

GREAT HANWOOD PARISH COUNCIL

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 £23,892 and it also budgeted an additional £1,000 to be held in a ring-fenced reserves for replacement of Caradoc play area equipment. 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 of £1102. The council set a precept of £21,958 for the current financial year and this was set as a balanced budget. When setting the precept, the council did note that future grants were not guaranteed in the climate of funding cuts at Shropshire Council.

2.2 The above information illustrates that £3,813 of the council's budget for this year has been funded by grants from Shropshire Council. These grants are likely to be withdrawn in 2018/19.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 it is also important that the council maintains assets such as the street lights and recreation areas (including helping the Village Hall maintain their land) – the maintenance of these areas is part funded by the environmental maintenance grant. Transparency grant funding has also been lost and it is a legal requirement that a council has a website and publishes specified information online and therefore the website will need to be funded by the parish council.

2.3 It is projected that by the end of this financial year the council's income will total £28,119 and that expenditure will total £31,370 plus an additional transfer of £1,000 to ringfenced reserves.

2.4 The precept of £21,958 equated to £59.77 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 31% of spend in the year. This is a reduction from previous years and is approaching the lower end of the recommended range of reserves. 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 £8,400 at the end of this financial year and the general reserve will be approximately £9,800, giving total reserves of £18,200.

3.0 BUDGET FOR 2018-19

- 3.1 A key challenge for 2018/19 is the loss of grants as detailed above. 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.
- 3.2 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 £22,034. The council has also discussed reviewing the Parish Plan but this has not been confirmed so £2,000 has been identified for this but to be placed in reserve not expenditure budget. The Parish Council is also looking at whether it needs to pay upfront for the memorial garden to be built/maintained following a lack of co-operation from the landowner. A reserve of £2,000 is identified in the event the council has to landscape and maintain the area – this may be recoverable from the landowner. In total the budget requirement is £26,034. A balanced budget is recommended and this would require a precept of £25,984 (assuming £50 cherry tree royalty is received).
- 3.3 As stated above, the council is losing grants totalling £3,813 from Shropshire Council. The precept increase is £4,026. Hence in addition to covering the loss of grants, the additional precept increase is £213 which is less than the £240 required to cover the new legislative requirements imposed by the GDPR. This precept would be equivalent to £68.55 per Band D household per annum, an increase of £8.78 or 15% per Band D household; the percentage increase is lower as the Council Tax Base is larger this year than in 2017-18.
- 3.4 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.

4.0 RISK ASSESSMENT

- 4.1 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.</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.</p>

Environmental maintenance grant	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.
Youth funding	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.
Reserves	Medium to high risk - the general reserves are currently on the low side but if a balanced budget is maintained it is hoped that they will be adequate as ultimately in an emergency, funds can be drawn from ring-fenced reserves as a last resort.

5.0 PRECEPT SCENARIOS

- 5.1 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	367.38	379.05	379.05
Precept	£21958.38	£21,958.38	£25,984
Per Band D household (per annum)	£59.77	£57.93	£68.55
Increase in £ Per Band D household		-£1.84	+£8.78