

VERSION CONTROL

Medium Term Financial Plan 2021 – 2024 (v3)

Annual review – September 2023

Viewed by Finance & Governance Committee 13/09/2023

Updated reviewed version (v3) adopted by Crewe Town Council 27/09/2022 [to be confirmed]

# Foreword

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Welcome to Crewe Town Council's Medium Term Financial Plan which sets out the Council's financial strategy up to 2023/24

Having a sound financial strategy in place is of the utmost importance as the Council looks ahead to what is likely to be an increasingly challenging future.

The Council faces significant potential commitments over the next few years relating to capital investment in its fixed assets, expenditure which may see its balances and reserves diminish, or consideration for ensuring a balanced budget to maintain sustainable financial resilience.

It will be considered if the Council should have greater involvement and control of local services and assets and the ongoing revenue demands of these will need careful consideration and understanding of potential impacts on resources.

This Plan aims to highlight and quantify the key financial challenges facing the Council over the coming years, with particular emphasis upon the forecast increases in staffing costs, the significant expected capital investment linked to the delivery of asset and service management and the risk management of the potential impact on Council balances and reserves; and put in place a financial strategy to meet these challenges.

The Plan sets out a Revenue and Capital Budget forecast for the five-year period and estimates the level of Precept and Council tax increase that may be required in order to balance the budget.

Whilst the next five years will undoubtedly present the Council with a number of challenges, we are confident that this Medium-Term Financial Plan provides a sound strategy for the planning of the Council's finances and spending over the remaining term of this Council to the financial year 2023/24, which ensures that services are protected, and which aims to keep future Council tax increases to a minimum.

The Council is fortunate in that its finances are building towards good health at the present time, and the implementation of this Plan will ensure that the Council can build on these strong foundations, continue to meet the needs of our local community, and provide value for money added value services to our local tax payers.

**Cllr Benn Minshall**  
***Mayor of Crewe (2019/21)***

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<b>Section</b>	<b>Introduction and Background</b>
<b>1</b>	

**Purpose of the Medium-Term Financial Plan**

**1.1** This Medium-Term Financial Plan (MTFP) of Crewe Town Council covers the period from 2021/22 to 2023/24.

**1.2** The key purpose of the MTFP is to put in place a clear and robust financial strategy for the period that will help the Council to contend with the challenges it faces, achieve its strategic aims and meet community priorities, within the limited resources available, whilst delivering value for money to the local taxpayers of Crewe.

**1.3** Strategic financial planning is of particular importance during times of economic uncertainty

**1.4** The MTFP is also important in putting in place a clear link between the Council’s strategic aims and targets and the priorities of the local community, as set out in the Corporate Strategy, and the Council’s financial planning process. This helps ensure that financial resources are allocated to services in a way that supports the delivery and achievement of these aims and priorities.

**1.5** The MTFP sets out the national and local financial climate within which the Council will be working over the next five years and highlights the key financial challenges that it faces, as well as the strategic aims that it will be aspiring to deliver, and the community priorities that it will be striving to meet.

**1.6** It then puts in place a financial strategy to meet these challenges and ensure the delivery of strategic aims and community priorities within the financial resources likely to be available. The Plan includes indicative Revenue and Capital Budgets as well as projections of the likely level of precept and balances and reserves over the five-year period.

Reviewing the MTFP each year will help the Council to:-

- 1.7**
  - ensure that a strategic approach is taken in the planning of the Council’s future spending and finances;
  - create stronger links between the Council’s strategic aims and the priorities of local tax payers, and future spending decisions;
  - put in place a clear, understandable and forward-looking financial planning framework;
  - make it clear how the Council plans its spending and who is responsible for making spending decisions;
  - help ensure that the Council regularly reassesses and reviews the cost of its services;
  - help the Council to demonstrate and deliver value for money in the use of public resources; and
  - help ensure that the views of the community are considered in deciding where and how the Council spends public money.

