

Finance Panel Event Questions and Answer Session

1. Some Parish Council staff have reduced workloads, can the Parish Council use the Job Support Scheme?

If the staff are fully funded from the Precept then unfortunately the Job Support Scheme cannot be used. This would apply in the case of office-based staff e.g. clerk, deputy, finance and admin staff.

However, in circumstances where a proportion of the staff's costs are paid from a source other than the Precept e.g. from fees and charges for the service in question, and where this income has been lost or significantly reduced, the scheme may be relevant. This may apply in the example of a council run leisure centre or café.

This is a judgement for each Council to make. I am aware that a large number of Councils, ourselves included, have successfully made claims under the Job Retention Scheme and plan to make claims under the Job Support Scheme.

We have done so for our sports complex staff, but with the acknowledgement that we may have to repay some of the monies claimed as the service is partly funded by fees and charges and partly by the Precept.

Yes – but only if the service is not mainly or fully supported by Precept, councils will need to check this with their billing authorities. (Weston super Mare Town Council)

2. Maybe I am having a thick moment, but how will Covid-19 affect the tax base, please? Can you explain? This could affect all of us.

The Council Tax Base is a calculation of the number of chargeable properties in any given area for council tax setting purposes.

The total number of properties in an area is adjusted to take account of a variety of factors including empty properties, households in receipt of council tax support (benefits), discounts such as for single person households, collection rates etc.

COVID-19 could have a negative impact on the Council Tax Base as increasing job losses and unemployment could result in increasing numbers of households seeking support with their council tax bills and on collection rates. There has also been a downturn in new housing development.

This will likely result in Council Tax Bases decreasing, thereby reducing the tax raising capacity of town and parish councils e.g. the set a stand still Precept with a reduced tax base would result in an increase in council tax being required just to stand still.

Band D tax base is calculated on a number of factors by the billing authority one of which is collected revenue, as such if there has been a reduction in people being able to pay their council tax (so in this example as a result of the COVID pandemic, with unemployment and redundancies rising across certain areas) this calculation is considered and passed down in the Band D tax base which is used by Towns and Parishes to calculate their precept. (Weston super Mare Town Council)

First find out how many band D properties are there and then add new band D built. This number is adjusted for, people claiming council tax benefit, exempted from paying council tax, people who are on benefits and any council tax not covered in previous year. All this is adjusted in the

The Society of Local Council Clerks is a company limited by guarantee and registered in England and Wales with company registration number 10566132. Registered office: 8, The Crescent, Taunton, Somerset TA1 4EA.

calculations to work out band D tax base. If more people are claiming benefit, the band D tax base will go down and hence it will limit your tax raising powers and have effect on the precept.

- 3. Small Business Grant Fund & Retail, Hospital & Leisure Grant Fund 2020/21 - we received a letter from our district council to say we could receive this, then another to say we couldn't as the property relating to the small business rate relief was a car park. ok, understood. Then village halls were in receipt of the RHLG Fund. I queried why we couldn't receive this as one of our buildings is used similar to a village hall - has coffee mornings and is used for meetings/events by various local groups all of which were cancelled. They then said that yes we could receive this grant and also for another property we had on our rates account - the market. They have then written back again to say sorry no it doesn't apply. I am a bit confused. Has anyone else received this grant?**

It was our understanding that town and parish councils were not eligible for these grants.

Car parks are not entitled to any kind of grant. Local councils are not entitled to the retail, hospitality and leisure grant although venues owned by others such as charities may be.

No – we were told we were not able to claim (Weston super Mare Town Council)

Yes here at Royal Wootton Bassett TC, we were invited by the county council to apply for the grant and have been awarded £8,000.

- 4. Central government gave and give money to principal authorities to manage finance during COVID. How can we access this money, what other funding streams are available to help with lost income due to COVID?**

The funding provided by Central Government to principal authorities is for those authorities to determine how best to use to help their communities and local businesses during the pandemic.

Town and parish councils can only make contact with their principal councils and make the case for a proportion of the funding to be passed down.

The only government support that I am aware of that town and parish councils can access is the Job Retention Scheme and the new Job Support Scheme, which can be used in specific circumstances – see the response to question 1 for further details.

