Budget 2026/27: Advance Briefing Note

1. Purpose of this Report

This report is circulated in advance to provide Members with the context and background to the budget-setting process for 2026/27, ahead of the Finance and General Services (FGS) Committee meeting on 13th January 2026.

The detailed draft budget figures will be circulated separately with the formal agenda papers in the new year. This briefing note is intended to help Members, particularly those new to the Council, understand the framework within which the budget is prepared, the legal requirements, and the current uncertainties regarding the tax base.

At the FGS meeting, Members will have the opportunity to discuss spending priorities, consider the budget headings and associated figures, and provide direction to officers ahead of the formal budget-setting at Full Council on 27th January 2026.

You will recall that at the December FGS Meeting I invited any members either individually or in groups to come into the office in advance of the meeting.

2. Legal Framework

It is important for Members, particularly those newly elected, to understand the legal framework governing budget and precept setting:

- **Budget Approval:** Under the Local Government Finance Act 1992 (Sections 49A and 50), the budget can only be approved by Full Council. While the FGS Committee may consider and recommend a draft budget, the legal authority to set the budget rests solely with Full Council.
- **Precept Demand:** Similarly, the precept (the amount the Council requires from Council Tax) can only be formally agreed and issued by Full Council, in accordance with Section 41 of the Local Government Finance Act 1992.
- **Reserves:** Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Accordingly, the formal decisions on both the budget and precept will be taken at Full Council on 27th January 2026.

3. Council Tax Base and County Council Decision

Members should be aware that Northumberland County Council (NCC) is currently considering changes to the Council Tax Support Scheme for 2026/27. This decision directly affects Ashington's tax base and therefore the amount of income generated from any given Band D Council Tax charge.

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3.1 What is the Tax Base?

The tax base represents the total number of Band D equivalent properties in the parish area from which Council Tax can be collected. It is calculated by NCC and takes into account discounts, exemptions, and the Council Tax Support Scheme. A higher tax base means more income is generated for each pound charged on a Band D property.

3.2 NCC Decision Pending

At its Cabinet meeting on 9th December 2025, NCC recommended that a new banded Council Tax Support Scheme be adopted. This recommendation will be considered by County Council on 14th January 2026 (the day after this FGS meeting). Two options are available to County Council:

1. **Adopt the new banded scheme (recommended):** Ashington's tax base would increase by 145.82 Band D equivalents.
2. **Continue with the current scheme:** Ashington's tax base would decrease by 39.02 Band D equivalents compared to the indicative figure.

3.3 Implications for Ashington

It is important for Members to understand what the tax base changes mean for Ashington households. The tax base calculation reflects the number of Band D equivalent properties from which Council Tax can be collected. When fewer people receive Council Tax Support (or receive reduced support), those properties contribute more to the tax base.

The fact that Ashington's tax base increases under the new banded scheme indicates that fewer Ashington households will qualify for Council Tax Support, meaning more properties become chargeable at full rate. The 145.82 increase in Band D equivalents directly correlates to a reduction in support for working-age households in our town. Given Ashington's demographics and levels of deprivation, it is likely that a significant number of local households currently receiving support will either lose it entirely or see it reduced under the new scheme.

Across Northumberland, NCC's modelling shows that 55.48% of working-age claimants will see reduced support under the new scheme, while 44.52% will see increased support. The lowest income households will benefit most, with 32.79% of claimants receiving 100% support (compared to the current maximum of 92%). However, the overall picture for Ashington is that more households will be paying more Council Tax.

NCC is introducing the new scheme primarily to address the significant administrative burden caused by Universal Credit (which generates over 160,000 change notifications annually) and to reduce overall scheme costs by approximately £2 million. To mitigate the impact on affected households, NCC has established a £1 million exceptional hardship fund for 2026/27 and will work with Citizens Advice and VCSE partners to support households through the transition.

In summary: while the increased tax base is financially beneficial for this Council's income (allowing us to raise the same precept with a lower Band D charge, or generate more income at the same charge), Members should be aware that this reflects reduced Council Tax Support for Ashington residents. This is a decision being taken by Northumberland County Council, not Ashington Town Council, but it will affect our community

4. Budget Categories Explained

For clarity, particularly for Members new to the budget process, the draft budget will be presented in three categories based on the degree of flexibility available. The detailed figures for each cost code will be provided with the formal agenda papers in the new year, but the categories are as follows:

4.1 Non-Discretionary Expenditure

These are costs that the Council is legally obligated to meet or that arise from existing contractual commitments. They include:

- **Employment Costs:** Staff salaries, employer's National Insurance, pension contributions, and any costs arising from the NJC pay award. These are determined by employment contracts and national agreements.
- **Office Rental:** Contractual lease obligations.
- **Insurance:** Legal requirement to maintain adequate cover.
- **Audit Fee:** Statutory requirement under the Accounts and Audit Regulations.
- **ATC Partnership Agreement:** Contracted environmental services with Northumberland County Council.
- **CCTV Provision:** Existing contractual commitments for monitoring and maintenance.
- **Christmas Lights Contract:** Multi-year contract obligation.