## Development of the Medium-Term Financial Plan

- 1.8** This is the first MTFP developed by the Council and seeks to:
- ❑ review of the Council’s priorities based on the annual strategic aims and targets set out in the Corporate Strategy;
  - ❑ review of community priorities, informed by the Community Plan, satisfaction surveys and consultations;
  - ❑ reviewing the resources required to fund future service needs, including providing for pay awards, inflation and other unavoidable budget pressures, budgeting for changes in funding and income, managing expected changes in demand for services, and identifying efficiency savings and possible budget reductions;
  - ❑ considering the costs of all new statutory requirements and any planned investment in existing services or new initiatives that have already been approved by the Council;
  - ❑ projecting the likely available financial resources based on target Council tax increases, projected Council tax base changes, use of balances and reserves, the availability of external funding, and the potential for future capital receipts and borrowing opportunities;
  - ❑ assessing the ability of the Council to fund its on-going service needs, deliver its strategic aims and meet community priorities within the limited resources available; and
  - ❑ maintaining a continuous focus on efficiency and value for money.

## Key Stakeholders

- 1.9** The MTFP is published for use by all stakeholders to help review the Council’s finances over the medium term, understand the spending pressures it faces and how the Council plans and makes decisions about spending on services, and show how this links to each stakeholder’s relationship with the Council, and in particular:-
- ❑ **for Councillors and service managers;** to help communicate the Council’s overall financial strategy and to improve understanding of the links between the Council’s strategic aims and priorities, as set out in the Corporate Strategy and individual service plans, and the setting of the Revenue and Capital Budget each year;
  - ❑ **for the local community and Council tax payers;** to communicate the Council’s overall financial strategy and its links to and impact on the provision of local services and the level of Council tax, demonstrate how the Council seeks to prudently exercise stewardship of public money and look after community assets, and improve the openness and accountability of the Council’s financial decision making; and
  - ❑ **for local businesses and community organisations;** to communicate the Council’s financial strategy and its links to and impact on the provision of local services and to provide key financial information to support the development of opportunities for partnership working in Crewe.

## Financial Planning Responsibilities

- 1.10 Service Managers**, under the supervision and guidance of the Town Clerk, are responsible for the preparation of the annual budgets in respect of the services under their responsibility, in accordance with the budget framework, and with regard to the principles set out in the MTFP.
- 1.11** Service Managers are also responsible for managing, monitoring and controlling actual spending and income on the budgets under their responsibility during the year, via effective budget management, and informing the Town Clerk of spend and any potential problems or significant variations from the approved budgets.
- 1.12 The Town Clerk** is responsible for developing and updating the MTFP and budget framework each year and ensuring compliance with these, co-ordinating the development and setting of the annual budgets, providing financial information and advice, implementing an effective system of budget monitoring and control, and regularly reporting financial information to the Council.
- 1.13 Members of the Council** are responsible for reviewing and approving the MTFP and budget on an annual basis, considering and approving the annual budgets, receiving budgetary control information, approving remedial action in respect of any significant budget variations, and considering and approving capital spending decisions and additional budget requests.

## Links with Other Strategies and Plans

- 1.14** The Council produces a number of other strategies and plans which have links to this MTFP and which have been considered in the development of this MTFP.
- 1.15** It is also important that the MTFP is clearly linked to the strategic aims and objectives that the Council is trying to achieve. These are set out in the Council's Corporate Strategy.

## Consultation with the Local Community

- 1.16** The MTFP has been prepared taking into account the views of the local community and tax payers, as expressed in the Community Plan survey, previous satisfaction surveys and other surveys and consultation events.

Section	<b>Financial Principles and Financial Planning Framework</b>
2	

## Introduction

- 2.1** In preparing a Medium-Term Financial Plan, it is first important to establish the key financial principles on which the Plan will be based, and to put in place a financial planning framework which will provide the guidelines for the annual budget setting process.

## Financial Principles

- 2.2** This Plan will be based on the overriding principle of **Value for Money**.
- 2.3** Achieving value for the money that the Council receives from local tax payers via the precept, and subsequently spends on local services, is one of the Council's highest priorities. The Council is committed to the achievement of year on year efficiency and will work hard to keep future precept increases to a minimum.
- 2.4** This will be achieved by regularly reviewing services and monitoring performance to ensure that services continue to be needed and are well managed and cost effective, regularly testing the market, undertaking internal and external audit, and ensuring that all Members and staff are aware of and committed to achieving value for money.
- 2.5** In order to ensure this, the following set of financial principles will be put in place for the period of this Medium-Term Financial Plan:-
- ❑ **a strong financial strategy** that enables the Council to take a long- term view of its finances, achieving greater stability and enhancing its ability to be proactive and have the capacity to take advantage of any opportunities and contend with any challenges that may arise;
  - ❑ **a level of spending that is affordable and sustainable** in the long term and which supports the effective delivery of services in line with strategic aims and the needs and priorities of the community;
  - ❑ **a prudent but realistic assessment of future revenue spending commitments, capital investment requirements, income levels, Council tax base movement, and external grant funding;**
  - ❑ **a strong culture of financial management** where continuous improvement and a drive for more economic, efficient and effective ways of working and use of resources is undertaken;
  - ❑ **a prudent level of balances and reserves** that protects the Council against unforeseen budget pressures, provides sufficient resources to finance future capital investment commitments and enables the Council to be proactive and take advantage of any opportunities that may arise;
  - ❑ **an effective and responsive finance service**, which provides sound financial information and advice to Members and officers.