The only other port of call is to keep an eye on the situation with regard to business interruption insurance – although at the minute it is looking unlikely that insurers will be obliged to accept claims.

We have written to our District Council and had a meeting with the head of finance to discuss these options – I would suggest doing this but we have been advised there is no money able to come down due to shortages there (Weston super Mare Town Council)

- 5. With principal councils facing huge financial pressures the desire to offload assets (or more likely liabilities) to towns and parishes may become more of a priority for them. How should local councils budget for potential assets coming our way, particularly when we don't know what will or won't, and we don't know if our members will want them or not?**

I would suggest that you can only prudently budget for the services that you currently provide and for any decisions with regard to taking on additional services that have already been taken or that are ongoing and looking likely to be agreed. Otherwise you are trying to budget for things that may not even happen.

It may be prudent, particularly in the current circumstances, to build in a contingency sum to your Revenue Budget in order to provide some scope to deal with any unforeseen budget issues next year. This is something that we have done for a number of years now.

Have the conversations now, speak with your local authority and ask the questions if you think there is any likelihood of this happening, that said these things rarely happen quickly so I would like to think that with some careful medium term financial planning parish and town councils can be ready in the event they do and indeed the council choses to take them on. (Weston super Mare Town Council)

6. What do you find the best methods to communicate your precept increases (amount and not percentage!) to the taxpayers?

We try to avoid using % increases and usually refer to the increases in terms of an amount per month or week. Per month is probably the most relevant as most people pay their council tax by monthly direct debit.

We undertake an annual budget consultation exercise, meeting with our Customer Panel and issuing an online budget survey prior to setting the precept, and then tend to use the local newspaper, council newsletter and social media to publicise the budget and council tax increase.

Never as a percentage! – have this up your sleeve as RFO as undoubtedly you will be asked by your members.

Always state in your budget papers in physical money. We break this right down to what the increase will be per week to a Band D property (you will be surprised how little this is in most cases!) (Weston super Mare Town Council)

The best way to communicate to people is breaking down the any increase in precept in days. So if your precept is going up by £5 per year – you advise them it is going up by £0.013 pence per day and people can understand that. If you try to explain in %, they will panic and raise the questions.

7. Has anyone put in insurance claims for business interruption due to loss of revenue resulting from COVID?

We are keeping a close eye on the situation with regard to business interruption insurance but have not yet put in a claim. I believe this has been subject to a test case with the Financial Conduct Authority about the wording of policies. It may be worth having a conversation with your insurance company about this and asking to be kept up to date with any developments.

No Not covered – we checked with our insurer (Weston super Mare Town Council)

It is worth checking out the small print within your policy to make sure pandemic situation is included before making any claim

8. We often build up and jealously guard reserves, fearing criticism from auditors if we spend any. If next year turns out worse than expected is not COVID-19 a legitimate reason to dip into reserves, if ever there's going to be one?

A proportion of reserves should be earmarked for specific purposes e.g. capital investment, with the remainder set aside as a general balance to provide protection against any unforeseen budget issues.

I would have thought your auditors would be more critical if you were building up and hoarding reserves with no clear plan of what they are being held for and not spending these.

Of course, you also need to make sure that your balances do not fall below minimum recommended levels.

Having a Medium-Term Financial Plan and Asset Management Plan provide a good way of planning how much you need in reserves over the medium to long term and justifying this to auditors and your local community.

Yes – this is what general reserves are for, they are there to protect the councils businesses in the event of needing extra cash. General reserves should not be seen in my opinion as a extra saving pot! Just ensure you include in your financial planning how you are going to replenish them in this event (Weston super Mare Town Council)

9. We are at a huge risk that our DC's & BC's may not be able to collect enough CT to pay us our precept, is there any guarantee that we will still get our precept?

Your precept, once set, is guaranteed to be paid by law.

What you do not have any control over is your Council Tax Base, which may well decrease significantly for next year, thereby reducing your tax raising capacity. Please see the answer to question 2 for further details.

Yes – Precept is guaranteed there is no cap and Billing authorities have to pay the demand raised by towns and parishes (Weston super Mare Town Council)

They cannot hold back the council tax collected from your parish as far as I am aware

10. Each year we are threatened with referendum principles what do you think the likelihood is of capping being introduced to this sector in the coming years?

