



Report of Town Clerk

Medium-Term Financial Plan

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Background

1. Council is required to prepare a Medium-Term Financial Plan (MTFP).
2. The events of the last 18 months, when it was impossible to prepare a meaningful MTFP, graphically illustrate the challenges council faces in predicting the future.
3. Nevertheless, a MTFP is, during steadier times, a useful tool for council, and enables council to set the parameters within which officers prepare the draft budget.
4. As ever, the size of the budget envelope, and the purposes for which provision must be made, is a decision for elected members, not officers.

How the council's income from council tax is calculated

5. In order to assist elected members last year's figures for precept levels, council tax levels and taxbase for all the parishes in Northumberland are attached. It is expected that the taxbase will be broadly similar in 2021-22, although we await its calculation by Northumberland County Council (NCC).
6. Broadly speaking, the taxbase is the amount that would be raised by a £1 increase in the precept. It varies according to the number of households liable for council tax within the parish, and the collection rate, which is calculated by NCC.
7. As ever, members are invited to compare the level of Band D council tax attributed to the Town Council with other similar town councils elsewhere in the county; tight financial management over the last four years allied to the benefits of the payments received from the Freeman Trust result in a lower impact on households in Berwick compared to other similar sized towns throughout the county.
8. After preliminary discussions with elected members at the Budget and Administration Committee, it is proposed to present three potential scenarios for the MTFP to council.
9. Without the income from the Freeman Trust the Band D council tax rate in Berwick would be something more like £120 per Band D household; the Band D rate in Morpeth is £122, suggesting that Berwick's expenditure is similar to Morpeth's.

Investments and Debt

10. Council has no significant debts, other than payments outstanding to trade creditors at year end, and holds all its investments in bank accounts regulated in the UK.
11. The issue of whether the council can borrow to fund activities has been raised both since the election in May, and on previous occasions. Parish and town councils can borrow via the Debt Management Office, a government agency which replaced the

Commissioners for Public Works Loans. A guidance note can be found here (https://www.dmo.gov.uk/dmo_static_reports/Form%20LC2.pdf).

12. Officers opinion is that if council wishes to have the capacity to borrow for a major project or projects, it should set a MTFP that includes capacity to repay borrowings. In effect, the amount council sets as its repayment amount will define its borrowing capacity.
13. Borrowing capacity will also be defined by the likely term of the loan, which will in turn be defined by the likely lifespan of the asset or facility funded from the loan. A prediction off the cost of £500,000 of borrowing from the DMO is attached. Examples of this will be included in Scenario C.

Scenario A

14. This scenario, illustrated by Appendix C proposes that council prioritize above all else, the management of precept increases in order to protect residents financially. It does not imply that any choices have been made as to how council expenditure could be reduced to deliver this option, and assumes (as do all three scenarios) that cost inflation will be in the order of 5% per annum, and that income from the Freemen Trust will track the five year rolling average.

Scenario B

15. This scenario, illustrated by Appendix C proposes that council provide for growth by increasing its precept to reduce the gap between its Band D precept and Morpeth's by 50%. It is important to make the point, at this stage, that the precept can only be increased to cover either specified purposes (e.g. services or support for community bodies) or the creation or growth of earmarked reserves.

Scenario C

16. Scenario C represents a similar growth in spending as Scenario B, but with the addition of a specific budget item to generate borrowing capacity. The intention is that, in this case, the money set aside for borrowing costs would, initially, be set aside in an earmarked reserve to cover the one-off costs of the project intended to be funded by borrowing.

Recommendation

1. That council provide guidance to officers as to which scenario should be developed to form the final MTFP.

Author	GD	Town Clerk sign off (if required)	GD
Checked by	SC	Finance Officer sign off (if required)	N/A