

Pool in Wharfedale Parish Council

Five Year Financial Plan

Introduction

This paper is intended to provide a starting point for a discussion on how the Parish Council (PPC) might create a rolling five year financial plan designed to support the delivery of the Council's medium term priorities and provide a framework for setting the annual budget from 2016/17 onwards.

The starting point is a sound one, providing a strong foundation on which to build. The Council is effectively running a balanced in year budget, and is holding very adequate cash reserves. There is however little apparent flexibility within the annual budget, with little apparent scope to make any significant reductions in recurrent budget lines. On the assumption that there is no realistic prospect of any substantial increase in the Council's underlying income from the precept/Council Tax grant, any strategy needs to focus on:

- establishing a small number of priorities for any significant new spending
- identifying the potential for grant funding to support the delivery of those priorities
- the effective, measured use of the Council's reserves to provide further support for non-recurrent spending
- where appropriate managing key budget lines across years rather than within a single financial year
- ensuring that any opportunities that do exist to create "headroom" within the recurrent annual budget are identified and exploited

An analysis of the current budget

In 2015/16 gross budgeted expenditure is £46,348, largely (85%) financed by precept/Council Tax grant income of £39,538. The balance is made up of other income (rents, VAT, bank interest and grants) of £4,604 in total and a small contribution from reserves of £2,206. The assumption must be that there is no prospect of a substantial increase on any of the income lines unless it is in the form of newly secured grants.

Expenditure breaks down as follows:

Staffing costs	£18,775	40.5%
Environment	£11,168	24.1%
Administration	£4,680	10%
Grants	£4,300	9.3%
Special Project Fund	£4,000	8.5%
Traffic Project loan repayments	£3,424	7.4%

Realistically it is hard to see an option to make any significant savings on the staffing and administration budgets, which together make up just over half of the budget.

Of the remaining budget lines:

- to make significant savings in the environment group would require cutbacks in spending on one or more of gardening, tree & hedge works, amenity refurbishments and Christmas lights – all likely to be deeply unattractive to the Council and/or potentially unsustainable in some cases
- the grant spending of £4,300 is entirely discretionary, and so could in theory be reduced or cut entirely, but clearly the impact of this on the village halls and RGMC may be considered to make reductions in this line highly contentious/unattractive
- the special project fund is in two elements – Wharfedale Greenway (£3,000) and Neighbourhood Planning (£1,000). The Council's commitment to both is such that it is assumed that spending on both will continue at the same level for the foreseeable future
- the traffic loan repayments are an ongoing commitment until 2016/17, at which point they will end, therefore providing the Council with an immediate recurrent annual saving of the full £3,424 from 2017/18 onwards

Options for Consideration

In the light of the above analysis the opportunities for reductions in recurrent expenditure appear very limited, although the Council should consider whether it wishes to make any adjustment to the "discretionary" spending on environment and grants. However:

- the Council should build into its medium term planning how it might wish to take advantage of the headroom available from 2017/18 onwards after the traffic project repayments come to an end
- several budgets potentially lend themselves to management across years given that there are potential peaks and troughs in expenditure. Specifically this could apply to both special projects (the Greenway and Neighbourhood Planning) and to the Amenity Refurbishment and Tree and Hedge Works budgets. To achieve this, the Council may wish to consider establishing some or all of those budgets as ring fenced items, with any in-year underspending being left in a specified reserve to meet future year spending requirements. Over time this would also allow the Council to consider its budget setting process whether it wished to top up or reduce the levels of each specific reserve in the light of actual spending

Management of Reserves

The Council currently has two separate “reserve” accounts – a Deposit Account currently holding £7,928 and a Skipton Building Society Account holding £2,365. In addition however the Council is carrying in the region of £30,000 more than is necessary to meet its in-year budget requirements within its current account. Whilst there were historic reasons for the separate reserve accounts, there are no apparent contemporary reasons for keeping the balances in separate accounts. The Council may therefore wish to review its treasury management arrangements, consolidating the balances held in the two reserve accounts and the current account cash that exceeds in year requirements into a single account that secures the best levels of risk free interest.

Whilst great care must always be exercised in drawing down on reserves, there would appear to be some scope for the measured use of reserves to support a rolling five year strategy. The Council does appear to be holding, in total, cash of about £40,000 more than is needed to meet in year spending requirements. Even if the Council took what I believe to be a prudent view that it should hold free cash reserves at a level sufficient to finance 50% of its gross annual expenditure this would only be £23,000, leaving circa £17,000 potentially available for use.

In the light of this, the Council should consider whether it wishes to retain its cash reserves at the round about the current level, ensuring that it maintains an ability to fund a potential future “big ticket” item in the future (in response to an emergency or a major priority initiative that emerges in the future) , or whether it is prepared to make some incremental use of the reserves over a number of years to fund additional non-recurrent income, or potentially match fund grant income.

Summary

Whilst PPC has little obvious “wriggle room” in its annual budget, there are some potential opportunities to make better use of the resources available through a more proactive management approach to their management over a five year time horizon. The above analysis hopefully provides a framework for consideration of the options available.

Steve Morris

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