

**Agenda Item:** 8

**Report to:** Full Council

**Date:** Wednesday 16<sup>th</sup> December 2020

**Subject:** To receive recommendations from Finance & Human Resources Committee with regard to the budget for 2021/ 2022

**Summary:** To consider cost cutting measures and governance improvements as detailed in the financial investigation report.

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**Decisions required**

- **To consider the recommended changes from the Finance & Human Resources Committee to the 2021/ 2022 budget as detailed in the financial investigation report.**
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**Background**

At the Finance & HR Committee in November it was resolved to recommend to Full Council to make the recommendations from the financial investigator and apply them to the draft budget for 2021/2022.

Below is each recommendation and an explanation of what this means for the budget and/ governance.

Due to cash flow issues caused by the pandemic the parish council is considering temporary borrowing from the Borough Council. A proposed figure of £60,000 will need to be included in the 2021/ 2022 budget to ensure repayment terms are met.

This is a forecast and it is hoped that the parish council will not require the full £60,000.

**To proceed with all the recommendations from the Finance & HR Committee the precept would increase by 23.37%. The precept value would be £484,279.00. The Band D equivalent would be £115.22.**

## Recommendation 1

Any organisation in the critical financial position that KHPC is in should conduct a thorough review of all its activities and look to where it can make savings, and if possible, generate more income. Clearly, with the Covid-crisis still very much with us, the latter option is not realistic. 'Business as usual' is not an option. The Parish Council no longer has the luxury of spending money on 'nice to have' items.

This process starts with the current financial year and is essential to planning for 2021-22 and beyond. An analysis of all overhead costs must be undertaken, and action taken to reduce expenditure where possible, in the short and medium term. Any risks associated with cost-cutting must be clearly analysed and understood.

A key principle in this review is that the Council should consider its role in directly managing services, contracting them out or facilitating the activities of other organisations. On the principle of opportunity cost the council should consider where it is subsidising the activity of certain residents, and by so doing, does not have the capacity to assist others. Areas to consider include (but are not limited to):

- Grants
- Sports Park
- Community Centre
- Allotments: many councils find themselves in the position of incurring net expenditure and a significant amount of staff time in running allotments. Self-management by tenants obviates an ongoing financial and staff-time commitment by the council and should be considered. This would clarify the role of the Council as a landlord, not an operator of a service.
- Open spaces, in particular landscape costs
- Events
- Projects"

### What this means for the budget

			<b>Saving</b>
<b>Staff Costs</b>	Make redundant the roles of Assistant Clerk and Marketing Assistant		£23,500
<b>Staff Costs</b>	Reduction in pension costs due to redundant roles.		10,000
<b>Grants</b>	Take out S137 payments and amend website to state there is no budget for	This had already been reduced in proposed budget.	£500

	grants.		
<b>Community Centre</b>	Do not proceed with the marketing plan and use existing website and booking procedure.  This was agreed by the Amenities Committee in November 2020		£6,000
<b>Community Centre</b>	Reduce equipment and renewals to only include blinds for the new hall. This means that the old carpet will stay at the entrance to the new hall.		£7,000
<b>Allotments</b>	Do not proceed with the rocky road to the allotment site in 2021/ 2022		£1,000
	Reduce the number of weed spraying at the allotment site and do not mow the grass paths (the tenancy agreement states that this should be undertaken by the tenants)	Half the budget	£1,000
<b>Open Spaces</b>	Lapins Lane, Anson Ave and Garden Way landscaping.	Currently mow the grass fortnightly – KCC mow approximately once every 5 weeks.	£1,500
<b>Open Spaces</b>	Reduce monthly cleaning of bus shelter to bi monthly		£271.00
<b>Salt Bins</b>	Do not fill salt bins – this is not a statutory		£700

	obligation.		
<b>Events</b>	No budget for easter egg hunt		£50
<b>Events</b>	No budget to obtain new radios for Remembrance Parade – can use the ones we have for another year.		£1,000
<b>Projects</b>	The allotment drainage and air conditioning units for KHCC had already been removed from the proposed budget.		
<b>Projects</b>	3G surface replacement	Deferred until 2022/ 2023	40,000
		<b>Total Savings</b>	<b>£92,521.00</b>

## **Reductions in Income**

### **Community Centre and Sports Park**

It is impossible to predict what lockdown situations maybe in 2021/ 2022 but to be financially prudent and to stop the reserves being used due to an aspirational income target, it is recommended that the income is reduced.

### **Decision Required**

**To consider the recommended changes from the Finance & HR Committee to the 2021/ 2022 budget.**

### **Recommendation 2**

The council should seek to identify a professional community sports and leisure management company to take over day to day control of the Sports Park. In so doing the council will reduce the financial and operational risk inherent in direct management. Such an agreement must be of sufficient length to ensure that long-term planning and investment is viable. Taking legal and financial advice on the terms of any contract is essential.

