

FORD PARISH COUNCIL

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2018-19 BUDGET REPORT & RISK ASSESSMENT

JANUARY 2018

1.0 PURPOSE OF REPORT

- 1.1 This report sits alongside the attached spreadsheet reviewing this year's budget and outlining a draft budget for 2018/19. The budget is based on the information available at present and it is for council to review the draft budget and determine the precept. The budget shows what precept is needed to achieve a balanced budget. As RFO, it is my recommendation to set a balanced budget as this approach manages the risks identified in this report. However, the council must decide what precept it feels is appropriate.

2.0 BUDGET FOR 2017-18

- 2.1 In the current financial year, the parish council identified an expenditure budget requirement of £17,998 and it also budgeted to transfer £2,500 from general to ring-fenced reserves for specific purposes. Income was comprised of Shropshire Council grants for environmental maintenance grant of £2,112, and an LJC grant towards the youth club of £1,700. Central Government also provided a Transparency Grant (towards time taken to administer the website) of £423. Small amounts of funding were also received for specific projects, such as community donations towards a defibrillator. The council set a precept of £13,844 for the current financial year and budgeted to draw £1,045 from its general reserves. When setting the precept, the council did note that the precept would need to increase next year as it is not sustainable to use reserves indefinitely.
- 2.2 The above information illustrates that £4,237 of the council's budget for this year has been funded by grants for specific purposes. All of these grants are likely to be withdrawn in 2018/19. Therefore, the council will either have to find the funding itself or look at alternatives, which may include the activities funded by the grants ceasing – this does not seem to be a practical option. The youth club is greatly valued by the parish and at its October meeting the council said that it wished to ensure this is funded. It is also important that the council maintains assets such as the street lights and playing field, maintenance of which is part funded by the environmental maintenance grant. It is a legal requirement that a council has a website and publishes specified information online and therefore the transparency grant funding will need to be provided by the parish council.
- 2.3 It is projected that by the end of this financial year the council's income will total £19,531 and that expenditure will total £28,246. Areas of overspending include staffing (as a result of an assessment of the clerk's workload relative to hours),

purchase of new office equipment, maintenance of the recreation ground (including extensive tree works, invasive weed treatment, repairs and installation of CCTV) and additional funding for the youth club.

- 2.4 The precept of £13,844 equated to £48.10 per Band D household this year. The council's reserves are split into general contingency reserves and the audit guidance is that these should be in the range of 25 to 100% of budgeted spend for a year. It is projected that by the end of this financial year the reserve will be in the region of 64% of budgeted spend. This is a reduction from previous years but is still within acceptable limits. The council also holds ring-fenced reserves for specific purposes - this is typically to manage assets or risks or to plan for future spend on specified items. The current level of ring-fenced reserves are projected to be £7,286 at the end of this financial year and the general reserve will be approximately £16,234, giving total reserves of £23,520.

2.0 BUDGET FOR 2018-19

- 2.1 A key challenge for 2018/19 is the loss of grants which in the last financial year totalled £4,237. The council will also have to comply with new legislation regarding data protection, the GDPR. The cost of compliance is estimated to be £240 as an independent data protection officer has to be appointed. Following a proposal in the recent Local Plan review consultation that Ford become a community development hub, it has also been identified that it may be prudent to review the current Parish Plan. The parish council has also expressed a desire to ensure the youth club is funded and that a budget of £5,000 is set-aside of this purpose.
- 2.2 The budget appended to this report summarises all of the anticipated costs for 2018/19 in detail and in summary the total projected expenditure requirement is £22,719. It is also recommended that some funding from general reserves is moved to ring-fenced reserves for specific purposes to plan for medium to long term financial needs.
- 2.3 As stated above, the council is losing grants totalling £4,237. The council's only other source of income is the precept. Had the grants been retained, the precept required would have been in the region of £18,482. However, as it is anticipated that these grants will not be provided, the net precept requirement, if a balanced budget is to be achieved (i.e. with no funds drawn from reserves) is £22,710 (the balance of £9 to be funded by bank interest). This would be equivalent to £76.53 per Band D household per annum, an increase of £28.43 or 59% per Band D household.
- 2.4 In preparing this budget, efforts have been made to ensure it is economical. In setting the budget, the council needs to consider if the amounts budgeted are appropriate and if it wishes to start or discontinue any activities identified in the budget. In order to fund the budget, other options may include drawing from reserves although this is not a sustainable strategy in the medium to long term.

3.0 RISK ASSESSMENT

- 3.1 It is good practice for Councils to risk assess their budget. Below I have set out a table of risks for discussion.

Risk	Description/level of risk
Precept	<p>Keeping the precept at its current level would be high risk as there would be a significant shortfall between expenditure requirement and the precept and this would lead to reserves being depleted. There is also a risk that parish council precept increases will be capped by central government and if this happened a strategy of using reserves to make up the shortfall not be sustainable in the long term. When the council set the current year's precept, it did acknowledge that it was unlikely this would need to be raised in future years. From my experience of clerking for other parish councils of comparable size, the current precept is low given the number of activities the council undertakes.</p> <p>From a financial management point of view, it would be preferable to have a balanced budget which does not draw on reserves but it is not for the RFO to set the precept and the council needs to look at all options for setting the precept. This may include setting a precept which is between the current precept and the amount of precept needed to maintain a balanced budget.</p>
Environmental maintenance grant	<p>Not identified in Shropshire Council's financial plan considered at January cabinet meeting I have therefore assumed it will not continue in 2018/19. It would be high risk to not identify funding for the activities currently part-funded by this grant. The only sources of funding I can identify are the precept or reserves, of which reserves would be a higher risk strategy.</p>
Youth funding	<p>Recent consultation showed no funding for rural areas so I have assumed the grant would be lost. It would be high risk to not identify funding for the activities currently part-funded by this grant. The only sources of funding I can identify are the precept or reserves, of which reserves would be a higher risk strategy.</p>
Parish Plan Review	<p>The budget of £3,000 is low so reserves may be needed. Grants may be available but this depends on what type of plan the council prepares – e.g. Neighbourhood Plans cost more than Parish Plans and Community-led plans but are more robust and grants are available. A Parish Plan review is a large project and I feel that a reasonable level of reserves are needed as the cost of doing a plan is difficult to predict at the outset.</p>
Assets maintenance	<p>Medium – Reserves need to be maintained for asset maintenance. The council has taken on extra assets in</p>

	the last year, such as CCTV, a defibrillator and implementing a regime of inspections at the recreation ground which are deemed necessary for safety reasons. Other assets in the parish are dated, such as the noticeboards and some pieces of the play equipment and funds therefore need to be built up and kept for their replacement. No budget has been included for invasive weed treatment – we are in Y2 of a three year treatment cycle but the contractor has advised they have never had to treat in Y3 so I have not budgeted for it.
Reserves	Medium risk - the general reserves are currently adequate but if they are continuously used to make up shortfalls in the budget they will fall. The council is planning to do sums potentially significant projects, such as a Parish Plan review and it is therefore important to have money in reserves.

4.0 PRECEPT SCENARIOS

4.1 The table below shows modelled scenarios for the precept. The precept is calculated by dividing the total precept requirement by the council tax base to work out the precept per band D household per annum

	2017/18	2018/19 nil increase	2018/19 Balanced budget - £22,710
Council Tax Base	287.8	296.76	287.8
Precept	£13,844	£13,844	£22,710
Per Band D household (per annum)	£48.10	£46.65	£76.53
Increase in £ Per Band D household		-£1.45	+£28.43