

# FINANCE ADVICE

**SLCC's National Finance and VAT Advisor, Alan Mellor, shares actions clerks can consider as part of the budget-setting process at this time of year.**

My last few articles have raised issues relating to budgeting and the significant financial issues which councils, along with the whole country, are currently facing. It is very probable that the budget and precept setting process for 2023/24 will be the most challenging in living memory. This article is also focused on these issues as we enter into the period of the year when councils turn their attention to next year's budgets.

## Inflationary pressures

The country is in a period of financial strain which hasn't been experienced for many years. Parish clerks have become used to dealing with relatively low rates of inflation, and setting budgets against a background of financial stability. This is not now the position, and we will have to deal with much higher rates of inflation.

At the time of writing this article the government had only just announced plans to hold down the price of energy. It is unclear if, and how, any assistance will be applicable to local councils. Hopefully plans for the public sector will be finalised very soon.

**1. Calculate the impact of large hikes in energy costs to your council's budgets both in the current year and for the next few years. This will inform you of the size of the financial hit that you will have to deal with.**

## Pay offer

The current pay offer, which the employers have put to the unions, is a fixed cash amount of £1,925 per annum across all pay points. This will impact parish councils differentially, according to the makeup of their employees. It can have a greater financial cost for those councils with a higher proportion of lower paid employees.

**2. Assess what the impact of the pay offer will have for the current financial year. Can the increase be accommodated within the budgeted provision for the pay increase from 1 April 2022?**

**3. Model the impact the deletion of SCP1 would have on your 2023/24 budget.**

In addition, the pay offer includes the deletion of SCP 1 with effect from 1 April 2023. This will result in a further cost from that date, along with a further annual inflationary increase.

Whilst this offer is understandable in the current climate, it does introduce a further tightening of pay differentials between employees at all levels within your council. In turn this may result in calls for further increases in salaries for higher paid staff. There is a clear logic to the argument that; 'what is the point of being a manager if my pay is very similar to those employees I am managing'.

Under normal circumstances it would be usual practice for councils to apply the same rate of inflation across all expenditure heads.

This may be more applicable to larger councils who have a wide range of expenditure types.

**4. For 2023/24 I would suggest that this calculation needs to be almost on a line for line basis, with different rates applied to each item of expenditure**

Clerks may experience pressure from their councils not to increase the fees and charges on services they provide, and to give some support to their local community in such difficult times. A conversation as to the appetite for increasing income now will be helpful as you look at the overall financial position.

## Council Tax base

This is the figure that represents the number of Band D properties in your parish. Your precept, divided by this figure, gives the annual Council Tax Band D charge. All billing authorities are required to calculate the Council Tax base for the next year and advise each parish of the figure between 1 December - 31 January. In a normal year this figure remains fairly static, or increases, as usually more new properties are built than those demolished. However, parish councils may see this figure being reduced for 2023/24 as billing authorities increase their provision for bad debts; reflecting the possibility of households not being able to afford their Council Tax bills given the significant increases in inflation, together with a potential increase in the number of households claiming Council Tax Benefit.

**5. An early conversation with your billing authority may assist in understanding their thinking on this and enabling you to model the impact of any reduction.**

## Precept setting

Many billing authorities request and encourage parish councils to set their precepts as early as possible before the start of the next financial year. The latest date by when parish councils must set their precept is 1 March.[1]

Given the uncertainties surrounding the rates of inflation for 2023/24, together with the possible introduction of Council Tax capping, I would suggest that in this unprecedented financial climate, parish councils delay setting their precept until the middle of February. This will enable your council to set the precept with the fullest and latest information available.

## Public Works Loan Board (PWLB) loans

Over the last few weeks interest rates have started to increase, with the expectation that this upward trajectory will remain for some months, at least, to come. The PWLB makes provision for the early repayment of loans. If the interest rate of a loan is less than the current interest rate, then included within the redemption figure is a discount, which means the full-face value of any outstanding loans is reduced upon redemption. The PWLB website includes a calculation for councils to work out the redemption figure and any applicable discount.

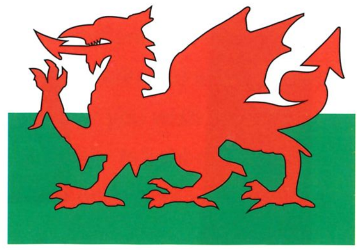
**6. Consider if your council has any unused capital receipts, which can be used to make early loan redemption payments.**

This in turn allows the value of a discount to be credited to your revenue account, thus helping to support the budget and precept-setting for 2023/24.

1 Local Government Finance Act 1992, section 41 para 4 [online] Available from www.legislation.gov.uk/ukpga/1992/14/section/41. Accessed 14 September 2022.



# COMMUNITY REVIEWS



**The Local Democracy and Boundary Commission for Wales has published updated Community Review Guidance to help principal councils across Wales prepare for, and carry out, community reviews over the coming years.**

Communities are the bedrock of our democracy, and that's why we want to make sure they reflect the Wales of today. Community councils are not only the level of government closest to the people of Wales, they're also the building blocks for every other electoral boundary - from electoral wards through to parliamentary constituencies.

It's crucial therefore that every community in Wales is reviewed so people are properly represented. This might mean some change for your community, and that's why each review will include opportunities for you to make representations on how your community should - or shouldn't – change.

Shifts in population over time mean communities inevitably change, whether that change is to the number of councillors representing a community or community ward, or the boundaries of a community, for example when a new housing estate has been built.

We want the public, our community councillors and clerks, and our principal councils to be fully involved in the community review process. You can find all the relevant information, including the updated guidance on the Local Democracy and Boundary Commission for Wales website, at https://ldbc.gov.wales/.

**Shereen Williams MBE OStJ, Chief Executive Officer of the Local Democracy and Boundary Commission for Wales.**