



Thurlaston Parish Council

3 Year Financial Plan 2020 – 2023

This is the third 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 possibility of ‘capping’ of Council Tax in coming years and the consequences of the COVID-19 pandemic 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.

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 and 2020.

- 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 and the possible creation of a Unitary Authority.



- 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 has 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 and 2020/21, at £18,000. Bearing in mind our lack of financial reserves the increases have been prudent and whilst ensuring that day-to-day activities continue we have not been able to increase reserves to a satisfactory level. Clearly this is a trend that could not be allowed to continue, and the actions agreed by Council have started to slowly rectify the position.

During the past two years we have satisfied the criteria contained in the MHCLG Statements i.e. we take all available steps to mitigate the need for Council Tax increases and we demonstrate 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 2020/21; 2021/22 & 2022/23

In September 2019, to ensure that the Parish Council was able to continue to meet the above priorities, an increase in the Precept for the years 2020/21 & 2021/22 was agreed.

- ***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 year and after prolonged discussion Full Council have agreed to an increase in the 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 reserves to be rebuilt (prudently the Parish Council should have reserves that cover at least 50% of the annual NRE– this equates to approx. £10,000).

Financial Year 2022/23

The increase in Precept for 2021/22 should enable the Council to reestablish a prudent level of reserves whilst maintaining the day-to-day activities. This will allow for increased activity and for reserves to be rebuilt.

A further increase in 2022/23 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 2021.

Proposed Budgets for 2021/22

Please refer to note above