Weston under Penyard Parish Council – Financial Management February 2019

1) FINANCIAL MANAGEMENT

In the current financial year 2018/19 the PC is again struggling to undertake sufficient value-added work to match their planned expenditure. The last published Budget Update report (Dec. 2018) shows that, with 75% of the year gone, only 29% of the budget had been spent. Even if the £2,000 for SIDS had been spent this would only rise to 40%.

Parishioners are not getting value for money. They should be entitled to see their money put to good use each year. According to the end-December Budget Update report, the only value-added money spent is £665 - all other expenditure being for administration purposes (more if we had been paying a Parish Clerk throughout).

Given the PC's difficulty in carrying out value-added work it is unfortunate that for the third year running the PC has set the same elevated precept of £12,500 without demonstrating that it can do any better than it has done in the last three years to manage the same amount. In the past three years they have not only failed to spend very much of this money on value-added work for the rate-payers but they have also failed to undertake enough work on the Lengthsman and P3 Footpaths programme to enable them to claim all the precious funds due to them from Herefordshire Council.

It is not clear whether the PC has developed and agreed a fully detailed budget for 2019/20 to support the precept level at £12,500, but no such budget appears to have been posted on the website.

As a result of this ongoing problem it seems that the idle cash in the PC account is continuing to grow. Over the past three years there has been a threefold increase in this cash fund. The reserves are not kept for identifiable purposes and they are excessive.

To emphasise these and other items some key points from The Good Councillor's Guide to Finance and Transparency are attached at the end. Many of these points are explanatory statements but others are essential processes which the PC should comply with at the earliest opportunity. The PC's continuing difficulties can be corrected if it observes all the areas highlighted in bold.

2. FINANCIAL REPORTING FORMAT

Regarding the financial reporting format, software and a possible "off-the -shelf" accounting package, an easy option is to return to the excel reporting spreadsheet that was used successfully up until April 2017. However careful consideration could be given to the purchase of a proprietary accounting package. Below is an example of such a package which claims to do everything needed, and more perhaps. It may not be easy to use however, but it only costs £60 pa with a free 3-month introductory offer.
http://mijan-consulting.co.uk/easy-pc-accounts/

3. UNSPENT SURPLUS FROM THE WESTON UNDER PENYARD NEIGHBOURHOOD DEVELOPMENT PLAN

On 7th November 2016 the parish council resolved as follows:

"15. Neighbourhood Plan surplus –

Request received to allocate the whole of the unspent surplus of £5,004.64 remaining from the preparation of the plan to the four projects set out in Annex 1 to the Weston under Penyard Neighbourhood Development Plan. All approved. To be allocated as a separate column in the accounts."

Comment:
As directed by the resolution of 7th November 2016, this allocated fund must be shown separately in the accounts so that it is clear what this sum is and how it is to be used. Apparently, this has never been done and so the PC is in breach of its own resolution.
The funds are available for expenditure incurred in supporting approved work under the four projects. The funds should not be entered as expenditure in the annual budget unless actual activity and costs are identified under one or more of the projects. If the PC continues with very little activity on the Projects, the PC is even more likely to fail in spending the allocated annual budget. This emphasises the importance of agreeing a budget on a logical basis, starting with a list of activities that are planned for the next financial year.

As a hypothetical example, if the PC resolved to create a community garden then they would estimate the costs for the next year and then they would be able to allocate some or all the £5,004.64 for this purpose, under the banner of Project 2 Services and Facilities.

REQUESTS TO PARISH COUNCIL

1. **Will the PC please publish a budget update report for February 2019 at the earliest opportunity?**

2. **Will the PC please publish an agreed detailed budget for the year 2019/20?**

3. **For future budgets will the PC please agree to follow the key stages in the budgeting process as recommended in The Good Councillor's Guide to Finance and Transparency?**

4. **Will the PC please set up a General Reserve fund with clearly defined reasons, as recommended in The Good Councillor's Guide to Finance and Transparency?**

5. **Before the start of the next financial year will the PC please adopt a recognised format for monthly report financial reporting.**

6. **Will the PC please implement without delay their resolution of 7th November 2016 in respect of the unspent surplus of £5,004.64 from the NDP and only allocate any or all this sum to clearly identified, costed and agreed projects?**

John Smart
26th February 2019

Extracts from The Good Councillor's Guide to Finance and Transparency

FINANCIAL MANAGEMENT AND ADMINISTRATION

*"……………… all **councillors share collective responsibility** for the financial management of the council."*

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*"The rules protect community assets and aim to **make best use of public money**."*

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*"Councillors should always ensure that they have **an up to date knowledge** of the financial position throughout the year, …………"*

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*"No council wants to risk being the subject of **adverse local media coverage** relating to **financial mismanagement, lack of control** or **poor budgeting**."*

BANKING AND INTERNAL CONTROLS

*"The council may also have **separate interest-bearing bank accounts** to hold funds either for **general reserves** or ear-marked **reserves for specific projects**."*

BUDGETING AND RESERVES

*"The **key stages in the budgeting process** are:*

1. ***review** of current year budget and spending;*
2. *determine the **cost of spending plans**;*
3. *assess levels of anticipated income;*
4. *provide for contingencies and the need for reserves;*
5. ***approve** the budget;*
6. ***set the precept**"*

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*"However, there is evidence that local taxpayers are willing to pay more if they can **see the results** in terms of better local services. Local electors will often be prepared to **contribute more** for **tangible local community benefits**, rather than pay an amount where it appears that the council is not active on behalf of the community **and is merely administering itself**. The council should consider consulting the local community for their views."*

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*"During the year the clerk/RFO should **produce at meetings budget monitoring documents**, bank reconciliations, and draft accounts which will **enable progress against the budget to be regularly monitored**. By reviewing the budget against actual expenditure on a regular basis at council meetings, the council can **control and monitor** its finances which will **provide early warning** of any potential shortfall and what action may need to be taken."*

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*"………………it is important that the council holds **sufficient reserves**.*
*Any **unspent balances** at the year-end will be transferred to the **general reserve**."*

RESERVES

*"A council should typically hold between 3 and 12 months expenditure as a **general reserve."***

*"The council may have 'earmarked reserves' for **specific projects**, where money is **allocated for a specific purpose** but **may not be spent** in that financial year."*

COUNCIL TAX PRECEPTS

*"The council must **approve a budget before** it sets a precept."*

TRANSPARENCY CODE FOR SMALLER COUNCILS (UNDER £25K)

*"Transparency aims to give local electors the information they may need **to hold local councils to account**."*

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*"It requires the **online publication** of certain information to allow local electors to access relevant information about council finances and **provide taxpayers with a clear picture of council activities, spending, and governance."***

COMPLIANCE WITH THE CODE

*"The data and information specified in this Code **must be published on a website** which is publicly accessible and free of charge."*

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*"If the information is only displayed on the local notice boards then this is not sufficient to comply with the Code – **it is required to be available on a website**."*

PUBLICATION OF END OF YEAR ACCOUNTS

"The statement of accounts must be accompanied by:

- *copy of the bank reconciliation for the relevant financial year;*
- ***explanation of any significant variances** (e.g. more than 10-15%, over £200) in the statement of accounts between the current year and previous year;*
- *explanation of any differences between 'balances carried forward' and 'total cash and short-term investments"*