

FINANCIAL REPORT TO HANNINGTON PARISH COUNCIL 12TH JAN 2016

PURPOSE OF REPORT

- 1. To inform the Parish Council of the latest Projected Outturn 2015/16: based on information as at 31 December 2015,**
- 2. To provide a Draft Budget 2016/17, for approval**
- 3. To seek agreement from the Parish Council to the requests for the Precept and Grants 2016/17 from BDBC**

Projected Outturn 2015/16: based on information as at 31 December 2015

At the May meeting, the Council was informed the predicted outturn as at 31 March 2016 would be **£4,926**.

At the Sept meeting, the Financial Statement circulated projected a reduction from £4,926 to £4040. Two further decisions were taken at the September meeting with financial implications:-

- to budget £750 (non VATable) for the potential legal costs of transferring the registration/ownership of the village green from KPC to HPC, partially met by
- to remove the £500 budget provision (plus £100 VATable element) for traffic calming allowance.

The Minutes of the Sept meeting therefore concluded that "following from these two decisions, the September predicted cash balance as at 31 March 2016 was approximately **£4,250**".

At the December meeting, the Financial Statement predicted a cash balance as at 31 March of **£3,475**. This is £775 lower than that predicted at the end of the September meeting. This reduction was due to the decision taken by Cllrs, through email correspondence, to meet the legal costs of Kingsclere Parish Council (estimated at a further £250) and to allow a further £500 provision for any 'disbursements' with regards to the transfer of the ownership of the Village Green; making a total budget of £1,500.

At the January meeting, based on information as at 31st December, the Financial Statement (copy attached as Appendix 1) projects there will be a cash balance of **£3,830** as at 31 March 2016. This increase of £355 over that predicted at the December meeting is the saving of £365 from the renegotiated Insurance Premium being £235 instead of the previously budgeted £600, reduced by the £11 cost for the hire of the Village Hall for this additional meeting in January.

There are no proposals at this stage to incur costs in this financial year in relation to the construction of the Local Development Plan (£500) nor is there clarity from HCC Highways Dept as to whether the Parish Council or the County Council will supply the two salt bins (£170 plus £34 VAT). If neither are costs to the Parish Council, the cash balance as at 31 March 2016 could be nearer £4,534. However, if these two costs were not met in 2015/16 it is likely they would roll forward into 2016/17. Therefore the effect on the predicted cash balance as at 31 March 2017 would be neutral. For the purposes of this financial statement and for the production of the Draft Budget 2016/17 (which follows), I am leaving the two costs in the current year.

The Council is reminded that cash balance as at 31 March 2016 would be further increased by up to £5,000 if the Margaret Nicholl legacy was not accessed by Michael's Field Management Committee during 2015/16.

RECOMMENDATION 1: that the Parish Council note and agree the current financial position, the estimated expenditure for the remaining three months of the year, and that the projected cash balance as at 31 March 2016 would be £3,830.

Draft Budget 2016/17

The Draft Budget 2016/17 is constructed based on the continuing levels of:-

- a. income from **BDBC Precept and Grants totaling £4,727,**
- b. **operating costs totaling £3,641,** generating
- c. **an Operating Surplus of £1,086.** This figure is increased to £1,512 in the Draft Budget 2016/17 by the addition of the VAT refund of £426 from 2015/16.

The Council has very little choice with regards many of the elements that make up the operating costs totalling £3,641:-

- d. The majority **£2,476 (68%) are 'legal requirements'** ie appointment of a Clerk/RFO and related expenses, Insurance, Audit(s), Data Protection and Hire of Hall for public meetings totalling £2,476; though there is discretion on the level of some of the items.
- e. In addition, there are elements totaling **£515 (14%) for which the Council has an 'obligation'** ie subscriptions (HALC), training, donation to churchyard.
- f. The **ONLY** item of operating costs not included in either 'legal requirement' or 'obligation' and could therefore be described as **'entirely discretionary' is the annual cost of Village Green – mowing (£650 plus VAT).** This accounts for 18% of the operating costs. The Parish Council may however consider this too is

NOT entirely discretionary... perhaps depending on the outcome of the transfer of the village green from Highclere PC to Hannington PC.

