

CONGLETON TOWN COUNCIL

MEDIUM TERM FINANCIAL STRATEGY- 2016-20

In accordance with good practice, the Medium Term Financial Strategy sets out the financial projections, considerations, pressures and issues for the Council over the next five years. Each year the forecast will be updated, taking into consideration any new issues emerging and the continual alignment of funding with corporate priorities. The forecast is based on the Corporate Strategy and policies of the Council, being particularly linked with the Investment Policy.

1. The objectives of the Strategy are:-

- To enable the Council to allocate resources to achieve the Corporate Strategic Objectives
- To enable the Council to understand its key financial pressures and likely long term implications of its decisions
- To identify future financial impacts of both policy decisions and external factors so that risks can be managed
- To control precept rises and look for external funding, where appropriate.
- Support the delivery of value for money services
- To ensure good use is made of assets
- To maintain the General Reserve at a prudent level
- To provide for future financial demands
- To facilitate good financial management

The Medium Term financial position will be effected by decisions that may be taken in respect of the growth of Streetscape and Grounds Maintenance Services. It is assumed that a number of regeneration projects will require capital contributions which will be taken from the Capital Reserves, which will continue to be built up when the opportunities arise.

2. The Risk Assessment Process identifies risks associated with:-

- Any inaccuracies in the forecast
- Difficulty in predicting costs for new services, particularly the regeneration of the Town and Cheshire East's contribution
- Low and uncertain investment income which is exacerbated by the current economic downturn

3. The following guidelines are at the Core of the Strategy:-

- Maximise external funding opportunities in all areas
- Maximise the benefits of partnership working
- Review income from chargeable services

- Join with others where possible for procurement
- Maximise service efficiency to keep costs down
- Maximise letting income for the Town Hall
- Enhancing service provision of Streetscape
- Taking due cogence of the possibility of a cap on the precept
- Dealing with the continuing reduction of the Rate Support Grant

4. Economic Position

Key projections

	2015	2016
Real GDP growth	2.6%	2.4%
Inflation (CPI)	0.3%	1.7%

Main economic projections

- The UK economy slowed a little in early 2015 but domestic demand growth remained relatively strong, helped by lower oil prices. Net exports continued to subtract from UK growth, reflecting sluggish growth in early 2015 in both the US and the Eurozone.
- UK GDP growth is expected to average around 2.6% in 2015, which could again be the fastest in the G7, before easing slightly to around 2.4% in 2016. Consumer spending and business investment will be the main drivers of UK growth in these years.
- Risks to growth are weighted somewhat to the downside in the short term due to international risks, including uncertainties relating to Greece and the recent turbulence in the Chinese stock market. But there are also upside possibilities in the medium term if the global environment improves and real wage and productivity growth rates accelerate in the UK.
- London and the South East continue to lead the recovery, with growth of around 3% in 2015, but all other UK regions should also register positive real growth of around 1.8% - 2.5% in 2015.
- Inflation seems likely to rise back towards its 2% target by the end of 2016, so the MPC may start to raise interest rates gradually from early next year. Businesses and households should plan for rates to be back to around 3-3.5% by the end of the decade.
- The July Budget confirmed plans for significant further fiscal tightening to eliminate the budget deficit before the end of this decade, but with a somewhat slower and smoother profile of public spending cuts and around

£7 billion per annum of net tax rises to be phased in by 2020. The impact of £12 billion of welfare cuts will be offset for some lower earners by the new National Living Wage.

Services sector remains key driver of growth and trade

- The services sector will remain the main engine of UK growth for both output and employment, with manufacturing and construction growth having slowed since last summer.
- Productivity growth has been relatively weak since the crisis in financial services and also remains subdued in the public sector. But it remains stronger in other non- financial private services sectors, where we estimate the long-term trend productivity growth rate at around 1.7% per annum.

5. Reserves

The Council is projected to have the following reserves on 31st March 2016:

	£k
General Reserve	161
Capital Contingency Reserve	158
Elections	15
Devolved Services	7
Capital equipment	34
Toilets	38
Play Areas	6
Legal Fees	10
Public Realm	12
Cenotaph	10
Neighbourhood Plan	37
Website	8
Carnival	7.5

The projected reserves at 31st March 2016 do not meet the minimum recommended reserve which equates to 3 months net revenue expenditure, therefore for a period of two years £4,600 will be budgeted to add to reserves to meet the minimum requirement.

The refurbishment, improvement and continued maintenance of the Town Hall, in particular the repairs to the roofs, which had been in a poor state are now all complete and the capital borrowed from the former Congleton Borough Council and the Public Works Loan Board is now fully spent as a consequence of the completion of these works.

Any further improvements to the Town Hall will have to be funded from existing reserves and include outstanding upgrades to the heating system and internal toilets all need to be completed.

During the year, the fees and charges to hire the Town Hall have continued to be assessed against other similar establishments and the Town Hall hire charges have been found to be competitive. Part of our strategy to improve letting income will be to continue to target corporate customers and to continue to work in partnership with the new catering partner to make the Town Hall the wedding venue of choice in the locale

6. The following assumptions have been made in preparing this Forecast:-

- Fixed costs over which the Council have little control such as business rates etc.; will be inflated at national rates, probably ahead of inflation.
- Provisions such as contributions and grants will remain at fixed sums unless Council decides to change them.
- General inflation effects and anticipated increases in other costs have been provided for in the Inflation affect line.
- Staffing costs have been inflated at 1% in the light of employees receiving nil increases for 2 years and 1% in this financial year, 2015. Any re-grading required as a consequence of additional responsibilities arising from incremental increases has been treated separately.
- The most significant increases that could be included in the medium term forecast revolve around additional staff for Streetscape services, with the notion of improving service levels to the residents in and around the Town being the driving force as well as building in some resilience for the workforce due to an ageing staff. The increased costs were included in the 2015 budget to cover one apprentice and this has been carried over into 2016.
- The Council Tax Support Grant provided by Cheshire East would appear to have been removed in its entirety for 2016 and this will continue to put pressure on our cost base and precept needs as the Town Council will have to fully fund this cost.

A 5 year projection of year on year changes in costs and income, net expenditure levels and precept requirements, is set out in the table enclosed, based on the above assumptions.

It can be seen, that the increase in the Budget over the next four years is still relatively modest in line with the current economic climate and the concern about precept capping, but increases in the main are emanating from the removal of the Rate Support Grant.

Brian Hogan
30.11.15