

A. Timetable for Annual Planning and review

The full Council needs to agree a budget for the coming financial year by early January to enable the Precept to be submitted in good time to Bromsgrove District Council to meet their deadlines.

- 1) A key component of the budget is the annual precept which in normal circumstances should aim to cover the Councils annual running costs. Account can also be taken of any further projects that the Council requires additional funding for and any shortfall which is not to be paid for out of the Councils reserves.
- 2) A sub-committee of the finance committee will meet prior to the November meeting of the Finance Committee to agree a draft budget for recommendation to the Finance Committee and Full Council. At this sub-committee meeting the Clerk shall produce:-
 - a. Up to date income and expenditure accounts and a balance sheet together with projections to the end of the financial year.
 - b. Up to date details on all Council projects together with the ongoing financial implications
 - c. A first draft of the budget for the following year taking into account existing contracts, and expenditure plus other ongoing commitments.
 - d. The budget will show separate figures for the ordinary income derived from the precept and similar sources and how this is to be spent and other income derived from investments and how this is to be spent. The latter is to be managed in accordance with the financial strategy below.
- 3) In November the Finance Committee will agree a draft budget for recommendation to the December meeting of the full Council.
- 4) During the year the Finance Committee will regularly review actual expenditure against budget. Any significant variations are to be investigated and reported to the full Council as appropriate.
- 5) For clarification

Ordinary income and expenditure are classified by the Council as:-

- i. Income – Annual Precept, the Lengthsman scheme, a proportion of the rent from the parish meeting room sufficient to cover the costs of hiring rooms for council and committee meetings, and sundry non-investment related income.
- ii. Expenditure – All administration costs, excepting the parish clerk salary cost which will be limited to 75% - with 25% allocated to 'Other Income and Expenditure', parish room costs, communication and subscription costs, footways & lighting costs, open spaces & footpaths, sundry expenditure and maintenance grants to parish bodies.

Other expenditure relates to expenditure on Parish Projects and Capital Grants to parish bodies. **Other income** relates to income from the Farm Business Tenancies, rent from Fairfield Villa Football Club, the residual Parish Room Rent and income from the Council investments.

B. Financial Strategy

- 6) The Council is fortunate that in prior years a substantial capital fund had been accumulated which is separate from the balances received via the annual precept. This capital fund is made up of approximately 85 acres of farmland, Fairfield Recreation Ground, Belbroughton Parish Room, and approximately £240,000 of liquid investments.
- 7) These assets are to be used primarily for the long term benefit of current and future parishioners and not usually to subsidise shortfalls in current expenditure. The Council aims to meet ordinary running costs out of the precept and other everyday income (eg the lengthsman scheme) without drawing on capital fund or the income from the capital fund. Income from the Council's capital fund is used to fund projects and grants. However it should be noted that there is always some flexibility at the margins about whether certain items of expenditure are classified as a running cost or an improvement project.
- 8) In addition, the objective of meeting routine costs from ordinary income should not be applied rigidly each year regardless of circumstances but should be an objective over a run of 4 years (the life of a Council) so that any overspending in early years should be rectified in later years.
- 9) In principle, the Council's aim is to preserve the real value of its capital assets. It follows that if sufficient interest is not earned to both preserve the fund's value and allot money to grants and projects then spending on these items should be curtailed accordingly. Income from rents will still be available for these. Subject to this there are two main strategies for the use of this fund:-
 - a) The land investments should in the long term retain their real value. Therefore net income from these sources is available for parish projects and grants to parish bodies.
 - b) Liquid assets should where possible be invested so that the value keeps pace with inflation. However the Council will decide on an annual basis whether this can be achieved in the light of prevailing circumstances. However, in certain circumstances the financial needs of parish bodies or for spending by the Council on parish projects may be considered before the nominal value of the capital fund (see paragraph 11).
- 10) Since the capital fund is intended for the long term benefit of the parish, the Council should be prepared to consider spending capital on a project which would produce long term value to the parish. But it should avoid chipping away at the fund on a series of worthy but small projects of short term benefit. Any potential project should be considered on its merits but factors taken into account should include long term viability, sustainability, the benefits (financial and non-financial) to the community and the benefits in proportion to the costs.
- 11) If capital was spent on a project of substantial benefit to the community then it would not be necessary, although it would be desirable, to replace the capital sum used. But the Council should be fully aware that reducing the capital fund would reduce future income to spend on projects and grants.

C. Investment Policy for the Capital Fund's 'Liquid Assets'

12) When considering investment strategy the Council will at all times have regard to the 'Guidance on Local Government Investments' with the following principles applying:-

- 1) Bearing in mind the nature of the fund, security of the capital sum is the primary concern whilst maintaining sufficient liquidity to enable the Council to meet all prospective payments. When possible the Council will favour investments which pay a satisfactory return and guarantee the capital. However, when financial circumstances prevail in which short term investments pay interest below the rate of inflation the capital fund decreases in value. It is recognised that to maintain the value of the fund it may be necessary, and is best practice, to consider a range of investments, some of which may not carry capital guarantees.
- 2) The Council are therefore able, where appropriate to invest some capital for periods in excess of 12 months when this is deemed necessary to achieve the objectives set for the fund.
- 3) The exact term will depend the types of investments available and the market conditions prevailing but the following guidelines are deemed appropriate:-
 - a. 25% of the fund should be available within 90 days and 50% of this should be available within 7 days.
 - b. A further 25% of the fund should be available within 12 months with a minimum of £100,000 in total (a+b) being available within a year.
 - c. The balance of the fund could be invested for up to 5 years to achieve the objectives of the financial strategy.

13) When considering investments the Council may take advice from:-

- a. The county and national associations of local councils (CALC & NALC)
- b. From central government or government appointed bodies
- c. From independent financial advisors who are regulated by the Financial Services Authority.
- d. Although the Council now has the protection of the Financial Services Compensation Scheme it must always consider the financial strength of any institution it invests in (consulting credit ratings as appropriate) and where appropriate spread investments over a number of institutions.

In considering whether to invest in products which do not guarantee the capital the Council will also have regard to the nature of the investment and will normally seek professional advice.

D. Review of Investments

14) Every autumn, or as necessary, the Clerk will prepare a summary of the Councils overall investments to enable the Council to review its investment policy and to decide on the amount available for disbursement in the next financial year. The summary will include all cash and similar investments plus any outstanding loans to Parish bodies.

15) In addition, the Council will undertake a regular review (at least every six months or as necessary) of the performance of all its investments and consider in advance the future deployment of funds coming to the end of their term.

16) The fund was benchmarked valued at £240,000 in September 2015.

The value of the fund should be the total cash balances held at the start of the financial year (1st April) less any outstanding committed expenditure and less any under-spend in relation to ordinary income which should be carried forward for use on 'ordinary' running costs. To maintain real value this figure should normally increase in line with the 'Consumer Prices Index' with the value over and above this figure, or such other sum as the Council may decide, being available for Parish Projects and Capital Grants.