## Financial Planning Framework

- 2.6** The financial planning framework provides the overarching guidelines for the development of the Medium-Term Financial Plan and the setting of the annual budgets.
- 2.7** The financial planning framework is based on the key financial principles set out above and will be updated on an annual basis.
- 2.8** The financial planning framework is set out below:-
- The Budget will be produced annually;
  - The Budget will be developed in accordance with this financial planning framework and the key principles and assumptions set out in the Medium-Term Financial Plan;
  - In allocating resources to services, priority will be given to those areas of spending that contribute to the achievement of the Council's strategic aims and targets, or which clearly meet community needs and priorities;
  - Budgets will be prepared on the basis of a commitment to the achievement of year on year efficiency;
  - Budget resources will be redirected from low priority to high priority service areas as and when necessary;
  - Additional budget to meet new statutory requirements and unavoidable budget growth e.g. inflation and changes in demand, will be clearly identified and fully evidenced;
  - All other requests for additional revenue budget resources and investment in services will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget;
  - An annual review of budgeted expenditure and income targets in respect of all service areas will be undertaken, using the principles of zero-based budgeting, in order to identify efficiency savings;
  - The financial implications of the recommendations from any completed service reviews will be incorporated into the annual Budget;
  - The Capital Programme Budget will be developed with priority given to those projects identified within and that contribute to the delivery of the Council's approved Asset Management Plan (when adopted);
  - All other Capital Programme Budget bids will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget;
  - Council balances and reserves will be maintained at prudent levels to protect the Council against any unforeseen budget pressures and liabilities, and provide resources to finance future year's capital investment commitments as set out in the Asset Management Plan;
  - Budget consultation will be undertaken, and feedback will be taken into consideration by the Council in the setting of the Budgets prior to the start of a new term of Council.

<b>Section</b>	<b>National Issues</b>
<b>3</b>	

## **Introduction**

- 3.1** The development of the Council’s Medium-Term Financial Plan must take place within the context of the national economic, political, demographic and legislative situation.
- 3.2** This section of the Plan outlines in more detail the main national issues that are likely to affect the Council over the next five years and which will need to be considered in the Council’s financial planning.

## **National Economic Situation**

**3.3** A key influence on the Council’s financial planning is the national economic situation. It is now clear that the country faced huge economic pressures following the protracted impact of the Covid 19 pandemic. The UK economy has now largely recovered from the recession and economic difficulties between 2008 and 2013 and had returned to sustained annual growth over the last five years, excluding the significant dip and recovery of 2020/21. Economic growth in the UK, in 1st Qtr 2022/23, is now flat and indicating a decrease in economic output

**3.4** Unemployment remains at a relatively low level, numbers in work have increased, inflation is rising.

**3.5** However, the economic recovery is by no means secure and remains very much dependent on the success or otherwise, of the on-going Government action to reduce the national debt, reduce the budget deficit, and implement further measures to stimulate growth. The final outcomes of the ‘Brexit’ agreement are also likely to have a significant impact on the economy and this issue is explained in more detail below.

**3.6** Economic issues could therefore have a significant impact upon the Council’s financial planning over the term of the MTFP and the potential financial impact of the relevant economic issues is considered in more detail in the key financial assumptions set out in Section 7 of the Plan.

**3.7** Inflation is now reported at 10% and is expected to increase further in the coming months and potentially beyond this financial year (2022/23). This should be considered a serious risk to financial sustainability and a consideration of the budget setting process

**3.8** The cost of living is now expressed as being in crisis as energy bills increase exponentially, costs of vehicle fuels and the knock on effect on household goods is being felt. This means that any increase in precept would be a compound effect on the cost of living crisis for a number of residents.