In the current circumstances I would hope that the Government would not introduce referendum principles for town and parish councils for next year, but I would not rule out these rules being implemented in the longer term.

The Government will hopefully announce whether referendum principles will apply in 2021/22 in the Comprehensive Spending Review later in the year.

Nil

No – personally don't think so having heard this conversation for over 14 years now (Weston super Mare Town Council)

11.What is the difference between Real Living Wage and National Wage?

The National Living Wage is the statutory minimum wage rate that must be paid by all UK employers and is currently £8.72 per hour. The lowest local government pay rate is well above this at £9.25.

The Real Living Wage is £9.30 per hour (£10.75 in London) and is calculated by the Living Wage Foundation based on their assessment of the real cost of living. This is not a mandatory rate but the Foundation encourage all employers to voluntarily pay this higher rate.

Most town and parish councils pay their staff according to the National Joint Council for Local Government Services Pay Scale.

**National Living wage is set and has to be paid as per government guidelines
Real living wage recognises the actual wage needed to be able to live comfortably and is optional to choose to pay to staff. Please look up both for a more in depth answer (Weston super Mare**

12. Will furlough schemes count as benefits for the purposes of the TAX Band D formula?

No, the furlough scheme is not relevant to the calculation of the Council Tax Base.

I would think so those on that scheme, may have claimed council tax benefit

13. What do you think will be the impact on audit over the next couple of years?

I do not foresee any major changes to the internal audit and external audit regime for town and parish councils in the next few years.

I don't see any fundamental things will change? (Weston super Mare Town Council)

14. With Parish Councils now being told how much to have in their reserves for best practice if your reserves are low the only way to increase them is to increase Council Tax but risk that residents due to COVID may not be able to afford to pay it.

If you feel you need to build your reserves for specific purposes e.g. to fund future capital investment, I would recommend trying to build a top up to capital reserves into your Revenue Budget and being open with your local community as to why you are doing this.

You may have to make reductions elsewhere in your budget to accommodate this and keep your council tax increase to a reasonable level in the current circumstances.

Having a Medium-Term Financial Plan and Asset Management Plan provide a good way of planning how much you need in reserves over the medium to long term and justifying this to auditors and your local community.

I think the key here is best practice, but also recognition that there is no statutory level that reserves have to be at. A well planned 5 year financial plan may help (whatever size council) this way you can potentially spread any increase to CT over a longer period to replenish reserves in a more prudent way (Weston super Mare Town Council)

To avoid sudden increase in the council tax, best practice is to increase council tax each year slowly and you can replenish your reserve, and avoiding hitting them with big increase

15. Could Sarah tell us a little more about the asset-based community development ideas that she mentioned

ABCD – is a theory used in a lot of settings now especially within communities and social / wellbeing setting, the principle is recognising what assets are within your communities that the council can utilise, enable, support and work in partnership with to deliver services in a different way. For example: our town council would like to initiate a food waste scheme as part of its climate emergency aspirations to become carbon neutral in 2030. So we have identified that if we provide a Community fridge and initiate the set up (we have staff resources and provision to do this) by working with the community we have identified a group who will then take over management of this and the day to day running. Without recognising the community as the asset to deliver this the Council could have had additional cost to manage this. It's about recognising more than £'s as resources and physical buildings as assets. Look into what other resources and who is best placed to deliver services in the best way. Outcomes v's Outputs and Form to follow purpose! 😊 (Weston super Mare Town Council)

16. We need to increase our Precept to pay for a new community facility, however how can we justify to the community the increase when so many are suffering financially from the pandemic?

You can only undertake consultation with your local community e.g. via an online meeting or survey to explain your financial situation and why you need to put your precept up to pay for the new facility, and hope that you receive a positive response.

Your only alternative is to make savings elsewhere in your budget to offset the costs of the new community facility.

Community Engagement – not just elected representation. Work with the community to see what they want to see from it and identify how it will benefit them even now. (Weston super Mare Town Council)

17. To follow up from that then, I know that there is fluctuation, but usually that is being compensated by new properties being built. Percentage wise how much of an impact is non-collection of council tax or a high percentage of electors on furlough and benefits impact on the council tax base. 1-5%, 6-15%, more than that?

This is impossible to answer and the impact will vary widely across the country depending upon local circumstances.

