

Explanation of variances – pro forma

Name of smaller authority: **NEWTON PARISH COUNCIL**

County area (local councils and parish meetings only): **SUFFOLK**

Insert figures from Section 2 of the AGAR in all **Blue** highlighted boxes

Next, please provide full explanations, including numerical values, for the following that will be flagged in the green boxes where relevant:

- variances of more than 15% between totals for individual boxes (except variances of less than £200);

- variances of £100,000 or more require explanation regardless of the % variation year on year;

- **New from 2025/26 onwards:** variances of £500,000 or more in Box 3 require explanation regardless of the % variation year on year for smaller authorities with income and/or expenditure exceeding £6,500,000

	2024/25 £	2025/26 £	Variance £	Variance %	Explanation Required?	Automatic responses trigger below based on figures input, DO NOT OVERWRITE THESE BOXES	Explanation from smaller authority (must include narrative and supporting figures)
1 Balances Brought Forward	27,207	37,366				Explanation of % variance from PY opening balance not required - Balance brought forward agrees	
2 Precept or Rates and Levies	21,451	26,480	5,029	23.44%	YES	SEE NOTE 1	
3 Total Other Receipts	23,876	22,310	-1,566	6.56%	NO		
4 Staff Costs	12,960	14,076	1,116	8.61%	NO		
5 Loan Interest/Capital Repayment	0	0	0	0.00%	NO		
6 All Other Payments	22,208	15,415	-6,793	30.59%	YES	SEE NOTE 2	
7 Balances Carried Forward	37,366	56,665				VARIANCE EXPLANATION NOT REQUIRED	
8 Total Cash and Short Term Investments	37,366	56,665				VARIANCE EXPLANATION NOT REQUIRED	
9 Total Fixed Assets plus Other Long Term Investments and	195,487	195,487	0	0.00%	NO		
10 Total Borrowings	0	0	0	0.00%	NO		

Rounding errors of up to £2 are tolerable

Variances of £200 or less are tolerable

BOX 10 VARIANCE EXPLANATION NOT REQUIRED IF CHANGE CAN BE EXPLAINED BY BOX 5 (CAPITAL PLUS INTEREST PAYMENT)

Notes on Explanation of Variances**Note 1 – Precept**

Please find below the paper considered by councillors in determining the 2025 / 2026 Precept.

Precept 2025 / 2026

In determining the Precept for 2025 / 26, we need to look at 3 elements:

- The forecasted Income and Expenditure for the current year 2024 / 25
- The budgeted Income and Expenditure for 2025 / 26
- The level of Reserves over the period to 31st March 2026.

Forecast for 2024 / 25

In the Detailed Budget Summary reviewed at the Budget meeting, the forecast showed a **total income of £39,949.10** and a **total expenditure of £35,341.99** for 2024 / 25.

Budget for 2025 / 26

At the December meeting councillors agreed on an **Expenditure Budget for 2025 / 2026 of £31,181.85 with an Income Budget of £1,172.64**

Reserves

In October 2024, councillors adopted a revised Reserves Policy, which agreed on the approach that NPC would take when looking at its funds for determining its Precept. The pertinent points are as follows:

3. *Management and Control of Reserves*

Movements in Earmarked Reserves and General Reserves shall be reported to the Council in the RFO Report at each meeting. The use of Reserves shall be approved by the Council. The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Council. The minimum level of General Reserves shall be recommended to the Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Council.

The current level of General Reserves to be held by the Council is set at four months of expenditure or £10,000 whichever is the lower. Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Council.

As NPC's RFO, I recommend that:

- General Reserves should be set at £10,000
- CIL Restricted Reserve should not be used on Expenditure Budget items and only be allocated by councillors when a project comes forward e.g. Pedestrian Crossing or purchase of assets
- If CIL Receipts are to be used as above, I do not see the need to increase the Earmarked Reserves

Based on the above recommendations, the position for reserves will be as follows:

Notes on Explanation of Variances

	2023 / 24		2024 / 25		2025 / 26	
	Start of year	End of year	Start of year	End of year	Start of year	End of year
General Reserves	£12,212.36	£10,473.86	£10,473.86	£13,529.27	£13,529.27	£10,000.00
Restricted Reserves						
CIL	£27,523.93	£9,353.19	£9,353.19	£11,264.89	£11,264.89	£11,264.89
Newsletter	£2,880.00	£2,880.00	£2,880.00	£2,520.00	£2,520.00	£2,520.00
Total Restricted Reserves	£30,403.93	£12,233.19	£12,233.19	£13,784.89	£13,784.89	£13,784.89
Earmarked Reserves						
Legal Fees	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00
Election Costs	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00
Asset Replacement	£0.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00
Total Earmarked Reserves	£2,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00
Total Reserves	£45,116.29	£27,207.05	£27,207.05	£31,814.16	£31,814.16	£28,284.89

Precept

You now need to set the Precept for 2025 / 26. Based on the above and Babergh's indicative Tax Base for Newton in 2025 / 26 of 265.67, the precept requirement will be as below:

	2023 / 24	2024 / 25	2025 / 26
Total Reserves B/F	£45,116.29	£27,207.05	£31,814.16
Income ex Precept	£12,265.31	£18,498.00	£1,172.64
Precept	£18,242.81	£21,451.10	£26,479.94
Total Income, Precept & Reserves B/F	£75,624.41	£67,156.15	£59,466.74
Expenditure	£48,417.36	£35,341.99	£31,181.85
Total Reserves C/F	£27,207.05	£31,814.16	£28,284.89
Total Expenditure & Reserves C/F	£75,624.41	£67,156.15	£59,466.74
Tax Base	254.69	256.62	265.67
Band D Council Tax	£71.63	£83.59	£99.67

If Councillors agree to a Precept of £26,479.94 for 2025 / 26, a Band D household will have its council tax **increased by £16.08 per year or £1.34p per month.**

Notes on Explanation of Variances

Note 2 – Total Other Payments

Expenditure was marginally higher in 2025 / 2026 in terms of Donations, Annual Subs, Footpath Maintenance and Insurance, whereas Admin and Village Hall hire was marginally lower in the same period.

The main reason for the reduction in Maintenance and CIL spending was that in 2024 / 2025 there was a cost of £6,190 on War Memorial maintenance and nothing in 2025 / 2026 and an increase on Asset maintenance from £3,131 in 2024 / 2025 to £3,962 in 2025 / 2026. This resulted in a lower amount of VAT being paid for 2025 / 2026.

	2024 / 2025	2025 / 2026
Payments		
Admin	£2,127.47	£2,058.73
Donations	£685.33	£918.00
Annual Subscriptions	£510.15	£531.59
Footpath Maintenance	£360.00	£450.00
Insurance	£1,710.66	£1,739.51
Inspection	£430.00	£430.00
Maintenance	£6,819.07	£4,200.12
Village Hall Hire	£420.00	£405.00
Projects	£0.00	£0.00
CIL	£6,565.55	£3,158.83
Other	£0.00	£0.00
VAT Paid	£2,579.49	£1,523.52
	£22,207.72	£15,415.30