

12.c Budget 2017/18 to incl HPC requests for Precept and Grants; within the context of a Three Year Medium Term Financial Strategy 2017/8 to 2019/20.

1. The Clerk had circulated in advance of the meeting a cover report explaining the construction of the Budget 2017/18, based on information as at 6th December
1. The Draft Budget 2017/18 and Three Year Medium Term Financial Strategy 2017/18 to 2019/20 (detailed at Appendix A to the cover report) was constructed based on:-
 - i. the Precept remaining at the same cash level as in 2016/17,
 - ii. BDBC Grants reducing as announced in their letter to Parishes dated 3 November,
 - iii. routine 'fixed' operating costs remaining at the same level as in current year,
 - iv. no allowance for inflation, except where it is known ie the 1% national increase in salary of the parish clerk in 2017/18,
 - v. maintain the financial provision for maintaining the village green,
 - vi. continue with the donation to the Churchyard,
 - vii. VAT payments and recovery based on the above.
 - viii. the Council decision in Sept 2016 to apply an initial £1,000, and then the view it would be necessary to further contribute by £700 each year, towards the "Provision for repairs and maintenance to the Unadopted Roads".
2. As with any financial model, the Clerk advised that any projection has room for different interpretations. As a starting point the above, as detailed in Appendix A, represented the 'status quo'; with one exception. The model did NOT include any items of one-off or capital expenditure. The 'financial model' was therefore one in which the Parish Council was 'treading water'.
3. With all the figures remaining very much as they are in the current year's Budget, the financial model that was attached highlighted the adverse effect of the decision by BDBC to phase out the two grants for 'General Admin' £1,100 and the 'Council Tax Support Grant' £103 over the next three years. Over that three year period Hannington PC will have 'lost' access to £2,406 (£401 17/18 plus £802 18/19 plus £1,203 19/20). By 2019/20 BDBC grant funding will have reduced by £1,203 from £1,430 to £229; a reduction of 84%. There is also some doubt as to the guarantee of the continuation of the final parish grant which is to support 'grass cutting and closed churchyards'.
4. In the attached financial model, the year-end cash balance would continue to rise and would be around £10,082 by 31st March 2020, of which £3,100 would be held for the "Provision of repairs and maintenance of the Unadopted Roads", leaving the balance of £6,982 held in the General Fund. However, as previously stated this scenario presumed no one-off or capital spend over the next three years.

5. The Clerk reminded the Parish Council that in recent years they had incurred one-off items of expenditure including essential repairs to the Wellhead (£1,700), legal costs for the transfer of the village green (£1,480), and minor works such as provision of 'hounds teeth' on the village green, repair of the noticeboards, and purchasing a seat at White Lane crossroads.
6. The Parish Council had also been very successful in bringing in financial and non-financial support from external agencies to undertake many tasks, such as the conversion of 'stiles to gates', improvements to the standard of various bridleways, and most recently the works to remedy the flooding on the road near North Oakley. Whilst the costs of these have generally been met from 'third parties', the Clerk advised the Parish Council they could not have entered into these 'partnerships' if it had not had the potential to access cash reserves.
7. The summary table below showed a more realistic scenario of the financial effect of anticipating an average one-off/capital expenditure in each year of just £1,000. This presented a substantially different picture with:-
 - a. The Council having a 'surplus' in year of only £73 by 2018/19 and a 'deficit' of £328 by 2019/20.
 - b. After allowing for the annual contribution to the "Provision for the repairs and maintenance of the unadopted roads", the current General Fund balance would have fallen from the estimated £6,611 at 31st March 2017 to £3,975 by 31st March 2020... and would continue to fall!