## **Impact of 'Brexit'**

- 3.9** The Government has agreed a withdrawal agreement with the EU, but the impacts and outcomes have not yet been clarified.
- 3.10** The Brexit process has created a significant level of uncertainty and it is currently very difficult to predict what the final outcome will be or what impact there might be on the economy and political situation and therefore on the Council's financial planning over the coming years.
- 3.11** However, it is clear that Brexit may create economic volatility and uncertainty up to the end of the decade and beyond, and lead to positive or negative effects on political and economic factors such as growth, inflation, interest rates, employment, availability of goods and services, and future investment in the public sector, including local government.
- 3.12** Future updates of the Medium-Term Financial Plan will factor in any developments in relation to Brexit that have a direct impact upon the Council's financial planning over the next few years.

## **Government Spending Reviews and Finance Settlements**

- 3.13** In the Autumn Budget published in October 2018, the Chancellor of the Exchequer indicated that austerity was finally coming to an end, with sustained economic growth, the budget deficit and public sector borrowing down, increased tax receipts, more people in work, and wages growth exceeding inflation. This led to a pledge of 1.2% annual average growth in departmental spending moving forward. Due to C19 associated exceptional spending, it is viewed unlikely that this pledge will be fulfilled
- 3.14** However the Chancellor also made it clear that the improvement in the economy and public finances and the likelihood of increases to public sector funding allocations is very much linked to the outcome of the Brexit negotiations, and that any tax cuts and spending rises depended on a 'deal dividend' linked to a 'smooth Brexit'.
- 3.15** Government funding reductions for local government have amounted to more than 50% over the four-year period 2016/17 to 2019/20 and this has resulted in the Government Revenue Support Grant for principal authorities being largely phased out, putting significant pressure on non-statutory services and raising the need for local service delivery review and local asset review.
- 3.16** The Government undertook a 'Fair Funding Review' of the relative needs and resources of local authorities and the formula for the distribution of resources to local government. This will inform the next Comprehensive Spending Review. The Fair Funding Review was published in spring 2022 and introduced the Shared Prosperity fund, which provides funding to be applied for by the principle authority. As such providing little amendment to service delivery at the parish and town tier.
- 3.17** The Government is also planning to increase the proportion of locally collected business rates income that principal Councils can retain to 75%. However, there are currently no proposals for town and parish Councils to receive a share of business rates.
- 3.18** The Government has not announced any reform of the Council tax system or revaluation of Council tax property valuation bands over the period of this Parliament, and it can

therefore be assumed that there will be no changes to the Council tax system over the life of this Plan.

- 3.19** Clearly the Government's Comprehensive Spending Reviews have had a significant impact on principal Councils, such as Cheshire East Council, who have faced substantial cuts to their funding.
- 3.20** There will undoubtedly be implications for the Town Council as a result of the ongoing financial difficulties faced by Cheshire East Council, and these issues are discussed in more detail in the Section 4 of the Plan – Local Issues.
- 3.21** The Town Council has been relatively sheltered from the public sector spending cuts, in that it had been in the fortuitous position of not being reliant on any funding from the Local Council Support Grant or Government in order to finance the services that it provides.
- 3.22** The outcome of the Fair Funding Review and the next Comprehensive Spending Review and Local Government Finance Settlement is of increased relevance and importance to the Council in terms of the future funding structures for local authorities and the potential impact on non-statutory local services and assets.

### **Referendums to Veto Excessive Council Tax Increases**

- 3.23** The Government introduced legislation within the Localism Bill to provide a stronger role for the local community in determining annual Council tax increases, by giving local tax payers the power to require local authorities to hold referendums, thereby providing them with the opportunity to veto 'excessive' increases in Council tax.
- 3.24** These powers replaced the Council tax capping powers and came into effect in 2012/13. The excessiveness limit was initially set at 2%.
- 3.25** However, the Government announced in the 2018/19 Local Government Finance Settlement that it was relaxing the Council tax referendum principles for the 2018/19 and 2019/20 years in recognition of the higher than expected level of inflation and the service pressures faced by principal Councils, particularly in relation to social care.
- 3.26** A core referendum principle of 2% was therefore set for principal Councils, while local authorities providing adult social care services are permitted to raise Council tax by an additional 1% above the referendum limit, on the understanding that the sum raised would be invested in adult social care through an adult social care precept.
- 3.27** Any increase above these limits would still be subject to a referendum with local tax payers.
- 3.28** Currently this legislation *does not* apply to town and parish Councils and the Government confirmed in the 2018/19 Local Government Finance Settlement that any consideration of the extension of Council tax referendum principles to higher spending parish and town Councils will be deferred for three years i.e. until the end of the 2020/21 year. This remains as yet unchanged.
- 3.29** This decision is conditional upon *"the sector taking all available steps to mitigate the need for Council tax increases, including the use of reserves where they are not already earmarked for other uses or for 'invest to save' projects which will lower ongoing costs"*, and the Government *"seeing clear evidence of restraint in the increases set by the sector as a whole"*.

