

Cover Report to the Financial Statement as at 6th December 2016

Original Budget 2016/17

1. The '*2015/16 Budget*' projected a year end cash balance as at 31 March 2016 of £4,729. However the actual year end position increased to £6,070, as reported in the '*2015/16 Act Outturn - Final Accounts*'. This increase of £1,341 would therefore have a direct impact on the financial position for the current year 2016/17. The higher cash balance figure of £6,070 has been reflected in the column headed '*2016/17 Original Budget*'. For ALL figures quoted in this cover report refer to '*FINANCIAL STATEMENT AS AT 6th December 2016*' (Appendix A attached).

May 2016

2. The Clerk did NOT present an amended Financial Statement to the May meeting 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 increased cash balance of £6,070 as at 31 March 2016, the cash balance predicted as at 31 March 2017 was £5,410.

September 2016

3. A '*2016/17 Revised Budget*' was presented at the meeting that reflected four known changes:-
 - i. The increase in the Clerk's salary from £3,003 to £3,032 reflecting the adoption of the national pay award for local government officers;
 - ii. The grants for implementing the website had been confirmed at a total of £1,123.40 to cover the one-off cost of purchasing the website itself (£500), hosting the website (£300) in year one and estimated staff related costs of website support (£323.40). The nett effect of these changes was to increase the year end cash position by £300, as this amount had been included in the 'staff costs' of the original budget; but with no compensating grant income ;
 - iii. Inclusion of the cost of the hire of the village hall for the Annual Parish meeting £12.50; and
 - iv. HCC legal services had indicated their costs would be, as previously estimated, £1,000 plus costs £40. Provision had been made at £1,500. As a result there was a planned reduction in expenditure of £460.
4. The overall effect of the above changes was to increase the year end cash position from £5,410 to £6,128. This position is presented in the attached Financial Statement (Appendix A) as "*2016/17 REVISED BUDGET Sep-16*".

December 2016

5. The attached Financial Statement records:-
 - a. Receipts and payments made in April to September;
 - b. Receipts and payments made in October to December; and
 - c. Estimated payments to be made in the remainder of the current financial year to 31st March 2017.
6. These transactions are shown in the column "*2016/17 PROJECTED OUTTURN*". The outcome is a projected cash balance at 31 March 2017 £6,611. This is £483 higher than the £6,128 predicted in September.

7. The column headed "*ACTUAL VARIANCE TO REVISED BUDGET*" shows in detail the changes against each subjective heading. The largest variations are:-
- a. Expenses lower by £59;
 - b. Audit fees; higher by £130: This increase in fees is because the inclusion of the £5,000 release of the Margaret Nicholl legacy in the 2015/16 Accounts took the aggregate expenditure in that year above £10,000, and triggered a fee charge from the 'external auditors'... for the first time;
 - c. Neighbourhood Plan (Local Development Plan) lower by £1,000: This reflects the decision by Council at the September meeting NOT to proceed in the current year with the creation of the Neighbourhood Plan (LDP);
 - d. Legal Fees for registration of village green higher by £200: The final invoice from HCC Legal Services was for £1,200 (plus VAT) and £40 Land Registry Charge. This final account was lower than the provision of £1,500 made originally in the Budget, but was higher by £200 to the figure reported in September;
and
 - e. VAT on expenditure higher by £246: This is entirely due to the legal costs for ownership of village green were not initially shown as incurring VAT (20% on £1,200 fees). The net effect of this omission is zero over the two years 2016/17 and 2017/18 as all VAT paid is recoverable from HMRC.
8. For purposes of audit, ALL payments must be recorded in the Minutes. In addition to those recorded in the previous Minutes, the following payments have been made in the quarter September to December:-
- i) HALC training course attended by Cllr Hertz 'Local Council Finance for Cllrs' £35 plus VAT [cheque number 346 dated 11th October £42.00.]
 - ii) 'External' audit fees £135 plus VAT, [cheque number 347 dated 11th October £162.00]
 - iii) Cllr Hertz car allowance of £25.20 (based on NJC national rates for casual user) for attendance at above course, [cheque number 348 dated 11th October £25.20]
 - iv) Data Protection Registration £35 [cheque number 349 dated 17th October]
 - v) CPRE subscription £36 [cheque number 350 dated 17th October]
 - vi) Clerk's salary for the second quarter totalling £758 inclusive of HMRC tax [cheques numbered 351 and 352 dated 19th October] ,
 - vii) Maintenance of Village Green £650 plus VAT [cheque number 353 dated 28th October £780]
 - viii) HCC for legal services in registration of village green £1,240 plus VAT on fees element [cheque number 354 dated 15th November £1,480]
 - ix) Statutory Insurance from AON UK Ltd £235.28 [cheque number 355 dated 18th November]
 - x) Clerk's expenses printer ink, paper and stamps £42.08 plus VAT [cheque number 356 dated 20th November £49.08].
9. A further payment for the third quarter of the Clerk's salary up to the end of December is due to be paid by 31st December. This cost has been included in the column in the Financial Statement (Jan – March) as the cheques have not yet been drawn.

