

WHITCHURCH TOWN COUNCIL

MEDIUM TERM FINANCIAL STRATEGY- 2013/18

Introduction

In accordance with good practice, the Medium Term Financial Strategy sets out the financial projections, considerations, pressures and issues for the Authority 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 Treasury Management Policy.

The Medium Term financial position will be dominated by the need to make the Council financially sustainable as it increases its capacity and services in line with its Strategy and gets to grips with a backlog of maintenance of its assets. This will not be easy, however the Council is determined to deliver more and invest in the Town whilst managing its finances prudently. It will phase its development within the funds available.

The objectives of the Strategy are:-

- To enable the Council to allocate resources to achieve the Corporate Strategy
- To enable the Council to understand its key financial pressures and likely long term implications of its decisions
- 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.
- 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

Through its Corporate Strategy, "Time to Lead the Community" 2013-2015, the Council intends to deliver its services and facilities according to outcome based standard, which will give flexibility and provide some cost savings. It will, seek to operate devolved services from Shropshire Council, or deliver them in partnership, where value can be added. Where services are devolved to the Town Council, it will expect funding to follow the function but will be prepared to put in additional funding where necessary, to raise standards above those normally provided by the principal council.

The Risk Assessment Process identifies risks associated with:-

- any inaccuracies in the forecast
- difficulty in predicting costs for new services.
- difficulty in attracting external funding

The following guidelines are at the Core of the Policy:-

- Maximise external funding opportunities in all areas
- Maximise the benefits of partnership working
- Review income from chargeable services
- Join with others when possible for procurement
- Maximise service efficiency to keep costs down

National Economy

The rate of consumer prices index (CPI) inflation fell to 2.8% in July, down from 2.9% in June, according to the Office for National Statistics (ONS). The rate of retail prices index (RPI) inflation fell as well, to 3.1%, from 3.3% in June. ONS figures also revealed that house prices in the year to June rose by 3.1%, up from 2.9% in May. This is still well above the Bank of England's target of 2%. It has been above the target since November 2009, peaking at 5.2% nearly two years ago. The Bank's recent

"forward guidance", its commitment to keep its interest rate at the current ultra-low level, would be overridden if it expected inflation 18-24 months from now to be above 2.5%. If the drop in inflation continues, and many economists think it will, it will be a little less likely the Bank will have to use that override and raise interest rates, before unemployment comes down further.

In July, the annual growth in value of retail sales and consumer services had risen slightly over the first six months of the year. Growth in manufacturing had also increased a little but business investment was still modest. The annual decline in construction had eased as house building increased. Unemployment nationally had fallen. The economy is predicted to grow at a faster rate than most major economies for the rest of the year

As government funding will continue to be reduced to principal local authorities, we will obviously feel the knock on at local level, as will our voluntary sector partners. Local Government salaries have been frozen for three years and the 2013 rise is 1%. Whilst it does not look likely that local councils' precepts will be capped generally, the government are watching those with high expenditure, or who's precept forms a significant proportion of council tax.

Current Year Budget

The 2013/14 budget was curtailed to keep the Precept rise within inflation. By Month 5 expenditure and income is close to budget, however there are significant costs which will need to be taken from revenue or capital reserves. These fall into two broad groups:-

1. Costs associated with the suspension and termination of the former Town Clerk mainly legal and consultancy costs.
2. Deliberate service and facility enhancement and work to address the backlog of maintenance on buildings and the Park.

Additional costs are being tightly managed and will give the Council a solid financial base for the future. Put in perspective the Council's precept accounts for only 7.37% of Council Tax, with Shropshire Council accounting for 75.33%, Shropshire & Wrekin Fire & Rescue Authority 5.74% and West Mercia

General Reserve Requirement

As a result of consistent budgeting, particularly the regular provision of Capital Funds within the Precept, the Council is financially sound. The cost of settlement with the former Clerk, and the significant contribution to Phase 1 of Civic Centre (£147K) have both been met from General Reserve without jeopardising the council's General Reserve minimum target (+/- £90K). The Council has adequate Earmarked and other Project Funds (£190K) to move into the future.