- 3.30** Clearly this is positive news, as it provides the Council with flexibility in setting its Precept in the 2023/24 year, and the opportunity to raise additional Revenue Budget resources without any restraint from the Government, should there be a need or wish to do so.
- 3.31** The Council has already taken advantage of this flexibility in the in previous financial years, implementing increases in the Town Council Tax, in order to ease the pressure on the Revenue Budget and put in place a much higher contribution to local service delivery.
- 3.32** It has been assumed for the purposes of this Plan that the Council will be free to increase the Town Council Tax by as much as is required to balance the Budget up to 2023/24.
- 3.33** There is currently no indication of referendum limits for the period 2023/24 onwards. It has been assumed for the purposes of this Plan that referendum principles *will* be applied to town and parish Councils with effect from 2024/25, and that the Council will need to limit the annual increase in the Town Council Tax to 2% or less from this year.
- 3.34** Clearly, there would be further implications for the Council if the referendum limit was reduced by the Government at any stage after the 2023/24 financial year. This eventuality is considered in the Budget Forecast set out in Section 8 of the Plan, and the savings target that would be required to limit the increase to 1% and has been included in the projections for 2023/24 onwards.

### **External Audit Arrangements**

- 3.35** The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 set out the statutory provisions regarding the Council's external audit arrangements.
- 3.36** Under the Accounts and Audit Regulations 2015, the Council is classified as being a "smaller relevant body", defined as being a public sector body with an annual income or expenditure of less than £6.5 million.
- 3.37** Smaller relevant bodies are required by the regulations to prepare accounts and governance statements via the completion of an 'annual return' and are subject to the 'limited assurance' audit regime.
- 3.38** The external audit fee for a limited assurance audit has been set by Smaller Authorities Audit Appointments Limited for the period up to 2022/23, and this level of fee is provided for in the Revenue Budget Forecast in Section 8 of the Plan.

### **Localism Act 2011**

- 3.39** The Localism Act came into force in 2011 and contained a package of reforms to devolve greater powers, responsibilities and freedoms to local Councils, community organisations, neighbourhoods and individuals.
- 3.40** The four main measures of the Localism Act are:-
- new freedoms and flexibilities for local government;
  - new rights and powers for communities and individuals;
  - reforms to make the planning system more effective; and
  - reforms to ensure that decisions about housing are taken locally.

- 3.41** The key measure for local Councils is the freedom to act in the interest of local communities through the ‘General Power of Competence’.
- 3.42** This power gives local authorities the legal capacity to ‘do anything that an individual can do’, rather than relying on specific powers. This power applies as long as the action is not specifically prohibited by legislation.
- 3.43** However, it is important to note that the power does *not* raise money.
- 3.44** Town and parish Councils qualify for the General Power of Competence if they meet certain criteria. The Council adopted this power at the Annual General Meeting following the last elections. In theory this power will increase the Council’s ability in future years to be creative and innovative in meeting the needs of the local community should the operational capacity and financial resources be available to do so.
- 3.45** The Act has also introduced greater powers for local people and community organisations to hold the Council to account including:-
- a right to challenge to take over services;
  - a right to bid for assets of community value;
  - a right to veto excessive Council tax increases; and
  - increased transparency over public sector data.
- 3.46** The right to challenge to take over services or bid for assets could strengthen the Council’s ability to request to take over services from Cheshire East Council should it wish to do so, and should the resources be available.
- 3.47** There has also been an increasing drive towards improving transparency in the public sector, and the Openness of Local Government Regulations and Local Government Transparency Code require the Council to publish specific information, including certain decisions taken by officers of the Council, expenditure over £500, senior officer pay, and details of Council owned land. The Council already publishes all of this information on its website.
- 3.48** In overall terms, many of the principles of the Localism Act promote building on the capacity of town Councils and increasing their role in local government through decentralisation, though it does not bring with it any additional income or tax raising capacity.
- 3.49** Depending on the resources available, this could result in functions, duties and services being devolved to the Council in the future. It is also likely to see the Council having a greater role to play in working with and passing powers and services to local communities, for example, to community and voluntary organisations.

