

# BUDGET

<b>Recommendations:</b>		
<ol style="list-style-type: none"> <li>1. That Council provide guidance to officers and note the report,</li> <li>2. That members note the working assumption that, to provide spending on a like for like basis the precept should increase by at least 10% in 2023-24, and</li> <li>3. That council should consider how it will give life, via its budget, to any ambitions adopted as part of the strategic review of the council's role currently being undertaken.</li> </ol>		
	Yes	No
Does the decision involve new expenditure?	Yes	
Is there an existing budget for the proposed expenditure (insert code)	Within overall budget	
What procurement level is required?	N/A	
Are there equalities impacts / an equalities assessment required?		No
Does this require a full council decision? (Reports for full council decision should still be sent to the relevant committee where possible.)	Yes	
Is there a background paper or papers? (provide links below).	Yes	
<ol style="list-style-type: none"> <li>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. This report seeks to do that whilst also providing a measure of detail of the likely budget envelope.</li> <li>2. Council is required: <ol style="list-style-type: none"> <li>a. To set a balanced budget,</li> <li>b. To provide a reasonable and prudent level of reserves for which there is a clear purpose, and</li> <li>c. To assess and mitigate risks it might face.</li> </ol> </li> </ol>		
<b>Policy</b>		
<ol style="list-style-type: none"> <li>3. Last year we reported that it was impossible at this stage to foresee the financial position of the principal authority. We suggested that our revenue budgets may well face increased pressure from external sources where there are expectations for Town Councils to further fund existing service levels, pay higher costs for Service Level Agreements and/or step in to replace services that are no longer provided. It is important to stress that at this stage we have not received any approach in that regard, but that this remains a recognizable risk.</li> <li>4. The preamble to Northumberland County Council's (NCC's) latest Medium-Term Financial Plan (MTFP) document states "Local government is operating in a period of significant financial uncertainty brought about by ongoing significant budget pressures (including social care, special educational needs, and disability services), as well as other unfunded pressures arising from demographic and significant pay and price inflation as well as rising interest rates. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future." As para 5 of the report goes on to say "...planning with this level of uncertainty is not conducive to effective long-term decision making."</li> <li>5. Officers sought in 2019 to provide advice on specific risks related to service transfers, and recommended additional budgetary provision to mitigate these risks. Across England there appears to be a renewed interest in the role parish and town councils can play in supporting non-core services, evidenced by, amongst other things, the emergence of a</li> </ol>		

joint Local Government Association (LGA) / National Association of Local Councils (NALC) scheme for peer review of parish councils with a focus on those to whom services have been transferred. However, a lack of clarity on this area remains and it would be wise to retain capacity to deal with such proposals should they come forward.

6. Council's MTFP is by and large starting from scratch because of the decision, in the face of the crisis in government borrowing costs, which was foreseen in the short term by officers, to fund Spittal Play Park from reserves instead of from a loan. This provides some flexibility going forward in the revenue budget, at the cost of some resilience with regard to levels of reserves.
7. It is therefore officer's recommendation that this budget should offer a degree of flexibility that reflects the uncertainty in the wider environment.

### **Services already transferred**

8. Since 2012 the following services have been transferred to Council:
  - a. Provision and maintenance of park benches,
  - b. Provision and maintenance of litter bins,
  - c. Provision and maintenance of bus shelters,
  - d. Provision and maintenance of playparks,
  - e. Provision and maintenance of Spittal Splash Park,
  - f. Provision and maintenance of town centre planting and planters, and
  - g. Support for the Riding of the Bounds.
9. These services represent the bulk of discretionary local services provided by the county council; the remainder, such as parks and public toilets, are examples of services that have, out-with Northumberland, been transferred to the parish and town council sector. We know of no plans for NCC to divest itself of any of these services.
10. Officers are frequently asked to comment on the cost of other services, such as libraries, which have in other places been transferred either to parish or town councils or to the voluntary sector. Officers have too little data to comment on a matter that is primarily speculative, but we think it wise to urge provision for the cost of any research or consultancy work required should such a proposal come forward.

### **Economic: Costs**

11. A further pressure on budgets comes from inflation.
12. The current budget was prepared on the basis of general inflation of 5% and wage inflation of 3%. In retrospect, this was too low, and too backward looking.
13. 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, nor does it send representatives to the negotiations.

14. There is one point that arises from this. Council uses the local government pay scales, but it does not offer the same package of benefits to employees as other local government employers; the Local Government Pension Scheme (LGPS) defined benefits scheme is more generous than the defined contributions scheme operated by Berwick-upon-Tweed Town Council (BTC), and BTC does not offer any other benefits such as cyclescheme or lease cars via salary sacrifice, even when those schemes can produce a cost saving for Council. This is a sector wide issue, but reflects in large part the abstention of NALC from pay negotiations.

15. Despite resistance from authorities participating in the national scheme, pay rises this year will be between 5% and 10%, (irrespective of any incremental drift) and there is no reason not to expect a significant pay rise next year. The issue of the inordinate delays in the local government pay negotiations is beyond Council's power, but has resulted in successive years of councils being notified in November of pay rises that take effect in the previous April. This is at least a year later than would be necessary for effective financial planning, yet no-one on either side of the negotiations appears concerned by this.

16. With respect to inflation, the following figures from NCC's MTFP report provide a reasonable guide to pressures across the sector:

Budget Inflationary Increase %
Electricity (above 2021-22 base) 139.00
Insurance 16.00
Vehicle Fuel 24.00
Water 10.10

17. We cannot predict with any certainty the costs in 2023-24 of energy and fuel; the figure of 10% inflation frequently quoted is for cost rises that have already occurred. We will await with some concern the outcome of this winter's billing cycle for electricity.

#### **Economic: Income**

18. BTC 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.

19. 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. This trend did not occur in 2021-22 and we await with some concern the outturn in 2022-23.

20. 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. It remains the opinion of the clerk that the Trust's approach to confidentiality is too broad brush, and unreasonably restricts the role of the trustees appointed by the Council as its representatives.

21. 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 any recent year, 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.

22. Once again, the indicative tax base indicates a likely increase in income as a result of a growth in the number of houses paying council tax, but this is only in the region of 1%.
23. Officers advice is 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 2023-24 and beyond, and that they are clear that the gap between income and expenditure in the budget must be closed.

**Rationale for recommendation.**

To enable prudent financial management.