

**SHREWSBURY TOWN COUNCIL
FINANCE & GENERAL PURPOSE COMMITTEE
6 DECEMBER 2021**

Officer: Helen Ball – Town Clerk & Andy Watkin – Head of Resources

BUDGET PREPARATIONS

Purpose of Report

- (i) To appraise the Committee of the initial budget preparations;
- (ii) To seek Council approval on the various budgeting principles to allow the budget to be prepared

Introduction

Council has a long established process for the preparation of the annual budget.

Shropshire Council requires details of the precept levy by the end of January to feed into its budgetary process in February.

Whilst the agreement of the budget remains a function of Full Council it is the Finance & General Purpose Committee that are tasked with budget preparation. This is done over 2 meetings in December & January with the former generally setting the principles for the budget preparation and the latter going into more detail.

Members will need to consider the implications for any COVID measures that might preclude a full meeting of Council. Local Government Act 1972 s101(6) does not allow for the setting of the budget to be delegated. In light of current uncertainties Council must seriously review whether it would be pertinent to bring budget setting forward to before Christmas.

The Town Council operates an accounts management package and past history helps to inform long-term projections and streamline budget requirements. This has helped to inform financial management and develop financial efficiencies.

The budget preparation this year is proving difficult as the assumptions going forward are not easy to predict. Outlined below are some of those assumptions.

Both the Town Clerk & Head of Resources have sought advice from their sector bodies and Peers on any assumptions and the Head of Resources attended the annual Bank of England Briefing to understand how the national picture might impact on local spending. The current picture portrays one of huge uncertainty therefore this budget is being prepared with a realistic expectation of future outcomes.

Forecast Out-turn

We are currently half way through the financial year and forecasting a small surplus which should continue subject to things we can't predict, COVID etc.

The 2021/22 budget has factored a wages increase of 1%. The unions have already refused a 1.75% pay award therefore there is likely to be a deficit on the wages budget.

2021 Election Costs are still awaited. These are due ahead of budget setting. It is hoped that the earmarked reserve of £83,000 will fund the invoice, but it should be noted that demand for postal votes was high and will likely spike the costs.

We are seeing spikes in energy costs but are unlikely to see the full outcome until 2022/23 budget. Added to this we buy energy on the forwards markets thereby levelling off the peaks and troughs of the current market.

Ongoing Implications of COVID

COVID risk remains ever present. Currently Shropshire has the second highest infection rate in the West Midlands with an infection rate above both the West Midlands average and the National average. The town has a number of spikes especially in schools, office and industrial outlets. This is impacting on the workforce as there continues to be workdays lost due to COVID.

The recent announcement by the Prime Minister of increased measures brings added cost of PPE and staff teams are reverting back to separate bubbles in the hope of keeping the workforce as healthy as possible.

Council is still operating under the COVID-19 Autumn & Winter Plan and has a Plan B in case the ultimate lockdown measures are put in place. This is unlikely to affect the Quarry Events Budget as there are minimal events between now and the end of March. Sports Facility Income would likely be affected by upwards of 50% of projected budget and during previous lockdowns 75% of weekly market income was lost.

Implications of Brexit

Officers have already reported at previous Committee meetings about the difficulty in procuring supplies, especially when they are imported from elsewhere. A good example of this was the procurement of solar lights in the Quarry with the production costs increasing by £500 per column per week. Plant procurement is proving difficult with forecast delivery dates being delayed.

Resulting Impact of the Spending Review

The recent Spending Review set in place the development of a 1.25% Social Care Levy on employers; this comes into effect in April 2023 but that 1.25% increase will be added to Employer National Insurance contributions from April 2022.

Wages are also an unknown quantity. The Council is committed to the collective decision making of the National Joint Council. Currently the offer of 1.75% has been rejected by the three unions that feed into the process and all are balloting on strike action. The consensus amongst the larger Town Councils is that a provision of 5% increase should be factored into this budget to meet both the increase for 2021/22 and 2022/23.

Inflationary Pressures

Inflationary pressures seem to be the most difficult to predict. CPI currently sits at 4.2% with the Bank of England predicting higher rates in 2022 which are likely to average out over the year at the current rate. CPI whilst a good benchmark works on a suite of purchases which are more akin to a domestic setting than a non-domestic.

The Head of Recourses has begun to calculate a more bespoke Price Index taking into account the Council's budgetary needs. Currently the estimated inflationary pressures of various aspects of the budget are:

Expenditure

- General Expenditure 4%
- Wages 4/5%
- Gas 26.8%
- Oil 15%
- Electricity 18.6%
- Insurance 20%

Income

- Income from residential lets 3%
- Income from commercial lets 3%
- Income from the SLA 3%
- Income from investment property fund 1%
- Bank interest 50%

In financial terms the inflationary pressure on expenditure is likely to add £175k to the expenditure budget with the potential of an increase in revenue of £72K leaving a budgetary deficit on last year of £102K.