Developing this Medium Term Financial Policy is an essential part of strategic planning, and a necessity to assess the overall adequacy of the Project Funds currently being provided through the Precept.

Sound Treasury Management, Investment & Borrowing policies have recently been put in place through the Treasury Management Policy.

Capital Funding

The forward funding has assumed the continuation of £22k contribution to the Rolling Capital Fund annually. It also assumes that the Council will adopt a Neighbourhood Plan which will raise the percentage of Community Infrastructure Levy (CIL) it receives from 15% to 25%. The Shropshire Scheme provides for CIL at £40/sq m floor space on all open market houses built after January 2012. Working on an average 100 sq m per property, this averages £4000 per dwelling or up to £1000 per dwelling to Whitchurch Town Council to invest in the Town. Shropshire Council takes 5% for administration but have undertaken to invest 90% of the remaining amount, in the Town in accordance with the Place Plan. The Council could forward fund infrastructure from reserves or borrow against CIL receipts. If the Town gains 1700 houses over the period of the local plan, even after deducting 30% affordable houses, the Town Council could expect up to £1.2m over 13 years.

Discussion has been held with Shropshire Council to enable a best estimate of CIL receipts during the life of this Policy.

The forecast suggests that the Council will not need to undertake any long term borrowing for its current programme, however capital funds will need to be managed carefully in 2015/16 particularly, when short term borrowing may need to be considered if rates stay low.

Assumptions

The following assumptions have been made in preparing this Forecast:

- Fixed costs over which the Council have little control such as utilities, business rates etc, will be inflated at national rates, probably ahead of inflation.
- It is assumed that interest rates will stay low and that the yield from investments will remain low. Investment will be in accordance with the Council's Treasury Management Policy.
- Provisions such as contributions and grants will remain at fixed sums unless Council decides to change them.
- General inflation effects and anticipated increase in use costs have been provided for in the Inflation affect line.
- Staffing cost will be curtailed, and 1.5% has been allowed for inflation with anticipated increments built in.
- The Shropshire Pension tri-annual actuarial review will take place in 2013 and changes will apply from next year 2014/15. A small increase in contribution has been assumed.
- It is assumed that Shropshire Council will again pass on to local councils the Precept Support Grant in 2014/15 and subsequent years. The grant was introduced by Government following the localisation of the Council Tax Benefit System from April 2013, which had the effect of lowering the tax base. The grant to Shropshire Council is intended to protect precepting authorities however it is not mandatory for them to pass it on. Discussions with Shropshire Council have given no suggestion that the grant will not be passed on, however if it wasn't, it would immediately add about £50k a year to the Council's Precept.
- There will be a continuing gradual support for supporting young people.
- There will be increasing support for Tourism.
- The operation of the Museum and Heritage Centre will be transferred to a Trust. The Council will retain ownership of the building and offer a peppercorn lease, with external maintenance remaining with the Council and certain internal works for which the trust cannot obtain grant funding. An operating grant to the Trust is also assumed.
- There are likely to be some public realm services devolved to the Council over time, probably commencing with roundabouts and highway lengthmen's duties. Some additional direct staffing costs will be taken from finance following function as far as devolved services are concerned, but, transfer services will not be in this position and no provision has been made for additional employment costs emanating from the transfer of such services and as such are not included in the existing Staff & Pensions line.

5 year projection

A 5 year projection of year on year changes in costs and income, net expenditure levels and precept requirements, (both Capital and Revenue) is set out in the tables below, based on the above assumptions.

It can be seen, that despite an ambitious but necessary service growth programme for the Town, the increase in Budget increases over the next four years is far more restrained in line with the current economic climate. The pinch points are 2014-15 for Revenue and 2015/16 for Capital Funds availability.