



Berwick upon Tweed Town Council

Budget & Administration Committee 07 September 2021 Appendix B

Report of Town Clerk

Budget Background 2021

Access Public

Background

1. It is important when setting a budget to be aware of the context in which the budget is set, whilst not indulging in speculation. This includes considering both the policy and economic climates that impact on the operation of the Town Council.

Policy

2. Council should seek to provide early guidance to Officers as to the likely choices to be made concerning significant policy decisions in order to make the risk assessments and medium term plan required by the budget process reliable and relevant to the decisions to be made in December and January.

Economic: Costs before policy changes

3. A likely pressure on future budgets comes from inflation.
4. Historically budgets have been prepared on the basis of general inflation of 5% and wage inflation of 3% and there appears to be no reason to disregard this. The economic picture is not yet clear enough to justify a change of approach. The likelihood of a change in central interest rates in 2021-22 may create cost pressures that are unlikely to be offset by increased investment income.
5. With respect to wages, The Town Council adheres to the Local Government pay scheme, which mandates pay rises on the basis of national negotiated settlements agreed through the National Joint Council, a body comprising employer and employee representatives. Local Councils are represented by NALC, although this organisation does not directly seek views on the negotiations from member councils, such as the Town Council.
6. Despite resistance from authorities participating in the national scheme, pay rises this year will be at least 1.75%, (irrespective of any incremental drift) and there is no reason not to expect at least a similar pay rise next year.

Economic: Income

7. Council sought to address, in 2020-21, the gap between revenues and costs by making savings in staff costs. It would be helpful if council would indicate its likely stance on any future gap between revenues and costs, and how it might be addressed.

8. Berwick-upon-Tweed Town Council remains unusual across the sector in having a substantial proportion of its income made up of income under the statutory agreement with the Freeman Trust.
9. Over recent years, the amount of income received through this route has exceeded the figure used in budget planning and has so reduced the impact of expenditure exceeding income on reserves.
10. Our view remains that there is no obstacle to the Trust providing early advice as to the likely scale of their profits, and their likely division to aid this budget process.
11. In the light of unprecedented economic impacts, it is essential to understand that the level of income from the Trust is less certain than in many recent years, and that council may have need of its reserves further. Council may wish to consider how it will rebuild its reserves if this is the case.
12. Officers advice was, in 2021-22 that, in light of the continuing difficulties across the sector, a change should be made to the reserve policy to take account of possible changes in income and revenue expenditure pressures to begin to grow reserves in 2022-23 and beyond, and that they are clear that the gap between income and expenditure in the budget must be closed. That remains Officers advice.
13. A likely budget timetable will be circulated, along with documents relating to the likely changes in policy or circumstances that Officers consider relevant.

Recommendation

1. That council provide guidance to Officers and note the report.

Author	GD	Town Clerk sign off (if required)	GD
Checked by	SC	Finance Officer sign off (if required)	RPL