However, I think it is fair to say that all councils will be facing reductions of some degree in their tax base.

Here at Great Aycliffe, our provisional Tax Base has fallen by 1% but we are expecting that to worsen when the final figure is published later in the year.

You will be able to get this information from your billing authority I would suggest start the conversations now, they may not have this information until Dec or even early January but build the relationship to get this now. (Weston super Mare Town Council)

18. What view do you take with respect to the Govt Planning White Paper and the changes to CIL e.g. national rate. 2. Parishes/Towns don't appear to have a structure for CIL within this White Paper.

It is probably too early to say how the changes in the Government Planning White Paper will impact on CIL and if or how town and parish councils may be able to access this.

I think there are areas in relation to the How, what, when and reporting that are already available, I have not yet been privy to any further information in relation to the white paper so will add it to my list of research – others may be better placed to comment (Weston super Mare Town Council)

19. Our District authority is talking about devolving services to the Parish sector but completely woolly about the whole issue and in particular is not talking about passing money with the service. Any hints on how to deal with such a vague situation?

All you can do is budget for next year based on for the services that you currently provide and for any decisions with regard to taking on additional services that have already been taken or that are ongoing and looking likely to be agreed. Otherwise you are trying to budget for things that may not even happen.

You need to try to build a relationship (not easy I know), and if and when they do make it clear the deal that you would like to see in relation to transferring money. I think its naive to think that they will transfer all costs down but we have been able to successfully negotiate when assets have come down as in the long run despite the initial cash transfer you are saving them money, Importantly I The Society of Local Council Clerks is a company limited by guarantee and registered in England and Wales with company registration number 10566132. Registered office: 8, The Crescent, Taunton, Somerset TA1 4EA.

think as well is the PR surrounding this ' if the parish / town' are able to save a much needed / loved community asset often its importance is worth the small increase to them to run it knowing it is future is secure. Again Community engagement to determine how important will aid decisions.

20. Should we be concerned about increases in NNDR, VAT or Pensions when preparing our 2021/22 budget?

Business rates usually increase by the rate of inflation or 2% whichever is higher, so I would budget for a 2% increase next year.

VAT should only be budgeted for if it is unrecoverable. If you are VAT registered therefore, you do not need to worry about VAT when setting your budget. For those who are not VAT registered, you need to factor in any likely changes in the VAT rate. I am not aware of any planned increases or decreases at the current time.

Employers' pension contributions should now be fixed until the end of 2022/23, so unless you need to plan for any one-off ER/VR costs, you should not need to worry about pension costs next year. You will of course need to adjust your staffing budgets for any staff who have joined or left the pension scheme.

Probably, although the NNDR revaluation has been postponed to April 2023 (and may well not take place then)

NNDR you will be able to get this information of percentage increases , VAT we are able to claim back if registered correctly so there should be little impact, and pensions we have a legal obligation to pay anyway, Just ensure your budgets are fully reflective of any changes as you become aware of them and again financial planning helps with this if done for 5 years as you will be able to apply inflationary increases in your predictions so members can see that there is likely to be some statutory increase I would suggest. (Weston super Mare Town Council)

NNDR will go up in line with everything else, but VAT is not going to be increased from 20%. As far as pension is concerned, your pension provider will carry out valuation every three years and adjust employer contribution rate for the next 3 years, which won't be changed

21. Some PCs have access to a Band D calculation spreadsheet. How do others get access to this please?

This is something you need to specifically request from your principal council.

?? – we have a template supplied by our district council to use (Weston super Mare Town Council) but have also built this into our budget spreadsheets to automatically calculate – I just update the final band D confirmed properties when we have been advised their exact number. (Weston super Mare Town Council)

22. Do you think external audit will expect detailed explanation of budget variations for expenditure and income when buildings have been closed and income lost? Will we receive criticism if we run our reserves lower than the recommended amount? (we obtain more than half our income from non-precept sources, and these have been impacted significantly)

If you have any variances of more than 15% between the two years on your AGAR, you would need to provide an explanation of these to your external auditor as is normal practice.

COVID will probably account for some or all of these differences and this, as well as any reduction in your reserves as a result of lost income, is something I am sure the auditors will make allowance for and I cannot imagine you would be criticised for this.