## **Demographic Issues**

- 3.50** The Medium-Term Financial Plan will also need to take into consideration any demographic issues that may affect the Council’s financial planning, such as the aging population, levels of unemployment, health issues, benefits dependency, and deprivation.
- 3.51** All of these issues could impact upon demand for particular services, for example leisure, economic development, public real, community activities and events.



<b>Section</b>	<b>Local Issues</b>
<b>4</b>	

**Introduction**

- 4.1** As well as considering national, political, legislative, economic and demographic issues, it is also important that the Council’s medium- term financial planning process takes into account any local issues specifically relevant to the Crewe Parish.
- 4.2** The following section of the Plan provides details of local issues currently affecting Crewe, focussing particularly on issues relating to Cheshire East Council, and on the Council’s strategic aims and targets. Section 5 of the Plan then looks at community priorities.

**Cheshire East Council**

- 4.3** The Government’s Comprehensive Spending Reviews have resulted in substantial reductions in grant funding for Cheshire East Council.
- 4.4** Cheshire East Council has already implemented budget reductions
- 4.5** This has resulted in many services being reduced and/or externalised within a Council Alternative Service Delivery Vehicle (ASDV).
- 4.6** Services that have already been reduced include highways maintenance schedules, grounds maintenance and community engagement and external services include cemeteries, property maintenance, waste, public realm, highways, green spaces and leisure. Additionally responsibilities for funding services such as floral displays, town centre management and CCTV have been devolved to the parish Council Councils

The financial situation facing Cheshire East Council could impact upon the Town Council, in a number of ways:-

- 4.7**
  - The Council could receive requests for financial support from community and voluntary organisations whose funding has been reduced or cut altogether by the borough Council;
  - Requests may be received from Cheshire East Council for the Town Council to consider taking on services or to undertake joint working;
  - There may also be occasions where the Council may wish to step in to safeguard local services and facilities at risk of being cut or ceased by Cheshire East Council.

- 4.8** The Council is receiving increased requests for financial support from community and voluntary organisations whose funding has been cut by the County Council and these requests are only likely to increase. However, the Town Council is limited as to how much assistance it can provide from its current donations budget.
- 4.9** The Council has worked closely with Cheshire East Council in discussing opportunities for joint working or devolvement of services. These discussions have, up to now, been based on the principle that the initiative should be beneficial to both Councils.
- 4.10** To date these discussions have led to a joint working initiative on town centre regeneration and the agreement of a license for the Council to take forward as a lead the regenerative and heritage work associated with Christchurch. Both of these initiatives are being undertaken within existing structures and budgets and have attracted external funding, making limited to no impact on the Council's finances.
- 4.11** For the purposes of this Plan it has been assumed that any further joint working will only be undertaken if there is no additional cost to the Town Council and as such no additional budget will be assumed in the Budget Forecast. Not the case with potential transfers of assets and services.
- 4.12** The Council has also worked with Cheshire East Council to access services such as town centre maintenance as well as professional officer support and advice on issues such as procurement, energy management, assets and health and safety.
- 4.13** Finally, the Council has been keen to explore possible funding opportunities with Cheshire East Council. The Councils are working closely on securing government funding for a number of capital regenerative projects
- 4.14** The Council will continue to actively seek further funding but for the purposes of this Plan only funding that has already been confirmed will be included in the Budget Forecast.
- 4.15** Cheshire East Council continues to consult with all key stakeholders on all relevant issues including budget and spending pressures, service reviews, partnership working and devolution of services and assets. The Council has been participating in these consultations and will continue to do so.

## Council Strategic Aims

- 4.16 Crewe Town Council adopted a corporate strategy in August 2020 and the Strategic Goals of this strategy are:

### **A TOWN TO LIVE IN**

Ensuring the town has a balanced mix of housing to cater for its diverse population, with improved health and wellbeing and where people can feel safe.

