

# LANDFORD PARISH COUNCIL STANDARD OPERATING PROCEDURE

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|--------------------------|----------------------------|
| <b>TITLE</b>             | Annual Budget Procedure    |
| <b>NUMBER</b>            | FIN 2                      |
| <b>DATE EFFECTIVE</b>    | March 2019                 |
| <b>DATE LAST REVISED</b> | June 2024                  |
| <b>DATE OF MEETING</b>   | 10 <sup>th</sup> July 2024 |

## 1. INTRODUCTION

Landford Parish Council (“the Council”) is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council’s functions, including arrangements for the management of risk.

## 2. CORE PRINCIPLES

- The Financial Regulations adopted by Landford Parish Council govern all aspects of financial management by the Council;
- The Responsible Financial Officer (RFO) is responsible for managing the budget but the Council retains overall accountability for it;
- The accounts will be prepared on a payments and receipts basis;
- The Council will approve the budget for the next financial year;
- The Council will approve the Precept prior to its submission to Wiltshire Council.

## 3. PREPARING THE DRAFT BUDGET

A summary of the process is shown, with timings, in Appendix 1.

### 3.1 Decide on the form of the budget

The Finance Group and RFO will review the current format and determine the level of detail at which to prepare the budget and identify sub-headings for both payments and receipts. An estimate will then be prepared for each of the sub-headings for the total amount forecast for the current year end and following year.

### **3.2 Review the current year's projected payment and receipts**

The Council will review the current year's figures in October (end Q2) to decide on any questions of priority and to identify any projected spending over and above the current year's budget as follows:

- Recurring activities e.g. remunerations, contracts, maintenance;
- Increasing costs of current activities in Q3 or Q4;
- New activities commencing in Q3 or Q4;
- Any one off items that will not be required next year.

### **3.3 Identify possible projects for next year**

The Council will be asked in October to identify possible projects with associated costs for the following financial year.

### **3.4 Assess levels of income**

The Finance Group and RFO will carefully consider other sources of income (excluding the Precept) for the forthcoming year, and decide on the level of fees and charges that should be set for the next twelve months, for approval by Council.

### **3.5 Contingencies**

In the spending plans, it is necessary to include a contingency amount to cover unexpected expenditure on essential goods or services not able to be anticipated, and on any emergencies that may occur, e.g. damage to property, emergency repairs.

### **3.6 Decide on the level of the Precept**

Prior to the December Council meeting the RFO and Finance Group will:

- Use the brought forward balance at the start of the current year, deduct the revised spending plans, and add the income plans, to estimate the closing balance for the end of the current year. This figure will provide the opening balance for the next budget setting year.
- Confirm this figure is a prudent balance; this is recommended as being a reserve of between 6 and 12 months of expenditure.
- Bring together the expenditure and income plans with assessments to see how affordable the next year's plans are, noting the opening balance;
- Look beyond the end of the year for which the budget is being set, to determine any substantial future commitments it would be prudent to set aside funds for as earmarked funds \*\*.
- Determine a required Precept (to provide an acceptable balance at the end of the next year).

*\*\* e.g. Pavilion may need reroofing in 3 years' time, the cost not being affordable in any given year. Instead, a balance is factored in and built up by raising the Precept for a proportion of the cost over the next 3 years. The funds are then ear-marked to cover this future planned expenditure.*

At the December meeting, the RFO will present the budget along with sufficient supporting information, so that Councillors can make a reasoned and informed assessment about the desirability and affordability of the plans for the coming year.

Affordability will usually be judged by the impact the overall plans will have on the Precept. Any increase in the Council's budgeted net spending for the next year will result in an increase in the Precept, unless any reserves are brought into consideration. The Council will need to assess whether the proposed increase would be acceptable to the Parish electorate. The spending plans may need to be revised until an acceptable level of the Precept is reached.

Following the December Council meeting, when the draft budget will have been reviewed, the RFO and Finance Group will make any final revisions to the income and expenditure plans, and to the precept.

### **3.7 External Borrowing**

The Council's capital expenditure plans may require a level of external borrowing. Borrowing by local councils is subject to government controls and the Secretary of State's approval. The Council will always take advice from NALC (National Association of Local Councils) and / or SLCC (Society of Local Council Clerks) before commencing any contractual borrowing arrangements.

## **4. BUDGET AND PRECEPT APPROVAL**

The Finance Group and RFO will present for approval the final draft budget and proposed precept for the forthcoming financial year, summarising the planned levels of spending, anticipated income and any balances to be carried forward, to Full Council at the January meeting.

## **5. PRECEPT CONFIRMATION**

The RFO will notify Wiltshire Council of the approved value of the parish Precept by the stated deadline, usually the end of January.

## APPENDIX 1 - BUDGET SETTING TIMETABLE

| <b>ACTION</b>   | <b>TIMING</b>    | <b>DESCRIPTION</b>   | <b>RESPONSIBLE</b>    |
|---|------------------|--|-----------------------|
| Review the current year's projected payment and receipts  | October          | Review Q1 and Q2, and current year payments and receipts position half way through fin year, any areas of concern or over-spending.  | Finance Group and RFO |
| Review the current year's projected payment and receipts  | October Meeting  | Review Q1 and Q2 to decide if need to consider priorities and changes to plans or progress, or vire sums to meet those priorities.   | Parish Council        |
| Identify possible projects for next year  | October Meeting  | Identify possible projects with associated costs for the following financial year  | Parish Council        |
| Determine the cost of spending plans, assess levels of income, establish any contingencies, decide the level of Precept, any provision for future projects or need for external borrowing | November         | <p>Agree:</p> <ul style="list-style-type: none"> <li>• Projected end of year for the current year payments and receipts (provides the carry forward balance)</li> <li>• Expenditure for next financial year</li> <li>• Contingency</li> <li>• Any reserve for future projects</li> <li>• Minimum bank balance needed at end of next financial year</li> <li>• Other income for next financial year</li> <li>• Sources of income for forthcoming year</li> <li>• Level of fees and charges to be set for next 12 months</li> <li>• Precept to meet the required balance</li> <li>• Final draft budget and Precept for recommendation to Full Council</li> </ul> | Finance Group and RFO |
| Decide on the level of the Precept, and approve budget and precept  | December Meeting | Discuss and agree the proposed expenditure and income for the forthcoming year taking account of all supporting and explanatory information. Note any minor changes.   | Parish Council        |
| Budget and precept approval   | January Meeting  | Present final budget and proposed Precept for approval.  | Parish Council        |
| Precept Confirmation  | Late January     | Submit approved Precept to Wiltshire Council   | RFO                   |