
REPORT TO: FINANCE AND MANAGEMENT
COMMITTEE

AGENDA ITEM: 10

**DATE OF
MEETING:** 16th JUNE 2005

CATEGORY:
RECOMMENDED

REPORT FROM: DIRECTOR OF CORPORATE
SERVICES

OPEN

**MEMBERS'
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DOC: u/ks/parishes/parish
financing report

SUBJECT: A REVIEW OF PARISH COUNCIL
FINANCING – A WAY FORWARD

REF:

**WARD(S)
AFFECTED:** ALL

**TERMS OF
REFERENCE:** FM08

1.0 Recommendations

- 1.1 That the Council undertakes a best practice review of parish council financing in accordance with Government guidance.

2.0 Purpose of Report

- 2.1 To propose a way forward to review the financing of parish councils. At present, this is primarily delivered via Section 136 of the Local Government Act 1972, where the Council contributes to concurrent functions undertaken by parish councils.

3.0 Detail

Background

- 3.1 The budget for concurrent functions is around £180,000 per year and the overall pot is allocated between parishes based on spending that was measured many years ago. The pot and consequently individual allocations have traditionally been increased each year in line with inflation.
- 3.2 The allocation of this money has been a growing issue, in particular for parish councils. There is a view amongst parishes that:
- It does not fund all their expenditure incurred under S136 (although there is no requirement for the Council to do that), and
 - The current allocation is outdated – a fair point given that it was last reviewed 12 to 15 years ago.
- 3.3 The Council also contributes to parish expenditure through the "Lengthman Scheme" (street sweeping/cleaning). This is undertaken on a much more measured basis, reflects more the cost of undertaking works and has been subject to more regular review. The total budget for 2005/06 is around £37,000.

- 3.4 In addition, contributions are also made through the Agency Agreement with the County Council for minor highways and footpaths maintenance. The budget for 2005/06 is around £12,500.
- 3.5 Furthermore, the Council makes a provision of around £12,000 per year as a contribution to the replacement and repair of play equipment in parished areas. There is no formal mechanism for distributing this money, which has traditionally been used to meet more urgent requirements.
- 3.6 In total, the Council contributes around £230,000 per year to parish council expenditure. Clearly, parishes also have access to further funding via a precept on the local council tax and section 106 agreements (where applicable).

Current Situation

- 3.7 Officers have commenced some initial work on alternative methods of distributing the S136 pot. In addition, some research has been undertaken around what other Councils do, how other reviews have been handled and whether there is any best practice guidance on this issue.
- 3.8 Under the Government's modernising agenda, they wish to see Parishes having a greater contribution to local decision making. Two or three key papers have been issued by the ODPM since 2000 and one in particular (The Quality Parish and Town Council Scheme) does offer some best practice guidance on financial support to parishes.

Guidance on Financial Arrangements

- 3.9 This paper is essentially aimed at helping Parishes achieve Quality Status. However, as part of this and set out in the paper, is a guidance note for all Councils on managing financial arrangements between Principal Authorities and their Parishes.
- 3.10 This specifically looks at how to avoid "double taxation" and more widely, how best to create a framework for good financial arrangements for parishes working in partnership with their Principals. The paper also provides some case studies of how other Councils have achieved this effectively.
- 3.11 A key point arising out of the guidance is that any review of financing parishes needs to go beyond concurrent expenses – there are other options and some foundations may need establishing.
- 3.12 Some key principles are set out in the paper and best practice seems to suggest that a review should include:
- Establishing a consultation/liaison medium
 - How far does current financing contribute to council priorities
 - Establishing where and the degree of contribution to district services by parishes
 - How best councils can achieve value for money in any parish financing and avoid double taxation
 - Consider financing options – direct contributions, grants, special expenses, a bidding process, etc.
 - **"Finance should follow function" – this is the key prerequisite in the guidance.**

Possible Impact of the Guidance on the Council

- 3.13 The Council is not strictly obliged to follow this guidance, although the above principles would effectively help to demonstrate that the Council is effectively using its resources.
- 3.14 If the Council just reviewed the allocation of S136 as a discrete element and redistributed the pot on a more equitable/updated basis, it would be difficult to justify it was using making best use of resources (around £1/4m per year if all parish components are aggregated).
- 3.15 Following the guidance may mean a lot more debate and consultation and a review perhaps stretching over a longer period of time. External support would be required to achieve this.
- 3.16 The Council may wish to compromise and do a fairly quick exercise now with proposals to redistribute the current pot for S136 (for example on a per capita, household or other basis) and commit to a more fundamental review within/over the next 2 to 3 years.
- 3.17 Having said all of this, if a review is to take place, given the current Agenda from the Government and the Audit Commission (meeting priorities, best use of resources, engaging the local community, etc.) the recommendation is that a proper exercise in line with best practice should be undertaken.

4.0 Financial Implications

- 4.1 None directly, although it is expected that external support would be required to facilitate a full review.

5.0 Community Implications

- 5.1 This could help focus the Council's relationship with parishes on the emerging priorities contained in the local Community Strategy. This may then help inform the future financing of parish councils.

6.0 Background Papers

- 6.1 ODPM – The Quality Parish and Town Council Scheme – The Quality Scheme Explained