

# BUDGET

## Recommendations:

1. That Council resolves to use the figure of £140,000 as the budgeted Schedule III figure to which the Council is likely to be entitled in 2022-23,
2. That Council wishes to create a short-term reserve of £30,000 which is expected to be spent within 24 months to support the creation and delivery of a Strategic Plan,
3. That Council adopts the draft budget, as attached,
4. That Council sets a precept requirement of £346,963, leading to a household charge for a Band D property of £99.94 per annum,
5. That Council authorises the Town Clerk / Responsible Financial Officer to sign the requisition form notifying Northumberland County Council of the precept requirement.

	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

## Background

1. Budget proposals are the result of an iterative process incorporating Council decisions, as well as other changes that have an impact on Council expenditure. The current proposals have been considered previously by meetings of Council, the Budget and Administration Committee, and the People and Communities Committee.
2. A draft Medium-Term Financial Plan (MTFP) has been considered, and officers have considered the need to undertake new and further risk assessments as a result of:
  - a. Changes to the predicted average income from the Schedule III payment,
  - b. Changes to the range of services offered and delivered by Council, and
  - c. The impact of external factors beyond Council's control both going forward and on the outturn for 2022-23.
3. Council's financial outturn for 2022-23 has been significantly affected by external events that have coincided with the decision of Council to change its service offer and location. Those external events are set out below.
4. The first external shift which impacted Council was the change in the expected range of Bank of England base rates that are reflected in the change in the potential cost of borrowing for Berwick Town Council (BTC). Broadly speaking, whilst the triggering event for the shift was the autumn financial statement made by government, the Bank of England had been signalling for some time that a move towards higher interest rates was desirable, both as a way of stimulating the market for savings and as a response to inflation. The impact of this led Council to abandon its plans to fund the redevelopment of Spittal Play Park from borrowing and to use reserves to do so.
5. The second external event which impacted Council was the decision of the local government employers, as part of the annual pay negotiations, to award a pay rise that, at the bottom of the pay scale, equated to almost 10% for lower paid workers, but less than 5% at the top of the pay scales within the BTC workforce. The risks of having pay decisions taken by an external body over which BTC has no influence have been highlighted to Council on a number of occasions by the Town Clerk / Responsible Financial Officer (RFO), but 2022-23 is the first occasion on which this has been demonstrated.

When incremental drift is allowed for the growth in wage costs is considerable and set out in the budget documents attached.

6. In order to meet Northumberland County Council's (NCC) timescales for preparing Council Tax bills, and so collecting the precept, Council must:
  - a. Resolve to set a budget at this meeting, and
  - b. Resolve to authorise the Town Clerk to notify the precept requirement to NCC.
7. Calculating the precept involves considering both expenditure, detailed in the budget, and income. As in previous years this calculation has been carried out, on the advice of the External Auditor, on the basis that it should include all the council's income, including the monies received as of right from the Freemen of Berwick, and that the council's budget and MTFP should include an estimate for the income from the Freemen calculated on the basis of the recent trend for receipts.
8. There is no precedent from the local council sector for estimating what the income from the Freeman Trust might be and Council had previously decided to utilise a 5-year average.
9. In previous years this estimate of the income from the Schedule III surplus has proved to be inherently conservative, as low values from earlier years balance out higher figures more recently. This had the result of producing a surplus available for deployment elsewhere, such as funding capital projects or allowing a lower precept to be set in future years.
10. In 2021-22 officers predicted that there was a real risk that the budgeted sum of income from Schedule III could be more than the actual outturn. This was the case in 2021-22, and again in 2022-23.
11. Council has considered this matter and has recommended that in 2023-24 the amount estimated as the receipt from Schedule III should be no more than £140,000 and that any surplus should be hypothecated to a dedicated reserve for capital projects.

#### **Costs**

12. The draft budget spreadsheet separately circulated with these papers is based on detailed examination of costs in the current year and addition of new initiatives identified and discussed since then.
13. The schedule of reserves will be provided to the March meeting of Council in order to allow officers to account for the ongoing issues around understanding the impact of utilities costs. As predicted in last year's budget report the impact of changes to fuel costs, amongst other things, has not become apparent until we are within the budget year, and this reinforces the need for provision for reserves.
14. Council has indicated to officers that they wish to create a one-off reserve of £30,000 to enable the preparation of a Strategic Plan and the delivery of intervention to support that plan.

#### **Precept**

15. NCC have been able to give us a clear indication of the likely tax base and other supporting information, and this has allowed for a clear calculation of the impact of any changes to the precept requirement to be made.
16. The calculated precept requirement for 2023-24 is £346, 963, giving rise to a Band D precept of £99.94. This amounts to a total rise, for a Band D property of £21.32 per year, or 48p per week.

#### **Issues arising from proposal**

Not applicable.

**Rationale for recommendation.**

Not applicable.