Financial model of Three Year Medium Term Financial Strategy 2017/18 to 2019/20

	2016/17	2017/18	2018/19	2019/20
Precept	5397	5397	5397	5397
<i>BDBC Grants</i>	<i>1430</i>	<i>1031</i>	<i>630</i>	<i>229</i>
NALC website grant (see spend below)	1123	0	0	0
VAT refund	402	445	200	200
Total Receipts	8352	6873	6227	5826
Routine running costs				
Clerk's salary	3032	3062	3062	3062
Other 'fixed' operating costs	1057	992	992	992
Donation to Churchyard	250	250	250	250
Village Green mowing	650	650	650	650
VAT on 'admin' costs	200	200	200	200
Total 'admin' costs	5189	5154	5154	5154
One-off and/or capital costs				
Website construction (see funding above)	1123	0	0	0
Legal fees – village green	1240	0	0	0

Allowance for one-off/capital spend in year	0	1000	1000	1000
VAT on 'one-off/cap' costs	252	0	0	0
	2615	1000	1000	1000
TOTAL Payments in year	7804	6154	6154	6154
Cash Balance b/fwd 1 April	6070	6618	7337	7410
Surplus in year	548	719	73	-328
Cash Balance c/fwd 31 March	6618	7337	7410	7082
Allocated to the "Provision for repairs of Unadopted Roads"	1000	1700	2400	3100
Balance held in General Fund at year end	5618	5637	5010	3982

A discussion then took place on the various actions the Parish Council could take?

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

This Option was discounted by the Parish Council as the outcome was a financial scenario that would inevitably eat into its balances until they no longer existed and the Parish would have expenditure it could no longer fund.

10. Second Option was to Reduce Expenditure:

This Option includes reducing/ceasing payments and/ becoming more efficient. The table at paragraph 8 above shows that in addition to the cost of the Clerk £3,062 (2017/18) other operating costs only total £992. Of this £992, the following £752 (75%) are legal requirements and the Council therefore has NO OPTION:-

- i. **Insurance** £235
- ii. **Internal Audit** £200
- iii. **Data Protection Registration** £35
- iv. **Hire of public venue for Council meetings** (Village Hall) £65
though not strictly a legal requirement
- v. **Subscriptions** are paid to three national bodies HALC, NALC and CPRE, totalling £217. It could be argued that NOT being a member of NALC and HALC would result in higher alternative costs in getting information and support, and the loss of being proactively briefed on changes and initiatives.

The remaining two items of operating costs total the balance of £240 being expenses and training. The Meeting agreed that these could be reduced; but accepted that they affected control on expenditure as any payments had to be authorized by at least two Cllrs before the expenditure could be paid.

11. The Council noted that it only made two further payments in the year:-

- i. Payment to PCC as a contribution towards the churchyard £250, and
- ii. Cost of mowing the village green £650 plus VAT. This 'contract' had only recently been reviewed by the Chairman, and had not increased for over five years.

13, Second Option was to increase income or reduce expenditure

i. Increase Income: The Parish Council has only one source of income under its 'direct control', and that is the level of Precept it sets in any one year. The Clerk informed the meeting that BDBC, in their letter of 3 November and at their workshop on 21st November, appear to recognise that Parish Councils might decide to increase their Precepts to 'make up' for the planned reductions in BDBC Grants of £400 per annum. This loss of £400 per year in grants equates to approximately 7.5% of the Precept year-on-year.

14. However, in their letter of 3rd November, BDBC reminded parishes that the Government has introduced controls over '**Excessive Precept Increases**'. BDBC state, "*In previous years no excessiveness principles have been applied to parish councils. However, there has been a recent Government Consultation to consider if referendum principles will apply to parishes from 2017/18 onwards. The consultation ended on 28th October 2016 and the outcome is awaited.*" It may therefore be that the Parish Council will not have the option to increase its Precept by more than a fixed percentage (currently 2% for larger Councils), without having a referendum of its residents... which would cost more to undertake than would be gained by the increase in the precept!!

