significant spending reductions from 2011 onwards. Councils now face a massive squeeze. The government is demanding radical cuts in future spending that are aimed at local government. There will be deep cuts in capital investment for years to come. Real reductions of 10-15% over three years from 2011-12 to 2013-14 are unavoidable. At the same time there will be demands for councils to lead the steady improvement of outcomes within their area. Some authorities have already started to think about the ways in which they might do things differently. The County Council has mentioned that some non-statutory services e.g. provision of flowers for the town over the summer months, could be discontinued in the future, due to the current recession. Should the TC wish to continue with these services, funding will be necessary to deliver the services previously undertaken by the county council. Funding could be met from the reserves (considering the present financial situation of the TC) or the precept could be increased.
- 5.6 The money held in reserve** should continue to be invested in accounts, which offer the best rate of interest. In the past 4 years the interest received by the town council has diminished from £6,559 to approximately £2,000 during the present financial year.
- 5.7 An increase** could be made in the amount of money donated to local charities.
- 5.8 Crime-prevention should remain a priority**, with the maintenance of an efficient CCTV System
- 5.9 The £1,500 budget** for the Maesyderi Field is reviewed.
- 5.10 The Financial Officer's preferred option is Option 1** i.e. no change in the level of the precept for the 2011-12 financial year, due to:
- The current economic climate;
 - The generosity of past precepts, due to changes in the cost of CCTV payments &
 - The high level of reserves held by the Town Council, bearing in mind the recommendations of the External Auditors BDO Stoy Hayward.