This is the 'new normal' and I don't think anyone (including external auditors) knows the answer

Variances from Audit are set base on a % difference. This I don't see will change and will not matter what the reason is for it – just explain it in the comments box as you would normally. There is no recommended amount for reserves just best practice guidance. (Weston super Mare Town Council)

23. We have a healthy reserve and each year a surplus. I have been advised not to lower the precept in any year. But each year the surplus keeps increasing. What would you recommend?

I would recommend preparing a Medium-Term Financial Plan, if you haven't got one already, and looking at the medium to long term picture for your council.

Things could take a turn for the worst, particularly bearing in mind the current situation, and you need to plan for any medium-term budget pressures your council might need to deal with.

I would never recommend reducing your precept unless you are actually reducing or removing services, but it maybe that you can freeze your precept for a year or two if you are happy that you have surplus resources in your budget and a healthy level of balances.

This is a judgement only you and your council can make.

Get a plan of what services they want to deliver and maybe consider doing some community projects to utilise some of the reserves? Do some community engagement to see what people may want to see improved, I don't think councils should be saving pots, so I would question why they feel the need to have these reserves and perhaps set a level which is prudent to you, so you are able to suggest that with XXX surplus this year we could improve....YYYY – Good Luck! (Weston super Mare Town Council)

24. Some dispute over 'adequate reserves' level viz a viz precept 9 e.g. whole year....50% etc)...do panellists have a view?

Having a Medium-Term Financial Plan and Asset Management Plan provide a good way of planning how much you need in reserves over the medium to long term and justifying this to auditors and your local community.

The level of balances you need comes down to what your medium to long term commitments are

particularly in relation to capital investment.

I would recommend that you hold a general balance of around 10% of your Precept supported by earmarked reserves set aside for specific capital investment requirements.

At Great Aycliffe we currently hold total balances and reserves of 70% of our Precept.

- 25. Auditors are notorious for asking for very detailed information, which they should, but sometimes can be a little over the top when asking for the minutia. I think that we have all had questions that we feel are maybe obvious or (I'm trying not to use the word silly, but...) silly. Do you think that they will take into account the impacts of Covid and be more lenient over some of the detailed information that they ask for?**

Yes, I am sure the auditors will make allowance for the impact of COVID during next year's audits but I am not sure this will result in them asking for less information. It may actually result in more detailed explanations of variances etc being required.

- 26. Have the panellists got a spreadsheet for calculating how the Band D change each year will affect various precept levels - reduced or higher precepts? I have one with a table which does work but for precept in £100,000-£110,000 region. Working group recommend the precept using this.**

- 27. Is it not the case then that General Reserves must only be spent on emergencies or to fund items such as by-elections?**

No, reserves can be earmarked for specific purposes whether these are to support the Revenue Budget or to fund capital investment. A General Balance is also usually held to fund unforeseen budget issues. Council's are free to use reserves as they see fit, although it is not considered best practice to use reserves to support and balance your Revenue Budget on a regular basis.

- 28. Returning to the point of the Precept, whilst Crispin says that we are entitled to receive the Precept in full, if the Borough or District Council reduces the tax base significantly to make additional provision for bad debts/those on benefits are we not faced with a real problem that our Precept will have to increase by a percentage that is unacceptable to the local community to achieve the Precept we feel that we need?**

Yes this is a key risk facing the whole sector for next year and something we all need to be thinking about now e.g. what do we consider to be an acceptable council tax increase next year, and how will we go about balancing the budget e.g. making savings to deliver this in the event of a significant reduction in the Council Tax Base next year.

As always publicise in absolute terms (tiny) not in terms of percentage increases

- 29. The Parish Council I serve had very large general reserves and it was indicated through internal audit that they were excessive. The Parish Council has therefore been using these reserves to supplement spending on projects and allocating to earmarked reserves so that the budget felt more in balance with the reserves. However... an emergency situation with dangerous trees happened and has pretty much wiped out general reserves. A 'dangerous tree' earmarked reserve will now be built up over the next few years, but is there a particular budget line heading that councils use to help rebuild general reserves for unexpected buffer?**

At Great Aycliffe, we include a 'contribution to capital reserves' into our Revenue Budget each year. This provides an ongoing means of replenishing our balances and reserves.