From the above, the Parish Council then has an annual amount in the region of £1,000 that it can allocate to fund 'capital/other one-off' items of expenditure. Over the last few years these have included:-

- repairs/rebuild to various Notice Boards
- provision of a bench at White Lane,
- repairs to the Wellhead,
- erection of hounds teeth around the village green,
- traffic calming measures.

Budgets have been earmarked in this year and next to fund:-

- programme of conversion of 'gates to stiles' £280,
- legal costs re ownership of village green £1,500,
- purchase of two salt bins £170,
- further traffic calming measures £500, and
- potential costs in drafting a Local Development Fund £500.

The combined total of these proposals is nearly £3,000; exceeding the £2,000 that would be available from the excess of Operating Costs in 2015/16 and 2016/17 by £1,000. This would be funded by accessing the General Fund Balance, as has been the case in previous years. The GF Balance as at 31 March of each year have been:-

- £5,900 (as per Final Accounts 2013/14)
- £5,200 (as per Final Accounts 2014/15)
- £3,800 (as per Projected Outturn 2015/16 in this report)
- £4,012 (as per Draft Budget 2016/17 in this report).

The Internal auditors have in recent years questioned the 'high level of balances' by comparing year end balances with the level of expenditure. The RFO's response, on behalf of the Parish Council has been that (a) the Council has anticipated large one-off items of expenditure that can not be met from the annual surplus in Operating Costs (as evidenced above), and (b) with such a small annual budget, and balance would tend to appear disproportionately large. However, the point raised by the Auditors is valid and worth consideration.

RECOMMENDATION 2: that the Parish Council is mindful of the level of projected Cash Balances that would be held by the Council as at 31 March 2016 (see above) and as at 31 March 2017, when deciding on the level of Precept and Grants it is going to request from BDBC for the coming financial year.

The Draft Budget 2016/17 has been prepared on the basis of currently known levels of expenditure in 2015/16 continuing through into the following year. The only material change that has occurred has been the reduction in the annual insurance premium from £570 in 2014/15 to £235 in 2015/16. A budget of £250 has been allowed for in 2016/17. The largest individual item of expenditure in Operating Costs is that of the Clerk's salary. The Council's Accounts show this has remained at £1,767 since at least 2011/12.

RECOMMENDATION 3: that the Parish Council agrees the Draft Budget 2016/17, based on currently known levels of expenditure in 2015/16 continuing through into the following year.

Review of Clerk's Remuneration

Members have undertaken a detailed review of the pay scale of a Parish Clerk. A separate report, prepared by the Chairman and Cllr Hertz is elsewhere on the Agenda. One of the proposals in the report is to increase the current remuneration from £6.80 per hour to £11.55 per hour, an increase of £1,236 based on five standard hours per week. This increase would exceed the projected Operating Surplus of £1,086. This could therefore only be met by eating further in to the Parish Council's balances or by increasing the request for Precept from BDBC.

Requests for the Precept and Grants 2016/17 from BDBC

On 23rd December BDBC issued to Parish Councils their latest guidance on Council Tax Base, Precept and Band D charge. This notifies Councils of the draft council tax base and grant figures for 2016/17 and provides a spreadsheet to help Councils calculate their 2016/17 Band D charge in respect of the precept.

The final tax base figures are due to be agreed in early January but are not currently expected to change significantly from these draft figures. BDBC intend to notify Parish Councils of the final council tax base figures by the 11 January 2016 at latest.

Precept 2016/17

Attached at Appendix 2 is a copy of their spreadsheet. This attachment has details of the 2016/17 draft council tax base (column 5) and automatically calculates the 2016/17 band D charge (column 6) when you enter the 2016/17 precept for your parish in column 4 (highlighted in yellow).

