

Thurlaston Parish Council

3 Year Financial Plan 2022 – 2025

This is the fifth 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 'Cost of Living crisis', 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.

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:

Extract from the Local Government Finance Policy Statement 2023-24 to 2024-25

Published 12 December 2022

Today the government sets out its intentions for the local government finance settlement for the next 2 years. For 2023-24, the government recognises that providing councils with greater certainty on key aspects of their funding is incredibly important for their budget setting process and their ability to plan for the future. We will consult on the proposals within this document at the provisional local government finance settlement in the usual way, which will include allocations. This policy statement sets out the following intentions:

For the core settlement:

- The Autumn Statement announced the freezing of the Business Rates Multiplier for 2023-24 at 49.9p. We will compensate local authorities for the reduction in income as a consequence of this decision. From 2023-24 we will align this level of compensation, including the increase in baseline funding levels, with the default link, established by government policy in 2018-19, between the Business Rates Multiplier and the standard Consumer Price Index (CPI) measure rather than the Retail Price Index (RPI).*
- We will increase Revenue Support Grant (RSG) in line with CPI.*
- We will continue to eliminate so-called 'negative Revenue Support Grant'.*

For council tax, the government is giving local authorities in England additional flexibility in setting council tax by:

- Protecting local taxpayers from excessive increases in council tax, by setting the referendum threshold at 3% per year from April 2023 for shire counties, unitary authorities, London boroughs, and the Greater London Authority, without a local referendum. Councils can set higher increases if they wish, via consent of a local referendum.*
- In addition, local authorities with social care responsibilities will be able to set an adult social care precept of up to 2% per year, without a referendum.*
- A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts.*
- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority (GLA), as requested by the Mayor of London – while this request will not be opposed, the government is disappointed that London taxpayers are having to foot the bill for the GLA's poor governance and decision-making.*
- Setting no council tax referendum principles for Mayoral Combined Authorities (MCAs).*
- **Setting no council tax referendum principles for town and parish councils.***

- *A £5 referendum principle on Band D bills for all fire and rescue authorities. A £15 referendum principle on Band D bills for police and crime commissioners.*

It is for individual authorities to determine whether to use the flexibilities detailed above.

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 taking account of the above criteria.

Parish Council Priorities

The following priorities, which may impact upon the Parish Council financial position, were discussed and initially agreed at a full Parish Council meeting held on 20th November 2018 and reaffirmed at Council meetings held in November 2019, 2020 and 2021. Subsequent to this the Finance Sub Committee of the Council have monitored these and make recommendations to Full Council as appropriate.

- 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 Reserve figure was totally inadequate to meet the Council’s capital requirements and made the Council vulnerable to any unforeseen financial demands that it may face.

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 initially 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; 2021/22 at £25,500 and 2022/23 at £28,500. 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 in line with the stated policy.

During these years we have also satisfied the criteria contained within successive Government Policy 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.

In view of the above improvement in the general financial position the Finance sub Committee recommend that Council increase the Net Reserve Expenditure policy to maintaining a reserve at circa 75% of NRE. Based upon current forecast expenditure Council will be able to reach this position within 5 years without the need for additional increases in the annual precept.

Precept setting

Council has agreed to an increase in the 2023/24 Precept to £29,212. This increase will enable the Council to meet the priorities and ensure that the financial reserves are maintained at a satisfactory level.

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

Financial Year 2021/22

An increase in the Precept to £25,500 was recommended by the Finance sub-committee and agreed by full Council.

This rise was to contribute towards the actual shortfall on previous years, allow for increased activity and for reserves to be rebuilt.

Financial Year 2022/23

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

Against this background an increase in Precept to £28,500 for the 2022/23 financial year was agreed. This allowed for increased activity and for reserves to be increased.

Financial Year 2023/24

The prudent budgeting and Precept increases over recent years have allowed Council to vastly improve the financial position, where they are now on a sound footing for the future.

Historic Government directed financial restraint, the consequences of the COVID-19 pandemic, the ‘Cost of Living crisis’, the Governments Levelling Up agenda and the possibility of ‘capping’ of Council Tax in coming years means that it is prudent for Council to increase the precept to £29,212 for 2023/24.

This figure represents a minimal increase of 2.5% and will increase the Band D Council Tax figure by £3.11 from £97.56 in 2022/23 to £100.67 for 2023/24. These figures compare favourably with the national average figures showing increases of 5.3% and £3.98 (See Appendix 1).

Financial Year 2024/25

Against the very uncertain financial conditions we find ourselves facing it is difficult to predict how inflationary pressures will affect Council finances during the next 12 months.

The uncertain political situation may also have an impact and any change in Government Policy will have to be accounted for.

It is anticipated that a further increase in the Precept will be required next year.

Proposed Budgets for 2023/24

Please refer to above and see attached spreadsheets.

Appendix 1

Extract from Council Tax levels set by local authorities in England 2023 to 2024

Published 23 March 2023

Table 5: Average Band D parish precepts for England 2019-20 to 2023-24

Year	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
Total number of precepting parishes	8,859	8,886	8,877	8,874	8,883
Tax base (thousands)	8,253.8	8,532.7	8,600.7	8,757.7	8,984.0
Aggregate of local precepts (£000)	554,492	596,362	618,060	655,138	707,868
Average parish precept per Band D (£)	67.18	69.89	71.86	74.81	78.79
Change (£)	3.14	2.71	1.97	2.95	3.98
Percentage change (%)	4.9%	4.0%	2.8%	4.1%	5.3%