

Thurlaston Parish Council

3 Year Financial Plan 2020 – 2024

This is the fourth iteration of the Parish Council Financial Plan building upon previous 3 Year Financial Plans which have been agreed by Full Council.

Background

Against a backdrop of historic Government directed financial restraint the consequences of the COVID-19 pandemic, the Governments Levelling Up agenda and the possibility of ‘capping’ of Council Tax in coming years, it is prudent for the Parish Council to set out its financial objectives and priorities for the next 3 years on a rolling basis.

It was agreed that this Financial Plan (FP) will be reviewed annually to ensure that the process of annual Precept setting is guided by the FP.

Government Policy Statements:

1. **Sajid Javid MP in his statement, delivered on 19th December 2017, on Funding of Local Authorities said:**

‘I can also confirm that the government intends to defer the setting of referendum principles for Town and Parish councils for 3 years. (i.e. up to year 2020/21)

This is subject to the sector taking all available steps to mitigate the need for Council Tax increase and the government seeing clear evidence of restraint in the increases set by the sector as a whole’.

2. **The Ministry of Housing, Communities and Local Government (MHCLG) updated this guidance on 3rd October 2019, as follows:**

Source: Local Government Finance Settlement 2020-21 Technical Consultation

Relevant extracts:

The Government remains committed to reforming local government finance. In 2020 the Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. We will continue to work towards our aim to implement these reforms in 2021-22, including a full reset of business rates retention baselines.

Council tax referendum principles for town and parish councils

5.3.1. In 2018-19, the Government announced it did not intend to set referendum principles for town and parish councils for three years. This period ends in 2020-21. This was contingent on:

- *the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or through “invest to save” projects which are intended to lower on-going costs; and*
- *the Government seeing clear evidence of restraint in the increases set by the sector.*

5.3.2. In 2019-20 the average Band D parish precept is £67.18, an increase of 4.9%. This is the same percentage increase as in 2018-19 and compares to an increase of 6.3% in 2015-16. The Government remains concerned about the pressure placed on taxpayers from thousands of town and parish councils across England and expects them to exercise even greater restraint in 2020-21.

5.3.3. On this basis, the Government proposes to continue with no referendum principles for town and parish councils in 2020-21 but will keep this matter under active review for future years.

3. The Ministry of Housing, Communities and Local Government (MHCLG) updated this guidance during December 2020, as follows:

The Provisional Local Government Finance Settlement 2021-22 Consultation paper states:

3.5 Council tax referendum principles for town and parish councils

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3.5.2 In 2020-21, the average Band D parish precept increased by 4.0%. This was the lowest percentage point increase in parish precept since 2012-13 but remains in excess of the rate of inflation.

3.5.3 In expectation that Parish and Town Councils continue to show restraint when setting council tax precept levels, the Government proposes to continue with no referendum principles for Town and Parish councils in 2021-22. The Government will take careful account of the increases set by parishes in 2021-22 when reviewing the matter ahead of next year's settlement.

4. It was announced on 19th September that the **Ministry of Housing, Communities and Local Government** will become the **Department for Levelling Up, Housing and Communities** as the Government delivers on its central mission to level up every part of the UK.

Former Bank of England Chief Economist Andy Haldane was appointed as the new Head of the Levelling Up Taskforce which has been jointly established by the Prime Minister and the Secretary of State for Levelling Up, Michael Gove MP. Haldane has joined as a permanent secretary in the Cabinet Office on secondment from the Royal Society of Arts, Manufactures and Commerce (RSA) for 6 months. He will report jointly to the Prime Minister and the Secretary of State for Levelling Up, Housing and Communities. **(Please see full press release at Appendix 1).**

Against this background it is unlikely that further definitive guidance will be issued until the recommendations of the Levelling Up Taskforce are published in the spring of 2022.

5. To set a context **please see Appendix 2** where three recent press articles highlight the difficult financial decisions that face all involved in central and local Government.

Objective of the Financial Plan (FP)

This FP is aimed at ensuring that the annual Precepts for the forthcoming financial years allow the Parish Council to meet its priorities whilst satisfying the above criteria.

Parish Council Priorities

The following priorities, which may impact upon the Parish Council financial position, were discussed and agreed at a full Parish Council meeting held on 20th November 2018 and reaffirmed at Council meetings held in November 2019, 2020 and 2021.

- Parish Administration – provision of an excellent fit-for-purpose cost efficient service to all Parishioners.