It also has details of the 2015/16 precept (column 1), 2015/16 council tax base (column 2) and 2015/16 band D charge (column 3) for the parish. Columns 7 to 10 of the spreadsheet compare the 2016/17 figures (columns 4 to 6) with the 2015/16 figures (columns 1 to 3) to show the increase or decrease (in £'s and %) in the precept and band D amounts.

To summarise, all you need to do is find the name of your parish council, enter your 2016/17 precept figure in column 4 (highlighted in yellow) and the rest of the figures calculate automatically.

Parish Grants

Attached at Appendix 3 is a statement from BDBC showing the estimated amounts to be paid to parishes in 2016/17 for various grant amounts.

Of these grants, only the limited general grant needs to be applied for (see below). The other grants will be paid automatically in April 2016, along with the first instalment of the precept.

When deciding on the Parish Council precept requirement for 2016/17 please note that all of these grants (including CTS) will be paid to parishes **in addition** to any precept amounts that are requested.

Deadline for submission of the Parish Precept and Limited General Grant 2016/17 (forms PC! And PC2) is 31 January 2016.

Excessiveness principles

As you may be aware, these principles relate to the situation where certain proposed increases (generally in excess of 5%) in council tax charges require a referendum to be held to allow local people the opportunity to approve or veto the increase.

The Government has announced that 'excessiveness principles' will not apply to parishes for 2016/17. Therefore, as in previous years, the amount of precept that any Parish Council request is a matter for the parish council to decide on.

However, should the Parish Council decide to materially change its Budget, and hence the level of Precept, there is a strong argument that it has a 'moral obligation' to consult with its residents before reaching its decision. I would advise that 'consultation' in this case, would not require a referendum (as would apply to a Borough Council, County Council or London Borough), but could be obtained by providing appropriate prior knowledge of the proposals to the residents by way of the Agenda/Report for the meeting, and by ensuring due notice of the Public Meeting has been given.

Calculation of Hannington Precept

In 2015/16 Hannington received £3,400. This comprised £3,297 plus £103 CTS. The figures at Appendix 2 are slightly different, quoting £3,279. [I will check it is not a transposition on their part). A cash precept generated of £3,297, with a CT Base at Band D of £182, produces a CT charge of £18.02 per property per year...at Band D ie 35pence per week. The CT Base has increased from £182 to £186 for 2016/17. Therefore if the cash precept requested by Hannington were to remain unchanged at £3,297, the CT charge would reduce fractionally to £17.73 per property per year... at Band D ie 34pence per week.

Those properties with CT Bands of A, B, C will pay proportionately less; and those with CT Band of E, F, G etc will pay proportionately more.

Parish Council Precept as a proportion of the total Council Tax 2015/16

Hampshire County Council	£1038 (75.3%)
Police and Crime Commissioner for Hampshire	£157 (11.4%)
Hampshire Fire and Rescue Authority	£61 (4.4%)
Basingstoke and Deane Borough Council	£105 (7.6%)
Hannington Parish Council	<u>£18 (1.3%)</u>
TOTAL Council Tax Charge	<u>£1,379</u>

Effect on the Precepts of increasing the Clerk's remuneration

As an example, if the increase from £6.80 per hour to £11.55 per hour, referred to previously, were to be met entirely from an increase in the Parish's Precept:-

- a. For Hannington Parish Council, the Council Tax charge at Band D would increase from £18.02pa (35p per week) to £24.27pa (47p per week). An increase of 34%.
- b. For the TOTAL Council Tax charge (including Hampshire County Council, BDBC etc) a Band D property would increase from £1,379pa (£26.52 p per week) to £1,412 pa (£27.15p per week). An increase of 2.4%.

RECOMMENDATION: that the Parish Council considers the impact on the Precept requirement of any decision it makes on the Budget 2016/17, and informs the Clerk accordingly so he can submit the necessary Precept and Grant claim forms by the deadline of 31st January.

Chris Pottinger
Clerk/RFO Hannington Parish Council
5th January 2016