Interest Rates

Currently the Bank of England Base Rates is 0.1%. Investment bonds held by the Council are attracting 0.05%. It is anticipated that Base Rate will increase slightly but is only likely to add £2500 to the bottom line budget.

Tax Base Calculations

Annually Shropshire Council works out the Tax Base for the County and in turn the individual Tax Bases for each Parish & Town Council. This magic number works to create all different banded properties into a Band D Household, accounts for any property owners who claim any reductions/exemptions from Council Tax and those who are seeking benefits and do not pay Council Tax.

Shropshire Council also makes provision for any likely non-payment of Council Tax and sets a Collection Rate. Of late Shropshire Council has operated a very cautious approach to its ability to collect rates and currently has a rate of 97.7%. Where the collection rate is above this percentage, the principal precept levy payers benefit from any surplus in the collection fund. Parish & Town Councils are not deemed to be principal precept levy payers.

Currently the Shrewsbury Tax Base is 25320.29. Last year Shrewsbury was the only Town that saw an increase in Tax Base with new build exceeding any reductions. The Tax Base for Shrewsbury increased by 0.56%.

Enquiries have been made with the S151 Officer at Shropshire Council to gain an early indication of the Tax Base but like most years they are reluctant to give any figure until it has been approved by Council. This is usually done at the December meeting of Full Council. The scheduled meeting on 16th December has been cancelled due to the By-Election in North Shropshire.

Therefore for the purpose of understanding the current budget pressures it has been assumed that the Tax Base will increase by 0.75% given the level of house building in the area. This would raise an additional £11k based on last year's Band D Rate of £60.25.

Fees & Charges

Fees & Charges have been reviewed by staff working within the current charging mechanism. All charges have been increased by an average of 3% with certain fees being either rounded up/down to simplify process.

These recommendations were presented to the recent Recreation & Leisure Committee which resolved to recommend rates to Council for us in the preparation of this budget.

Revenue Expenditure Items from Committees and individual Members

The Head of Resources has emailed Councillors on a number of occasions seeking any projects for consideration in this budget. Nothing has been received.

Recreation & Leisure Committee have a couple of projects for potential inclusion:

- Seed funding to begin a scoping exercise for the development of Shorncliffe Recreation Ground as a strategic sports hub similar to Monkmoor Recreation Ground
- Funding to develop a joint approach to managing public open space across Church Road Recreation Ground and the Glebe Field (owned by Trinity Church), whilst addressing highways issues

Youth Working Group

- Need to look at incorporating the Alternative Curriculum Programme into core budget; this has previously been funded by unanticipated youth funding that was received from Shropshire Council in the 2019/20 budget

Capital Expenditure Projects

Officers are reviewing the Capital Programme to ascertain any budgetary allocations and likely revenue costs that would need to be factored into this budget.

Enquiries have been made regarding any Neighbourhood Funding to be paid with the precept in May 2022. CIL Officers are still working out those figures and it is not known whether they will be available to feed into this process.

Earmarked Reserves

The Council has undertaken to build a number of reserves to generate working funds for major projects; these include Climate Change, Ash Die Back and Bus Shelters. In the case of Climate Change this is the third year of a 3 year commitment and in the case of Ash Die Back and Bus Shelters there is a further year to meet the overall budget requirement. This therefore means that in this new budget there is no need for a £75k allocation for Climate Change which would help to offset inflationary pressures.

During this new period there is a potential to reduce the annual commitments to plant, machinery and play provision, but Council would need to take a cautious approach given that all ultimately require sink funds to maintain standards.

Precept Levy

Discussions with the Labour and Liberal Group Leaders has established a reluctance to increase Council Tax, therefore any increased expenditure is likely to have to be funded elsewhere.

General Reserves sit at £341,805 down from £423,367 at the end of March 2020. During 2020/21 the COVID deficit was funded through the General Reserve hence its reduction. The current General Reserves equates to 6 weeks revenue budget. The JPAG recommendations are for a council budget of this size to keep the equivalent of 12 weeks revenue budget in General Reserves, therefore any possible reductions in this might impact on cashflow.

Assumptions

Members are asked to consider the following assumptions

1. Wages pressures are calculated at 4% increase on payroll as the time of writing to be split over two financial years
2. General Expenditure Inflation set at 4%
3. Operational Expenditure set at 5%
4. Utility/Insurance Expenditure set at rates advised by Companies contracted with
5. Big Town Plan commitment to the Partnership will continue at £50k a year
6. Member and Mayoral Allowance remain the same

7. Grant fund remains the same at £20k
8. Community Projects fund remains at £20k – this could be used for such projects like seed funding as outlined above
9. Youth budget remains as it is and that officers look at developing a revised business case for global provision.

RECOMMENDATIONS:

- (i) That the report be noted
- (ii) That the assumptions as set out above be approved
- (iii) That the Committee reviews the Council's Budgeting timetable in light of growing uncertainties around COVID and the Council's subsequent ability to meet.