

Budget Proposals

Recommendation:		
1. Council is recommended to choose a proposed budget, and to authorise the Town Clerk to sign the precept letter, as set out on the agenda for the meeting.		
	Yes	No
Does the decision involve new expenditure?	Yes	
Is there an existing budget for the proposed expenditure (insert code)	N/A	
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).		No
<ol style="list-style-type: none"> 1. The Local Government Act 1972 s101(6) - requires the precept to be determined by Full Council. Council should therefore take account of the previous decisions and recommendations of committees, and the responses to consultations, but should take care to indicate that its decision is the decision of council, and not predetermined by discussions elsewhere. 2. The Local Government Finance Act 1992 s49A requires the precept to be determined by setting a budget and not vice versa. Council is entitled to determine the extent to which it makes spending decisions within an overall budget envelope, but nevertheless the budget should precede the precept decision, and not vice versa. 3. In order to set a budget council should take account of the medium-term implications of setting the budget, and of any risks disclosed by its risk appraisal process. 4. For the benefit of those with experience of budgeting elsewhere, council does not operate, in general, a revenue / capital division in its budget. Whilst council may operate a system of earmarked reserves, their purpose should be clear, and unambiguous and they are not treated as capital. 5. Council does not provide for depreciation per se, but officers attempt to account for significant multi-year costs by making provision to ear marked reserves. <p>The Budget Process</p> <ol style="list-style-type: none"> 6. Council's budget process begins in September of the previous financial year to the one for which a budget is being set, and must conclude by 29th January, before the financial year which the budget is being set for, to allow time for the principal authority to complete its billing processes. 7. Each council and committee meeting between September and the Budget Council has 'items for Growth and Saving' as an agenda item, and public speaking on this topic is permitted at each meeting. The Town Clerk / Responsible Financial Officer sets out in a series of reports the issues council may face in terms of costs and variations in income, and uses the discussions, plus any feedback received from members of the public, to shape the budget within the budget envelopes proposed by council. 		

8. Officers have been requested to develop two budgets, one on the basis of a budget envelope built round an 8% increase in recurring costs, one on the basis of a 5% increase in recurring costs. Officers have given due weight to the previously expressed opinion of council that dependence on the inevitably variable income from the statutory agreement with the Guild of Freemen should be reduced, but have not been able to plot a budget that allows that dependence to be reduced through the life of the Medium-Term Financial Plan.
9. In each case the budget is built as a spreadsheet, with a narrative line for each cost centre intended to explain the movement in costs for the forthcoming financial year for each cost centre.
10. Where a cost centre is intended to provide a multi-year contribution to the cost of replacing equipment with a life longer than one financial year, the narrative will indicate which EMR any surplus or remainder will be applied to.

Risks

11. Council is in the process of transitioning from a single document risk register to a sequence of risk registers that allow Budget Council to focus on the corporate risks that might have a direct (rather than indirect) impact on the Budget process. These risks are itemized at Appendix A. Broadly speaking, they relate to:
 - a. Loss of income,
 - b. New or additional services, and
 - c. Failure to anticipate cost changes.
12.
 - a. loss of income:
 - i. The risk of loss of income under the statutory agreement is significant, but cannot be directly controlled, since the amount of income received under the statutory agreement is derived by a formula from returns on investments that are beyond council's control. The risk can be mitigated by reducing dependence on the income from the statutory agreement, but to do so requires council's use of earmarked reserves to remain lawful. In particular, any reserves accumulated must be for a clear and specific purpose, and must be reviewed to ensure they are still provisions that can be delivered in a reasonable timeframe, and
 - ii. The risk of loss of income from a reduction in interest rate is significant, but not material.
 - b. The cost of new or additional services is in essence a matter for council to manage, by assessing the cost of any new service and not taking on services that cannot be funded. Officers routinely ask Northumberland County Council if there is any intention to transfer further services to council; the only such transfers likely in 2024-25 are war memorials, for which provision will be made, and the market, which is the subject of a separate report to council, for which provision has been made.
 - c. Failure to anticipate cost changes is the most difficult risk to both manage and to mitigate. The risks officers have identified are:

- i. Changes in wage costs.
Council has previous policy of adopting the pay scheme and negotiating arrangements that the National Association of Local Councils (NALC) recommends, which is an arrangement that mirrors that for upper tier local councils. Despite being entitled to a seat at the employers side of the table in pay negotiations, NALC appears to take no part, and cannot prevent the negotiations being prolonged, drawn out, and unpredictable. It is impossible to predict what pay rise may be awarded under these arrangements in 2024-25 and it remains the Town Clerk's opinion that the only way to mitigate this risk is to move to localized pay bargaining, and
- ii. Changes in utilities costs
Market volatility in utilities costs is significant, but cannot be mitigated except by active management of costs, and of consumption. The installation of a smart meter in the council's main premises in the near future is the most significant action that can be undertaken in this regard.

Issues arising from proposal

None.

Rationale for recommendation

Not applicable.