

## **Cover Report to the Financial Statement as at September 2016**

### **2015/16 Budget and Final Accounts**

1. The Council was informed, ahead of the meeting in May 2016, that the projected cash balance as at 31 March 2016 had increased from the £4,728 planned in the Budget 2015/16 to £6,070 in the Final Accounts. The mid-year projection in September 2015 had been £4,222 for the year-end position. The difference of £1,848 between the Sept 2015 projection and the 31 March 2016 actual was explained in detail. Neither the internal nor external auditors have challenged the figures quoted in the Final Accounts statement.

### **2016/17 Original Budget**

2. The Clerk did NOT present an amended Financial Statement to the May 2016 meeting for the financial year 2016/17, as the only material change had been the successful application for £500 grant towards the set-up costs for the Parish Council electronic web page and library, which would be offset by equivalent estimated costs. Taking into account the cash balance of £6,070 as at 31 March 2016 (reported in the Final Accounts), the cash balance predicted as at 31 March 2017 was £5,410.

### **2016/17 Revised Budget**

3. A Revised Budget 2016/17 has been constructed and is attached at Appendix 1. This reflects three known changes, of varying 'materiality':-
  - i. The increase in the Clerk's salary from £3,003 to £3,032. This increase of 0.9% is in line with the nationally agreed increase for local government officers. The pay award is over two years ie an annual increase of 0.45%. The increase of £29 was agreed unanimously by Councillors through email correspondence,
  - ii. The cost of setting up and administering the website. The administrative costs in year one (2016/17) in year one was originally budgeted at £300. At that time, grant funding had not been confirmed. Subsequently, **grant funding has been released at £323.40**. This has been reflected in the Revised Budget. Similarly, two further costs of setting up the website have also been grant funded. These are costs of hosting the website estimated at £300 and the purchase of the website itself (£500) referred to in paragraph 2 above; making a total grant received of £1,123.40.  
and,
  - iii. Legal costs for the registration of the village green. Information was received from HCC Legal Services by email on 25<sup>th</sup> August relating to the costs of the transfer of registration of the village green. The Council has been informed HCC anticipate issuing a legal fees charge in line with their original quotation, and, at this stage, to only charge additional costs of £40 for the Land Registry fee. This total costs of £1,040 is **£460 less** than the £1,500 provision made in the Original Budget 2016/17.

The net effect of these, and other minor, adjustments shown in the Financial Statement 2016/17 is to increase the cash balance as at 31 March 2017 by £755; from the originally budgeted £5,410 to £6,165.

4. The Budget Monitoring statement analyses projected payments and receipts into three periods: April to September, October to December and January to March. The period April to September includes all the payments made to date including the four payments detailed below that were made since the May meeting. All four payments had been budgeted for and were authorized for payment

by the Chairman and one other Councillor who acted as the second cheque signatory. For purposes of audit, the payments must be recorded in the Minutes. They were:-

- a. Clerk's salary for first quarter £758 inclusive of HMRC tax; being made of two cheques 341 and 342 dated 1<sup>st</sup> June 2016,
  - b. HALC book 'Affordable Rural Housing' £3.00 cheque number 343 dated 10<sup>th</sup> June 2016,
  - c. Payment to Auditing Solutions for internal audit fees £234.00 cheque number 344 dated 6<sup>th</sup> June. ,
  - d. Payment for hire of village hall on 10<sup>th</sup> and 24<sup>th</sup> May £25.00 cheque number 345 dated 3<sup>rd</sup> August 2016. This covers the Parish Council meeting and the Annual Parish Meeting.
5. A further payment for the second quarter of the Clerk's salary is due to be paid by the end of September. This cost of £758 has been taken into account in the April to September column of the Financial Statement.
6. The Budget Monitoring statement shows in the final column the 'Projected' position at the year end. This differs from the Revised Budget in that it shows a number of changes explained in paragraph together with other minor changes. The combined effect of these changes is reflected in the latest projects cash balance of £6,165 as at 31 March 2017 compared with the Revised Budget figure of £5,668.

#### **COMMENT on the level of cash balances**

7. Auditors in previous years have questioned the 'high' level of the Parish Council's cash balances. One measure often used at gauging a 'reasonable working balance' is to assess a suitable level of cash in hand based on a quarter of a Council's running expenses. With running expenses at £5,600 in the year this would 'justify' a cash balance of only £1,400. Hannington PC's cash balances would, on that basis, be £4,000 in excess of the perceived level.

However, if the level of cash balances is based purely on 'running costs' then there is no provision to fund essential one-off costs, such as those that have occurred in recent years eg the essential repairs to the Wellhead (£1,700), legal costs for transfer of the village green (originally estimated at potentially £1,500), or the construction of the Neighbourhood Plan (budgeted at £1,000). The level of balances and its impact on the level of Precept in 2016/17, a 64% increase from £3,279 (2015/16) to £5,397 (2016/17) was subject to open discussion at the Budget setting Council meeting in December, and was circulated to all residents in advance of the Budget and Precept setting meeting in December 2015.

8. Notwithstanding the above, it should be noted that annual funding from BDBC through Precept and Grants is £6,600 (excluding the £227 special Parish Grant that is then earmarked by HPC towards the donation for maintenance of the churchyard), and this funding exceeds routine annual running expenses of £5,000 by £1,600 per annum.
9. This 'annual excess', if not used in any one year, is therefore available to meet or to build sufficient provision to meet large 'one-off' or capital costs. An example of this would be the potential future liability of the Parish Council to meet its proportion of costs for maintaining the unadopted roads on two sides of the village green... once the transfer of registration has been completed.

#### **Known unknowns**

10. The above paragraphs imply a high degree of accuracy with regards projecting the spend in the remainder of the year and hence the cash balance as at 31<sup>st</sup> March 2017 being shown as £6,164.59!! However, there are a number of 'known unknowns' that may have a material affect on the financial position. They are:-

**i. Clerk's salary**

With the resignation of the current Clerk, the Council will be engaged in recruiting a new Clerk. The Council has agreed the salary scale based on National guidance, however, it has the discretion to consider where the starting salary of the new clerk should be within that scale. The current Clerk is on the highest spinal column point (scp) reflecting his experience, knowledge etc. It is therefore possible that the new Clerk may commence on a lower scp allowing for future progression based on performance. This would result in a lower cost in the year depending on the start date. However, this cost reduction may be partially offset if there is an overlap between the current Clerk leaving and the new Clerk taking up his/her responsibilities.

**ii. Construction of HPC Website.**

The Council has obtained THREE grants (staff costs £323.40, hosting costs £300 and purchase of software £500). These are contributions towards the costs. If the actual costs are higher then HPC will have to meet those additional costs. If the actual costs are lower, HPC will be expected to refund the unused grant. Therefore the outcome is highly likely to be an increase in costs in the year.

**iii Neighbourhood Plan**

The Budget 2016/17 has a provision of £1,000 for any costs incurred in the construction of a Neighbourhood Plan. However, there are no specific costs that have yet been identified, nor a strategic decision taken that the Parish Council will in fact look to produce the Plan. This item is raised elsewhere on the September agenda.

**RECOMMENDATION:**

**That the Parish Council:-**

- 1. Receives and approves the latest budget monitoring statement, and notes the level of the projected cash balance of £6,165 as at 31 March 2017,**
- 2. Agrees the payment to the Clerk of £756 for the second quarter, subject to the necessary tax deduction.**
- 3. Notes the 'known unknowns' with regards to the three areas of expenditure ie Clerk's salary, construction of website, and construction of Neighbourhood Plan.**

Chris Pottinger,

Clerk, Hannington Parish Council

26th August 2016