### **A TOWN TO WORK IN**

Enhancing economic prosperity with a spread of quality and sustainable employment and a modern, vibrant town Centre. Crewe will become a digital town and have improved services to meet the additional demand as it grows.

### **A TOWN TO ENJOY**

Improving the Quality of the Public Realm, recognising climate change issues and protecting the local environment and heritage. Improved leisure assets and development of arts and culture provision.

### **A COMMUNITY WITH PRIDE**

Developing a sense of civic pride across all age groups, improving the level of public engagement and providing a place where people feel supported.

### **A COUNCIL TO DELIVER**

Developing the capacity and skills within the Council, to equip it to deliver the outward facing priorities

## Business Delivery Plan

- 4.17 The delivery of the Council's services and activities is subject to an annual business delivery plan that outlines the known service delivery and activities and identifies the resources required, including the financial commitment.
- 4.18 Each committee with service and budgetary responsibilities recommends the relevant delivery to be included within the Business Delivery Plan.
- 4.19 The Business Delivery Plan is considered annually by Council for approval prior to the commencement of the new financial year
- 4.20 Some aspects of the annual budget will not be wholly defined at the start of the financial year within the Business Delivery Plan and will be available to address opportunities and developments as they arise through the financial year.

4.21 In addition to the strategic aims and targets, the Council has also embedded important crosscutting themes across all service areas and these have now been incorporated into all corporate and service planning decision reports taken by the Council and its committees. These crosscutting themes are as follows:

- Equality
- Sustainability
- Community
- Governance
- Financial Impact
- Resource Impact
- Consultation
- Wards Affected

<b>Section</b>	<b>Community Priorities</b>
<b>5</b>	

## Introduction

**5.1** The Community Plan identifies a number of the community priorities raised during consultation

**5.2** Community Plan areas of focus are:

- Arts & Culture
- Health & Wellbeing
- Housing
- Town Centre
- Young People

<b>Section</b>	<b>Key Financial Influences and Challenges</b>
<b>6</b>	

**6.1** This Medium-Term Financial Plan will need to address the following key financial influences and challenges:-

- the final outcomes of Brexit and its effect on the economy and Government spending plans** e.g. on inflation, interest rates, consumer spending power and local government spending;
- The impact of Covid-19 on the local economy and habits of residents, businesses and visitors**
- The ongoing increases in the National Living Wage, and its subsequent impact on the local government pay scale;**
- the possible extension of Council tax referendum principles to town and parish**

## **Councils, with effect from 2022/23;**

- ❑ **the implications of the past spending cuts being made by Cheshire East Council, which could result in increasing pressure to take over local services and assets which have been reduced or withdrawn by the principal Council;**
- ❑ **increased requests for financial assistance from community and voluntary organisations whose grant funding has been cut;**
- ❑ **ensuring the funding of existing service requirements;**
- ❑ **delivering the Council's strategic aims and targets;**
- ❑ **meeting the needs and priorities of the local community, service users and taxpayers;**
- ❑ **funding any new statutory requirements and any planned investment in existing services or new initiatives;**
- ❑ **delivering value for money and ensuring the achievement of year on year efficiency savings;**
- ❑ **minimising any future increases in the Town Council precept requirements;**
- ❑ **working within the resources available and deciding how the Council's spending will be prioritised in the event of limited resources being available;**
- ❑ **providing for the significant future capital investment commitments facing the Council**
- ❑ **maintaining a prudent level of balances and reserves, whilst meeting the cost of this capital investment.**
- ❑ **Being aware of the cost of living crisis and its impact on residents and businesses**
- ❑ **Being aware of the rate of inflation**
- ❑ **Noting the NJC settlement agreement and proposals**

**6.2** Many of these key financial influences and challenges are linked to the national economic situation and the Government's spending plans, as well as the financial pressures faced by Cheshire East Council. All of these issues were discussed in Sections 3 and 4 of the Plan.

**6.3** The Council relies heavily upon the Precept and therefore the Town Council Tax to fund the services it provides and is limited in its ability to raise additional funds, other than through the Precept.

**6.4** The Council could also face increasing pressure on its spending budgets from staffing cost increases linked to the National Living Wage, possible employers' pension contribution increases, as well as inflation and other unavoidable budget pressures. Additionally, employer National Insurance Contributions will increase by 1.5% from April 2022. This has been calculated within the budget setting process and the impact is minimal due to low levels of staffing in the council and mitigated by savings made.

