

FINANCIAL REPORT TO HANNINGTON PARISH COUNCIL 13th December 2016:
Draft Budget 2017/18 and Three Year Medium Term Financial Strategy

PURPOSE OF REPORT

- A. To provide a Draft Budget 2018/19, for approval, within the context of a Three Year Medium Term Financial Strategy, and
- B. To seek agreement from the Parish Council to the requests to BDBC for the Precept and Grants 2018/19.

RECOMMENDATIONS:

That the Parish Council

1. agrees the Draft Budget 2018/19 as summarised in paragraphs 7- 10, and detailed in Appendix A, and,
2. being mindful of the decision taken last year "*to agree in principle to apply a similar financial strategy over the medium term to 31st March 2020 ie to increase the precept year-on-year to compensate for loss of grant and for inflationary pressures*" that the Parish Council increases its Precept by 1%.
Alternatively the Council could chose,
3. taking into account the previous strategy to increase its Precept in 2017/18, being the first of the three years of the withdrawal of two of the BDBC grants, to fully offset the aggregated loss from those three years in Year One, and the level of projected cash balance of £8,105 held by the Council as at 31 March 2018, that the Council agrees to retain the Precept at its current cash figure.

Projected Outturn 2017/18: based on information as at 6th December 2017

4. The Council Agenda has a detailed report at 12(c) on the Projected Outturn for the current year. The figures for the 'Projected Outturn 2017/18' have been used as the starting point for the construction of the draft Budget 2018/19 at Appendix A. In summary, the Appendix presents:-
 - Cash balance as at 1st April 2017 £6,206
 - Add Receipts (Income) in the year £8,556
 - Less Payments (Expenditure) in the year £6,657
 - Providing a surplus in year of £1,899
 - A Cash balance as at 31st March 2017 £8,105.
5. The Council, at its Sept 2016 meeting (Minute 17.b), made the "**DECISION:** *Without prejudicing any subsequent decision, the Council agreed in principle to create a 'Sinking Fund' for the 'Provision for Repair and Maintenance of Unadopted Roads'. This Fund could be 'kick started' by the allocation of the £1,000 that was no longer planned to be incurred on the development of a Neighbourhood Plan.*" This decision has been modelled in the current year by increasing the Fund by a further (annual) amount of £700 to £1,700.
6. Along similar lines, the Council agreed in Sept 2017 to establish, if funds were available, three further Earmarked Reserves for 'Locum Clerk', 'Legal Costs', and 'IT replacement.' The projected Outturn reported elsewhere on this agenda at 13.c has recommended there are sufficient funds in 2017/18 to allocate £400, £500, and £500 respectively to these three further Earmarked reserves. This would still leave a General Reserve as at 31st March 2018 of £5,000; the target figure considered by the Parish Council to be appropriate and necessary.

Draft Budget 2018/19

7. The Draft Budget 2018/19 and Three Year Medium Term Financial Strategy 2018/19 to 2020/2021 (see Appendix A) is constructed based on:-
- the Precept remaining at the same cash level as in 2017/18,
 - two of the BDBC Grants reducing as announced in their letter to Parishes dated 3 November 2016, to the point where they have reduced to zero by 2019/2020
 - routine 'fixed' operating costs remaining generally at the same level as in the current year,
 - no allowance for inflation, however the Council should be aware of the current 'pressures' on 'government services' salary pay scales that could affect the parish clerk from 2018/19,
 - maintain the financial provision for maintaining the village green,
 - VAT payments and recovery based on the above.
 - the Council decision in Sept 2016 to apply an initial £1,000, and then to further contribute by £700 each year, towards the "Provision for repairs and maintenance to the Unadopted Roads" (see paragraph 6 above), and
 - the references in para graph 6 to the three further Earmarked Funds where Appendix A models the effect of increases from 31st March 2018 through to 31st March 2021 as follows:-
 - Locum Clerk to increase from £400 to £700,
 - Legal Costs to increase from £500 to £900, and
 - IT replacement to increase from £500 to £1,500 by 31st March 2019, and to remain at that level in the subsequent year.
8. As with any financial model, there is always room for different interpretation. However, as a starting point the above, as detailed in Appendix A, represents the 'status quo' with the implementation of the strategy for Earmarked Reserves. However, the Budget has also recognized there are 'known unknowns' with regards to potential routine items of expenditure such as R&M for the noticeboards, footpath repairs, and maintenance of the Wellhead which may have a cyclical nature. Finally, the Budget and Three Year Strategy retains a separate 'allowance for one-off items of expenditure' (the unknown/unknowns).
9. With all the figures remaining very much as they are at present, the financial model attached highlights the adverse effect of the decision by BDBC to complete its phasing out the two grants for 'Limited General Grant' £1,100 and the 'Council Tax Support Grant' £103 by the 2019/20. The Council agreed to offset this gradual diminution of BDBC funding by increasing its Precept in 2017/18 by the final full amount of cash that would be lost i.e £1,203. Applying this at the beginning of the process has resulted, as anticipated, in the Council being able to apply these resources to cover for any future large elements of expenditure that will come along... but we are not sure when or by how much. These are represented in the four 'Earmarked Reserves'.
10. The following financial model shows in summary the effect of the above strategies on the Budget 2018/19 and for the following two years through to 31st March 2021