15. On 5th December the Clerk was sent a copy of a letter from the Leader of Hampshire County Council to the Government expressing his County Council's concerns on the damaging effect any extension of the Council Tax cap would have to parish and town councils. The Leader's email also provided the necessary link to the Government's Consultation paper. The most relevant section for Parish Councils is "*that referendum principles are introduced for town and parish councils whose Band D precept is higher than that of the lowest charging district council for 2016/17 (£75.46), **and** which have a total precept for 2016/17 of at least £500,000*".

CONCLUSION: BDBC will notify parish councils of their Council Tax base figures for 2017/18 "by 9th January 2017". This is too late for the Parish Council's December meeting. However, based on the current year's figures, Hannington Parish Council's Band D Base of £186.00 generated a total Precept of £5,397, cost an average £29.02. On this basis, the Parish Council can reasonably presume that even if the Government were to extend the 2% Precept Cap to parish councils, **Hannington would be well below both the trigger points. Even so, the Parish Council should be aware of the Government's concerns regarding excessive increases when considering the level of precept it is going to submit to BDBC.**

17. As already reported, Hannington Parish Council has been very successful in recent years in 'accessing funds from third parties'. Local authority funding by way of specific grants is many, and numerous. It is possible there are grants that Hannington Parish Council might be able to apply for, but are not aware of them.

A recent example would be the reference to a BDBC grant towards the cost of 'Litter Picking'!

ACTION: the Council may want to undertake an exercise to identify any other 'specific' grants that it may be eligible for (Clerk).

18. Noting the decision by BDBC to phase out over three years from 2017/18 two of the three grants paid to Parish Councils, AND the uncertainty that Parish Council's, even those the small size of Hannington, may be capped in future by the Government, the Parish Council:-

i. AGREED the Draft Budget 2017/18 as detailed in Appendix A on the Agenda and summarised in paragraph 8 above, subject to further consideration being given to the inclusion of one-off or capital schemes to be undertaken within the next three years,

ii. AGREED to increase its precept by

(a) £1,203 to fully compensate for the loss of grant incomes that would occur over the three year period of the medium term strategy 2017/18 to 2019/20. This would result in the Precept increasing from £5,397 to £6,600, an increase of 22%. This is a material increase. However, if in the following two years, the Precept was not increased by inflation, the ongoing effect of phasing out the two grants would result in the aggregate income from Precepts and Grants remaining stable, at current prices ie £6,600 in 2019/20, and,

(b) a further £103, being a 2% inflationary allowance on its operating costs for the current year.

iii. AGREED to undertake an exercise to establish if there are any 'specific' grants, such as the Small Grants Scheme, that the Parish Council may be eligible for.

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

18. As previously stated, in their letter 3rd November, BDBC advised they would provide parishes with their council tax base figures for 2017/18 by 9th January 2017; which is after the December parish council meeting.

ADDENDUM to the Minutes re effect of Precept on Council Tax.

19. The guidance note from BDBC Finance Department was received on 9th January. Relevant extracts are reproduced below.

Phasing out grants: *"As notified to you previously and, as discussed at the last parish liaison meeting, the council is proposing to start phasing out the Limited General Administration grant and Council Tax Support grant commencing 2017/18. **Although, this is still subject to approval by council members at the full council meeting in February**".*

Referendum Principles: "*The Government recently consulted on whether principles should be applied to local precepting bodies (such as parish and town councils) requiring referendums to be held in certain circumstances for 'excessive' increases in council tax precepts. **The Government has announced that the principles will not apply to parishes for 2017/18 but it is expected to keep the situation under review.***"

20. The Clerk has advised Cllrs that this latest information from BDBC does NOT give cause for the Parish Council to review its previous decisions. However, he also notes that the timing of BDBC decisions (Full Council February 2017) does not fit neatly with a deadline for Parish Council's notifying BDBC of their Precepts by 31st January 2017!

2016/17 Precept £5,397: CT Base Band D £186.00 resulted in Council Tax £29.02 (56p per week)

2017/18 Precept £6,703: CT Base Band D £197.00 results in Council Tax £34.03 (65p per week)