As RFO, I include these figures based on known costs, contractual terms, and where applicable, anticipated increases (such as pay awards or inflation adjustments). Members may challenge whether any of these should be considered non-discretionary.

4.2 Limited Flexibility Expenditure

These are areas where the Council has some discretion over the level of spending, but where there is an established service or ongoing need. The figures I will include represent my professional recommendation based on historical spending patterns, anticipated costs, and inflationary pressures. Examples include:

- **Vehicle Costs, Storage Unit, Tools & Equipment:** Essential for service delivery but with some flexibility in specification.
- **Telecoms & IT:** Core infrastructure with scope for efficiency savings.
- **Environmental Contracts and Enhancements:** Service levels can be adjusted.
- **Play Area Maintenance:** Essential for safety but inspection and repair levels can vary.
- **Staff and Member Training:** Important for development but can be scaled.

Members are invited to suggest adjustments to these figures - whether to increase or decrease spending in these areas.

4.3 Wholly Discretionary Expenditure

These are areas entirely within the Council's gift to determine. They reflect the priorities and ambitions of this Council. Examples include:

- **Events Programme:** Community Fair Day, Christmas Lights Switch-On, Pride Picnic, Miners' Picnic, Eco Fair, Great Big Green Week, Spring Clean.
- **Grants Programme:** Annual Grants, Small Grants, Youth Initiatives.
- **Climate Change Projects & Initiatives:** Environmental priorities.
- **Capital Items:** Bus Shelters, Litter Bins, Public Seats.
- **Engagement Activities:** Community outreach and participation.

I will include indicative figures based on previous years' spending and expected commitments. However, these are properly matters for Council to determine based on its priorities.

5. Financial Prudence and Year-End Management

As we approach the final quarter of 2025/26, I would advise Members that prudent financial management suggests limiting unplanned expenditure before year-end. The rationale for this approach is:

- **Protecting Balances:** Maintaining year-end balances provides a buffer against the financial pressures of the future, especially the unknown, i.e. NJC Pay Deal.
- **Offsetting Next Year's Budget:** Any underspend can be used to offset the 2026/27 budget, reducing pressure on the precept.
- **Emerging Plans:** As a new Council, there may be projects and priorities that Members wish to pursue. Having reserves available - whether in general contingency or earmarked for specific purposes - provides the flexibility to fund these initiatives.
- **Future-Proofing:** Known future commitments, such as play area refurbishments, and capital spending on allotments require planned contributions to earmarked reserves.

6. Reserves and Contingency

The Council maintains reserves for different purposes:

- **General Reserve/Contingency (£171,523):** Provides working capital and a buffer against financial risks. Given our annual expenditure exceeding £1 million, this level is considered below the desired 3 months revenue expenditure, which would be £250k.
- **Earmarked Reserves:** Set aside for specific known or planned expenditure including play area refurbishments (long-term programme), memorials maintenance, future Full Council elections, and allotment improvements.

I would recommend that reserves policy remains separate from revenue spending decisions, to ensure the Council maintains adequate financial resilience. This requires precepting for what we expect to spend, outside of reserve spending.

7. What Happens at the FGS Meeting

The formal agenda papers, including the detailed draft budget figures by cost code, will be circulated in the new year. At the FGS meeting on 13th January, Members will be invited to:

- ✓ Review the draft budget figures by cost code
- ✓ Challenge whether any categorisation (non-discretionary, limited flexibility, wholly discretionary) should be reconsidered
- ✓ Indicate priorities for discretionary spending
- ✓ Consider indicative precept levels (noting the tax base uncertainty)
- ✓ Provide direction to RFO for preparing the final recommendation to Full Council

8. Next Steps and Key Dates

- **13th January 2026:** ATC Draft Budget presented and recommended Budget approved.
- **14th January 2026:** NCC County Council meeting to determine the Council Tax Support Scheme and confirm the tax base.
- **Following NCC decision:** RFO will prepare the final draft budget with confirmed precept calculations.
- **27th January 2026:** Full Council to formally approve the budget and issue the precept demand.

A note on the precept deadline: While NCC has requested that precept forms be returned by 23rd January 2026, the legal position under Section 41(4) of the Local Government Finance Act 1992 is that a precept must be issued before 1st March in the financial year preceding that for which it is issued. Importantly, the legislation also provides that a precept "is not invalid merely because it is issued on or after that date." The January deadline set by NCC is an administrative convenience to allow time for council tax calculations to be included in County Council agenda papers, but it is not a statutory requirement. Should circumstances require, there is legal scope to submit later than NCC's requested date.

9. Recommendations

At the FGS meeting on 13th January, the Committee will be recommended to:

- **Note** that the formal decisions on the budget and precept can only be taken by Full Council on 27th January 2026, in accordance with the Local Government Finance Act 1992.
- **Note** the pending NCC decision on the Council Tax Support Scheme and its implications for Ashington's tax base.
- **Consider** the draft budget figures (to be circulated with the formal agenda papers) and provide direction on spending priorities for 2026/27.
- **Authorise** RFO to prepare the final draft budget for consideration by Full Council, incorporating any amendments arising from the meeting and the confirmed tax base.

Sarah Eden

Executive Office/ RFO

Ashington Town Council

19th December 2025