- A management fee will need to be budgeted for along with a sinking fund for maintenance of the pavilion.

### **Decision Required**

**To include the maintenance sinking fund for the Sports Park.**

### **Recommendation 3**

The Council should properly implement its policy for General and Earmarked Reserves. A thorough analysis of the required level of General Reserves must be part of the budget setting process for 2021-22. The figure will be not less than 3-months expenditure, so it is further recommended that this is used as the baseline target figure with immediate effect and reconsidered when a financial action plan is agreed. The council should consider, in its annual review of the General Reserves figure, whether the agreed level is explicitly written into the Reserves Policy for the forthcoming year for the avoidance of doubt.

### **What this means for the budget and governance**

Section 50 of the Local Government Finance Act 1992 requires that Local Councils have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The terms of reference for the Finance & HR Committee state at 3(iii)

*"to Monitor reserves to ensure that surpluses are not built up other than for working capital or for earmarked projects and known liabilities, ensuring that sufficient reserves are retained for future maintenance, replacement or upgrading of items for which the Council is responsible"*

A report showing the level of reserves is presented to the Finance & HR Committee on a monthly basis so that they can fulfill their terms of reference.

**Three months expenditure would result in £150,000 being added to the budget. This could be phased over a three year period.**

### **Decision Required**

- **To update the General and Ear Marked Reserves Policy to include three months expenditure as recommended by the financial investigation.**

- **To phase the reserves replacement over a three year period resulting in £50,000 being allocated to the 2021/ 2022 budget.**

#### **Recommendation 4**

The council should utilise a rigorous risk management model for all its activities, identifying (at a minimum) the impact of potential risks and mitigation measures taken or proposed to reduce the risk. The corporate body of the council is responsible for the management of risk, including the identifying, setting and recording of risks.<sup>1</sup>

#### **Current Procedure**

The Finance and HR Committee undertakes the risk assessment and recommends to full council for adoption at the Annual General Meeting. New activities are assessed by the Finance and HR Committee, as determined in the terms of reference and approved by Full Council.

d) ix. Undertake a financial risk analysis annually and review the Council's insurance arrangements to ensure that property and identified risks are adequately insured

k) i. Receive and approve financial plans for new activities / events / service provision from other committees.

Standing order 5k ivii, states:-

"xvii. Review of the Council's policies, procedures and practices in respect of its obligations under freedom of information and data protection legislation."

It is at this meeting where the parish council as a corporate body reviews its policies, procedures and obligations.

#### **Proposed Procedure**

The Finance and HR Committee consider the preparation of a full risk register and review risk assessments for all the activities of the parish council.

Every written report presented to the council must include a section assessing the risks of the decision to be made.

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<sup>1</sup> Governance and Accountability of Smaller Authorities in England 2020

### **Decision required**

- **To agree the Finance and HR Committee review and prepare a full risk register of the council's activities for consideration at the Annual General Meeting.**

### **Recommendation 5**

The council should undertake in-house training on its key policies. This is so that existing members refresh their understanding and new councillors can be made aware of their significance at the earliest opportunity. The training needs to emphasise the importance of adherence to these policies, which are legal obligations, not guidance. In the context of this report the key policies are:

- Code of Conduct
- Financial Regulations
- General and Earmarked Reserves
- Protocol for Councillor and Officer Relationships
- Standing Orders.

### **Decision Required**

**To agree Finance & HR Committee prepare an in house training programme for councillors on key policies.**

### **Recommendation 6**

The council should review its committee and decision-making processes including reports supporting agenda items, so councillors are adequately informed of issues prior to meetings and the recording of resolutions and the context in which these resolutions have been made is clear and comprehensive.

### **Decision Required**

**To agree Finance & HR Committee to draft a policy to guide the council in its decision making processes which will include an agreed format for written reports.**

### **Recommendation 7**

Kings Hill Parish Council must ensure that any significant financial commitment in future is subject to a rigorous risk and business case assessment utilising an approach such as The Five Case Model developed by the government for use in the public sector: [fivecasemodel.co.uk/overview](http://fivecasemodel.co.uk/overview).

## **Decision Required**

**To include the five case model for financial reports.**

## **Alternative Budget**

If the council does not decide to hand over the management of the sports park to a third party in April Appendix L shows the effect on the budget.

**To reject the recommendations from the Finance & HR Committee the precept would increase by 23.41%. The precept value would be £484,464. The Band D equivalent would be £115.27.**

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Date: 7<sup>th</sup> December 2020