- Parish Administration – act as the focal point for District Council, County Council and National developments & policies effecting the Parish.
- Parish Administration – to prepare for any additional responsibilities that may fall upon Parish Councils as a result of the proposed re-organisation of Local Government, the possible creation of a Unitary Authority and the Government's Levelling Up agenda.
- Community – continue to give financial support to suitable local groups and organisations.
- Community - provision of community involving, building and enhancing events.
- Community – actively seek external funding to support the Parish Council Precept.
- Community – continue to liaise with the Fosse Villages team of the Neighbourhood Policing Areas, Local Policing Directorate.
- Recreation Ground – maintenance of the grounds and equipment to the highest standard allowable within financial constraints.
- Recreation Ground – provision of high-quality play equipment for all age groups.
- Road Traffic Monitoring & Control – provision & maintenance of speed monitoring equipment and speed reduction measures.
- Road Traffic Monitoring & Control – increase the lobbying of Leicestershire County Council Highways dept. to provide suitable traffic & speed reduction advice and measures which the Parish may need to contribute towards.

Historical Precept setting

For many years the Precept did not increase significantly. In 2012/13 the Precept was set at £11,800 and has risen slowly to £15,000 for the financial year 2019/20 when this FP was first prepared. This represented an increase of 27% over the 8 year period. However, when you take into account that during that period the Retail Price Index has risen 46.7 points, equivalent to an annual rise of 3%. This means that the Net Present Value of £11,800 is approx. £15,340 i.e. over the 8 year period the Precept has simply kept pace with inflation/growth.

What Council had not done is to take account of the increasing amount of work that has come its way over these years, together with the accompanying increased costs. This has resulted in a reduction in the Council's Reserves to the figure of £4,103.93 as at the 31st March 2020. By way of comparison at the end of the 2012/13 financial year Council had Reserves of approx. £17,000. This current Reserve figure is totally inadequate to meet the Council's capital requirements and makes the Council vulnerable to any unforeseen financial demands that it may face in the future.

Advice on the appropriate level of general reserves is contained in the Governance and Accountability for Smaller Authorities in England 2020 (paras 5.31 – 5.33 of the Practitioner's Guide 2020), which states that general reserves "*should be maintained at between three and twelve months of Net Revenue Expenditure (NRE)*". Council have agreed to a policy of maintaining reserves at circa 6 months of NRE.

Against the above background Council has set Precepts for the financial years 2019/20, at £15,000; 2020/21, at £18,000 and 2021/22, at £25,500. Bearing in mind the initial lack of financial reserves the increases have been prudent and are ensuring that day-to-day activities continue whilst we have been able to increase reserves to a more satisfactory level.

During these past three years we have satisfied the criteria contained in the MHCLG Statements i.e. we have taken all available steps to mitigate the need for Council Tax increases and we have demonstrated clearly evidence of restraint in any increases.

Precept setting

After much discussion Council has agreed to an increase in the 2021/22 Precept to £25,500. Whilst the proposed increase for the financial year 2021/22 is significant it will enable the Council's financial reserves to be restored to a satisfactory level.

Precepts for Financial Years 2021/22; 2021/22; 2022/23 & 2023/24

Increases in the Precept for the years 2020/21 & 2021/22 were agreed to ensure that the Parish Council was able to continue to meet the above priorities.

- **Financial Year 2020/21**

An increase in the Precept to £18,000 was recommended by the Finance sub-committee and agreed by full Council.

- **Financial Year 2021/22**

It was initially agreed, in principle, to increase the Precept to £21,600 for the 2021/22 year, subject to there not being a 'capping' exercise. However, circumstances have changed dramatically over the past two years and after prolonged discussion Full Council have agreed to an increase in the 2021/22 Precept amount to £25,500.

This represents an increase of £7,500 (approx. 40%) on the 2020/21 figure. Against a Council Tax Band D base figure of 283.99 this represents an annual increase of £27.08 per household, (equivalent to 52 pence per week). (By way of comparison 2019/20: £53.18; 2020/21 £62.71; 2021/22 £89.79).

This rise is to contribute towards the actual shortfall on previous years, allow for increased activity and for reserves to be rebuilt (prudently the Parish Council should have reserves that cover at least 50% of the annual NRE – this currently equates to approx. £12,000).

- **Financial Year 2022/23**

The increase in Precept for 2021/22 has enabled the Council to move towards the reestablishment of prudent levels of reserves, whilst maintaining the day-to-day activities. It has not however taken Council to a position where it has 50% of annual NRE by way of reserves.

Against this background the Finance sub-committee, at a meeting held on 28th September 2021, agreed to recommend an increase in Precept to £28,500 for the 2022/23 financial year (As provisionally agreed at Full Council meeting held in May 2021). This will allow for increased activity and for reserves to be rebuilt.