Financial model of Three Year Medium Term Financial Strategy 2018/19 to 2020/21

	2017/18	2018/19	2019/20	2020/21
Precept	6703	6703	6703	6703
<i>BDBC Grants</i>	<i>1031</i>	<i>630</i>	<i>229</i>	<i>229</i>
VAT refund	822	364	550	550
Total Receipts	8556	7697	7482	7482
Routine running costs				
Clerk's salary	3062	3062	3120	3180
Other 'fixed' operating costs	1095	1130	1160	1185

Village Green mowing	650	650	650	650
VAT on 'admin'/capital costs	364	550	550	550
Total 'admin' costs	5171	5392	5480	5565
One-off and/or capital costs				
Website construction (see funding above)	386	0	0	0
Allowance for Wellhead R&M	400	0	0	300
Allowance for other spend in year	700	700	700	700
	1486	700	700	1000
TOTAL Payments in year	6980	6092	6180	6565
Cash Balance b/fwd 1 April	6206	6611	7330	7403
Surplus in year	1899	1605	1302	917
Cash Balance c/fwd 31 March	8105	9710	11012	11929
Allocated to Earmarked Provisions Reserves	3100	4700	6000	6900
Balance held in General Fund at year end	5005	5010	5012	5029

What Action can the Parish Council take?

One Option is to accept the above financial scenario and 'do nothing'.

11. This would indicate that the Parish Council wishes to proceed as presented above and 'flat line' its Precept at the cash amount of £6,703 for the next three years i.e not allowing any increase for inflation. As can be seen from the table and Three Year Medium Term Financial strategy at Appendix A, this approach would provide sufficient funds:-
 - to enable the Parish Council to meet its costs of administration,
 - to allow for a series of potential one-off costs,
 - to build up its Earmarked Reserves as previously agreed, and
 - to have a General Fund reserve of £5,000, which, again, was the target amount agreed previously by Council.

12. Allowance for inflation on the Precept of say 1% per annum, the 'capped' maximum level of increase applied by the Government to the larger local authorities to produce Precepts in each year of:-
 - 2018/19 £6,770 i.e. plus £67
 - 2019/20 £6,838 i.e. plus £68
 - 2020/21 £6,906 i.e. plus £68... an accumulated increase over those three years of £203.

RECOMMENDATIONS:

That the Parish Council

13. agrees the Draft Budget 2018/19 as summarised in paragraphs 7- 10, and detailed in Appendix A, and,
14. being mindful of the decision taken last year "to agree in principle to apply a similar financial strategy over the medium term to 31st March 2020 ie to increase the precept year-on-year to compensate for loss of grant and for inflationary pressures" that the Parish Council increases its Precept by 1%.
Alternatively the Council could chose,
15. taking into account the previous strategy to increase its Precept in 2017/18, being the first of the three years of the withdrawal of two of the BDBC grants, to fully offset the aggregated loss from those three years in Year One, and the level of projected cash balance of £8,105 held by the Council as at 31 March 2018, that the Council agrees to retain the Precept at its current cash figure.

Calculating the effect of the agreed Budget 2017/18 on the Parish Precept

- 16.** In their 8th November 2017 letter to Parish Councils, BDBC advised they would provide parishes with their council tax base figures for 2018/19 by 9th January 2018.

- 17.** Parish Councils are required by BDBC to submit their Precept and Grant application forms by 31 January 2018. The application forms are completed in 'cash terms'. Based on the above recommendations, the Parish Council would request a Precept in the region of £7,100 (£6700 Precept + £366 (general grant) + £35 CT support grant), and the General Admin Grant of £229.

Chris Pottinger
Clerk/RFO Hannington Parish Council
6th December 2017