COMMENT on the level of cash balances

10. Auditors in previous years have questioned the 'high' level of the Parish Council's cash balances. One measure commonly used is to assess a suitable level based on a quarter of a Council's running

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expenses ie £1,250; being ¼ of £5,000 (Base Budget 2015/16). Applying that criteria, Hannington PC's cash balances at around £6,000 (31st March 2016) would be £4,500 in excess of the perceived level).

11. However, with a low level of balances at say £1,250, Hannington PC would NOT have been able to have funded the essential one-off costs that have occurred in recent years eg the essential repairs to the Wellhead (£1,700), legal costs for transfer of the village green (£1,480), nor had the funding for 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 2015.
12. Notwithstanding the above, it should be noted that annual funding from BDBC through Precept and Grants is currently £6,600 (excluding the £227 special Parish Grant that is then earmarked by HPC towards the donation for maintenance of the churchyard). The funding at £6,600 exceeds routine annual running expenses of £5,000 (excluding the website costs) by £1,600 per annum. This 'excess' of £1,600 is therefore currently available to meet or make provision to meet 'one-off' or capital costs, including the potential liability for maintaining the unadopted roads on two sides of the village green. The Council at its September 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.*"
13. BDBC notified Parish Councils on 3rd November that it will be phasing out two of its grants (Council Tax Support Grant and Limited General Admin Grant) over the next three years. For Hannington PC this will reduce funding by £1,203, almost wiping out the 'excess' that is used to fund one-off items of expenditure. This change in funding is the subject of the further more detailed report **Three Year Medium Term Financial Strategy 2017/8 to 2019/20**, that covers both the Draft Budget 2017/18 and the Hannington PC's request for Precept and Grants.

"Known unknowns"

14. The above paragraphs imply a high degree of accuracy with regards projecting the spend in the remainder of the year and hence ability to predict the cash balance as at 31st March 2017; shown as £6,611. However, there are two 'known unknowns' that may have a material effect on the financial position. They are:-

- i. **Clerk's salary**

With the notice of resignation of the current Clerk, the Council is engaged in recruiting a new Clerk. The Council has agreed to apply the salary scale based on National Guidance. The Council 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 (spc) reflecting his experience, knowledge etc. It is therefore possible that the new Clerk may commence on a lower spc, allowing for future progression based on performance. This approach would result in a lower cost in the current financial year depending on the start date of the new Clerk. However, any potential 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. For the purpose of this Financial Statement, it has been assumed the current Clerk will stay in post until at least 31 March 2017.

- ii. **Construction of HPC Website.**

The grant the Council has obtained consists of three elements; staff costs £323.40, hosting costs £300 and purchase of software £500. These are contributions towards the costs. If the costs are higher the Parish Council will have to meet those costs. If the costs are lower, the Parish Council will, no doubt, be expected to refund any unused grant. The outcome that is presented in the attached statement is presented as being 'financially neutral' at this stage ie any costs are matched by grant and vice versa.

RECOMMENDATION:

That the Parish Council:-

- i. Receives and approves the latest budget monitoring statement, and notes the level of the projected cash balance of £6,611 as at 31 March 2017, subject to the 'known unknowns' outlined in paragraph 14, and**
- ii. Agrees the payment to the Clerk of £756 for the third quarter ending 31st December, subject to the necessary tax deduction being made.**

Chris Pottinger,

Clerk, Hannington Parish Council

6th December 2016