

FINANCE STRATEGY

To create a financial strategy which should be followed to ensure that the Parish Council (PC) keeps effective control of its budget(s) and to ensure that expenditure is made in a prudent and proper manner.

The financial strategy will need to link in with and be considered with any other strategy the PC follows in respect of general activities and the 'direction' which it decides to take in carrying out its duty of care to the people of the Parish.

A) GENERAL MONITORING AND CONTROL

- 1) The Parish Clerk (as Designated Financial Officer) to maintain effective control systems to ensure recording of all income and expenditure.
- 2) The Parish Clerk to prepare and present details of income and expenditure at each Parish Council meeting, on what has occurred since the previous meeting.
- 3) A Councillor to be allocated responsibility of assisting the Parish Clerk with financial control, not in the role of overseer, but to provide advice and assistance to ensure that reports presented to the PC are correct and accurate.
- 4) An annual budget (Precept) to be prepared and agreed by the PC for the following financial year.
- 5) A Budget report to be prepared by Parish Clerk and allocated Councillor for presentation at each PC meeting. This to ensure that income and expenditure are considered against the original budget, that finances are on track and where potential savings or areas of over-expenditure might be occurring, so that early action can be taken as required.
- 6) A full annual report on income and expenditure to be presented at the Annual Parish Meeting so that Parishioners have ability to raise questions on any matter.

B) ACCOUNTS AND RESERVES

- 1) The PC operates different accounts and reserves each of which have their own particular responsibility and reason for existence. These reasons and responsibilities however, differ

greatly in need and direction. A financial strategy must cater for these differences and try to co-ordinate the differing needs and requirements.

2) **General Account**

- i) To cover the day to day requirements of the PC. Needs to meet a wide variety of different types of expenditure, as it is responsible for all areas of expenditure, statutory costs, operational costs and general maintenance.
- ii) The Account should maintain a reasonable balance at the end of any financial year, this to ensure that the PC always has an appropriate level of funds in hand with which to operate in the following financial year until Precept income is received.
- iii) The Account acts as a 'sponge' by this it is meant and accepted that balances can fluctuate either up or down at the end of any financial year, as the PC might wish for any particular financial year to set a deficit budget or a surplus budget. It is within this Account that any surplus will accrue or any deficit will be met.
- iv) The Account is the prime receiver of income for the PC as it is where the Precept is initially received. Funds are then allocated based on policy to the other Parish Reserves to fulfil their specific tasks.
- v) The Annual budget allocation to cover all known expenditure in the General Accounts and Reserves, with an unallocated amount held in the General Account to meet unexpected costs or unforeseen maintenance issues. The unallocated amount if not used can be allocated to a specific Reserve towards the end of the financial year, or retained within the General Account as a surplus amount.

3) **Parish Plan Reserve**

- i) To cover expenditure incurred with implementing initiatives outlined in the Parish Plan. Initiatives could be Short, Medium or Long Term.
- ii) The Reserve only exists as long as initiatives remain. Once all initiatives are complete the Reserve to be closed. Any balance remaining to be returned to the General Account.
- iii) Funds transferred to this Reserve must be based on expected need and as when required, and when they can be afforded.

4) Village Green Reserve

- i) Reserve created under a Section 106 Planning Agreement. Reserve held to produce income from which to maintain the Village Green and Flood Alleviation Area (FAA) (Playing Field) only.
- ii) The level of the Reserve as a matter of financial principle should be increasing year on year to combat the effect of inflation and to ensure that the Reserve in future years is able to meet increased costs of maintenance.
- iii) The Reserve to meet all costs incurred with the maintenance of the Village Green and FAA. This includes grass cutting, ditch and flood channel clearing, insurance premiums, maintenance of on-site equipment and occasional tree lopping.
- iv) In normal circumstances the Village Green Reserve receives no income from the General Reserve, as investment income will exceed expenditure. However, in the current abnormal financial climate with consistent low interest rates funds need to be moved to the Reserve to preserve the capital level. This however, would only occur until income from investment is able to meet expenditure incurred.

C) STRATEGY

- 1) Annual Precept to be increased in line with DAPTC advice of a 3% to 5% window, unless the PC agrees for any particular year to operate a deficit budget. In which case no increase in Precept might occur. See Note A) 4).
This position is for 2016/17 only. In view of the changes likely to occur to Local Authorities throughout Dorset, and the advice to increase substantially the local precept, the percentage stated may be exceeded in future financial years.
- 2) Budget report to be presented to PC at each meeting showing under or over expenditure as against budget, to allow opportunity to take early action as required. See Note A) 5)
- 3) General Account to maintain a balance figure of £6,000 to £6,500 at the end of each financial year. See Note B) 2) ii)
- 4) An unallocated amount to be held in the General Account to meet unexpected costs or unforeseen maintenance issues. The unallocated amount to be £500. See Note B) 2) v)

- 5) Precept to allocate funds to Parish Plan Reserve and Village Green Reserve. To maintain the Village Green Reserve while interest rates are low, and to allow initiatives in the Parish Plans to be planned and implemented. See Note B) 2) iv)
- 6) The basic concept that expenditure can be made in one area, while another area loses funds is not a prudent financial course to follow. This must be avoided. The only alternative is to accept that the General account balance has a 'deficit' position for that year. Even so this must be for a single year at most, and to meet what is accepted by the whole Parish Council as a potential lost opportunity if such expenditure (and the deficit) is not incurred. See Note B) 2) iii)
- 7) Parish Plan initiatives should be costed and prioritised and timings set, to allow funds to be moved prior to or in the year when they are required. Because initiatives are new expenditure to the PC if there is a limitation of funds then some initiatives will be delayed until finances are available to complete them. See Note B) 2) iv) & B) 3) iii)