- **Financial Year 2023/24**

A further increase in 2023/24 may be required but this will be kept under review by the Finance sub-committee who will make recommendations to Full Council towards the end of 2022. A rise in Precept to reflect post BREXIT and COVID pandemic inflationary pressures and the outcome of the Government Levelling Up taskforce is anticipated.

Proposed Budgets for 2022/23

Please refer to note above and see attached spreadsheets.

Appendix 1

Press release - From: Prime Minister's Office, 10 Downing Street, Ministry of Housing, Communities & Local Government, Department for Levelling Up, Housing and Communities, The Rt Hon Michael Gove MP and The Rt Hon Boris Johnson MP

Published 19 September 2021

Ambitious plans to drive levelling up agenda

The Ministry of Housing, Communities and Local Government will become the Department for Levelling Up, Housing and Communities as the Government delivers on its central mission to level up every part of the UK.

The change comes as former Bank of England Chief Economist Andy Haldane was today appointed as the new Head of the Levelling Up Taskforce.

The taskforce has been jointly established by the Prime Minister and the Secretary of State for Levelling Up, Michael Gove MP.

The Secretary of State will drive cross-Whitehall efforts to deliver a programme of tangible improvements in every part of the UK as we build back better from the pandemic and deliver on the people's priorities.

The Secretary of State will have responsibility for United Kingdom governance and elections. He will therefore also take on the additional title of Minister for Intergovernmental Relations, working closely with the Territorial Offices and leading coordination with the devolved administrations on the Prime Minister's behalf.

He will be supported in the department by new Minister of State Kemi Badenoch MP and Neil O'Brien MP, who has been appointed Parliamentary Under Secretary of State.

Reappointed to the department are Ministers of State the Rt Hon Christopher Pincher MP and Lord Greenhalgh, and Parliamentary Under Secretary of State Eddie Hughes MP.

Andy Haldane will join as a permanent secretary in the Cabinet Office on secondment from the Royal Society of Arts, Manufactures and Commerce (RSA) for 6 months. He will head up the Levelling Up Taskforce that will report jointly to the Prime Minister and the Secretary of State for Levelling Up, Housing and Communities.

The Prime Minister, Boris Johnson MP, said:

This government is committed to uniting and levelling up every part of the UK and I am determined that as we build back better from the pandemic we are geared up with the teams and expertise to deliver on that promise.

Andy is uniquely qualified to lead our efforts to raise living standards, spread opportunity, improve our public services and restore people's sense of pride in their communities. I look forward to working with him, and with my new ministerial team, to deliver the opportunities this country needs.

The Secretary of State for Levelling Up, Michael Gove MP, said:

I'm thrilled that the PM has asked me to lead the Levelling Up agenda, the defining mission of this government.

With a superb team of ministers and officials in a new department, our relentless focus will be on delivering for those overlooked families and undervalued communities across the United Kingdom.

We have a unique opportunity to make a real difference to people's lives.

Commenting on Andy's appointment, the Cabinet Secretary, Simon Case, said:

I would like to congratulate Andy on his appointment. Andy brings with him a wealth of experience and insight from his distinguished career at the Bank of England and in

academia. I am very grateful that he has agreed to join us to lead this ambitious programme of work and look forward to working with him over the next six months.

Andy Haldane said:

Levelling up the UK is one of the signature challenges of our time. It has also been a personal passion throughout my professional career. So, I am delighted and honoured to be making a contribution to this crucial objective by heading the new Levelling Up Taskforce. I look forward to working with colleagues across government, local and national, and with the private and voluntary sectors, to design and deliver an economy that works for every part of the UK.

Department for Levelling Up, Housing and Communities Permanent Secretary Jeremy Pocklington said:

This department is leading the way in championing levelling up, and our recently unveiled second headquarters in the city of Wolverhampton reflects our commitment to driving growth across the UK. I'm incredibly excited that we are at the forefront of such important work.

Tim Eyles, Chair of the RSA, said:

The RSA has a long history of working with government to help resolve the challenges of our time. Levelling up is crucial if we are to unlock untapped potential across the whole of the UK, and is at the heart of the RSA's programmes of work. We are therefore extremely pleased and honoured that Andy has been asked to lead this taskforce.

Appendix 2

1. Local services will face £8bn funding blackhole by 2024, councils warn

Laura Sharman 01 October 2021

Council tax will have to rise by more than a quarter in the next three years to cover the shortfall in funding for local services, the Local Government Association (LGA) has warned today.

Analysis by the LGA reveals it will cost at least £8bn more to keep local services running at today's levels by 2024.

It warned this will put vital services such as homelessness prevention, road maintenance, recycling, and child protection at risk.

The LGA's analysis found council tax income would have to rise by more than a quarter over the next three years in order to meet these extra cost pressures. It said it was 'particularly alarming' that the Government is relying on the use of council tax to fund social care reforms.

The submission calls on the spending review to provide councils with a multi-year settlement which provides sufficient additional funding to meet growing cost pressures and existing challenges.

Councils are also calling for a new £1bn unringfenced Community Investment Fund in 2022/23 to help councils support individuals and tackle priorities in their local areas.

Cllr James Jamieson, LGA chairman, said: 'Councils continue to face severe funding and demand pressures that will stretch the local services our communities rely on to the limit. Securing the long-term sustainability of local services must therefore be the top priority in the Spending Review.'

'If we are to come out of this pandemic with a society that is truly levelled up, the vital services that councils provide must be at the heart of it. Councils need certainty over their medium-term finances, adequate funding to tackle day-to-day pressures and long-term investment in people and transforming places across all parts of the country to turn levelling up from a political slogan to a reality that leads to real change for people's lives.'

A government spokesperson said: 'The Government has allocated more than £12bn directly to councils since the start of the pandemic - with more than £6bn available to spend as they see fit - recognising that councils are best placed to deal with local issues.'

'We have taken historic action to fix the social care crisis that governments have ducked for decades – the Health and Social Care Levy will raise £12bn a year to fund the NHS and social care.'

'The Spending Review will continue to focus on supporting jobs and delivering the public's key priorities.'

2. Counties in council tax warning

Dan Peters 07 October 2021

County leaders have warned council tax bills would have to rise by almost a quarter over three years to get close to eliminating their deficit.

Finance spokesperson for the County Councils' Network (CCN), Cllr Carl Les, said increasing council tax to make up the funding shortfall would be 'unacceptable and unfair for hard-pressed residents' but warned the alternative was 'major service cuts'.

Council tax rises of this scale would mean the average Band D bill could reach as high as £2,680 in some areas, with every county levying a charge of at least £2,200 and an average of £2,386 per year.

The warning comes with the Treasury thought to be considering proposals to allow local authorities to levy higher council tax bills to address their shortfalls without the need for a referendum.

New local government secretary Michael Gove is understood to be more relaxed about social care precept rises than his predecessor Robert Jenrick.

Nothing has been confirmed, with a final decision unlikely before the week of the Budget and Spending Review.

A CCN spokesperson said: 'Unless the chancellor can provide a substantial injection of funding for local authorities over the next three years in this month's Spending Review county leaders say they face the unenviable decision of making major cuts to services as an alternative to proposing heavy council tax rises.'

New analysis published today by the Institute for Fiscal Studies said English councils will need billions more from the Government and big tax rises to maintain services and pay for social care reforms.

Cllr Les added: 'The Government's levelling up agenda must begin with making public services adequately funded.'

3. Chancellor has 'little or no scope' to increase local government funding

William Eichler 12 October 2021

The Chancellor is going to struggle to find money for cash-strapped local authorities despite planning to implement the biggest tax rises in 25 years, think tank says.

The Institute for Fiscal Studies (IFS) has reported that the Government's planned £28bn package of tax rises – announced in the March 2021 Budget – will increase the UK's tax take to its highest sustained level in peacetime.

The IFS also reported that Chancellor Rishi Sunak is overseeing an historic increase in the size of the state. Spending will settle at 42% of national income, more than 2% above its pre-pandemic level and its highest level 'in normal times' since 1985.

However, despite the increase in taxation and the expansion of the state, the 2021 IFS Green Budget calculates that the Chancellor will have to increase spending on services other than health, defence, schools and aid by less than he was planning pre-pandemic in order to balance the budget and may even have to implement cuts to some budgets over the next two years.

Paul Johnson, IFS Director and an editor of the Green Budget, said: 'Rishi Sunak, a Conservative Chancellor, is presiding over an increase in the tax burden to record levels in the UK and an increase in the size of the state (public spending as a fraction of national income) to levels not seen since the days of Mrs Thatcher.

'Yet the combined effects of ever-growing spending on the NHS and an economy smaller than projected pre-pandemic mean that he is still likely to be short of money to spend on many other public services.

'On central forecasts, there will be little or no scope to increase spending on things like local government, the justice system and further education, after a decade of sharp cuts.

'That said, he still faces huge uncertainty over the direction of the economy and hence over the state of the public finances. He will be hoping against hope that stronger than expected

growth in revenues over the next few years will help to dig him out of what still looks like a fair-sized hole.'