**6.5** Any resulting shortfall in resources will need to be made up in the Revenue Budget via a combination of increases to the precept, Council tax base growth, savings and budget reductions, and increases to fees and charges.

- 6.6** It is likely that the process of balancing the Council’s Revenue Budget will become increasingly difficult over the medium to longer term.
- 6.7** At the same time the Council needs to be aware of the financial difficulties that continue to be faced by local tax payers and the need to keep future increases in the precept as low as possible. This is also important in the context of the possible implementation of the power allowing local communities to require town and parish Councils to hold a referendum to veto an excessive Council tax increase, from 2023/24 onwards.
- 6.8** This MTFP has been prepared on the key principle of aiming to maintain existing levels of service, while keeping the increase in precept as low as possible. Prudent assumptions have been made around the impact of the various challenges faced and the key assumptions made are set out in Section 7 of the Plan.
- 6.9** A Budget Forecast is then set out in Section 8 of the Plan which highlights the likely changes to the budgets between 2021/22 and 2023/24 and the precept increase that may be required in each year to balance the Revenue Budget.
- 6.10** Actual options for delivering any required budget reductions and efficiency savings would need to be drawn up each year and agreed by the Council during the annual budget setting process.

<b>Section</b>	<b>Key Financial Assumptions</b>
<b>7</b>	

- 7.1** Summarised in this section of the Plan are the specific assumptions that have been made in planning the Council’s Revenue and Capital Budget forecast over the five-year period in order to respond to the key influences and challenges summarised in Section 6 of the Plan.

### **Providing for Inflation**

- 7.2** In order to ensure that the Revenue Budget accurately reflects future spending commitments, it is essential that the Council makes prudent provision for all unavoidable increases in costs that will arise from inflationary pressures over the period of this Medium-Term Financial Plan.
- 7.3** Inflation has historically been a significant pressure on some expenditure budgets, particularly in relation to fuel and utilities costs.
- 7.4** Inflation has fallen back over the last few years did stand at **0.8%** in December 2020. The current Government target for inflation is 2% and the long-term aim is to keep inflation within this limit. However, at the time of drafting this report, inflation stands at around 10% (dependent on the index referenced). Inflation is currently showing an upward trend. This is a key consideration in relation to future budget planning and potential impact on costs of services and projects. **On this basis, budget setting for 2023/24 should make consideration for the impact of higher inflation, the assumption being recommended at 5% or more.**
- 7.5** **A key principle of the Council’s medium-term financial planning is to make provision only**

**for unavoidable inflationary increases** in budgets i.e. where there is a contractual obligation to pay the increased cost or where the increase literally cannot be avoided.

- 7.6** Budget provision for general expenditure such as equipment, stationery, uniforms, training and publicity had been frozen at existing levels and the budgets will be expected to absorb price variations year on year to the greatest extent practicable.
- 7.7** This approach encourages officers to shop around and negotiate better deals with suppliers, and therefore ensures improved use of resources and helps the Council to achieve value for money.

## **Annual Pay Awards and the National Living Wage**

- 7.8** 23.8% of the Council's gross expenditure relates to officer pay costs and therefore annual officer pay awards and the ongoing increases to the National Living Wage are likely to be one of the most significant cost pressures on the Council's Revenue Budget moving forward, with some additional pressure due to the increase in National Insurance Contributions
- 7.9** That National Living Wage will be £9.50 per hour as of 1/4/2022. Although the Council does not employ any staff at this level, this is a factor for consideration should services and/or assets be transferred from or shared with Cheshire East Council
- 7.10** The Council currently pays its staff in accordance with the National Joint Council for Local Government Services (NJC) pay scales.
- 7.11** The current NJC Local Government Pay Agreement covered the 2022/23 financial year has not been finalised, although expected to be a flat £1,925 pay increase on all salary scale points. There are ongoing national-level negotiations relating to a delayed pay award that will inform this.
- 7.12** The pay agreement, when implemented, will lead to proportionately higher increases in pay for lower paid staff.
- 7.13** The overall impact of the Local Government Pay Agreement (if agreed) on the Council's staffing budget in 2022/23 will be an increase on employment costs of £44,308 (estimated), which equates to a 15.4% increase in employment costs Above budgeted figure for 2022/23
- 7.14** **Whilst there is currently no indication from the NJC of the likely pay awards after 2023/24, the Medium-Term Financial Plan Revenue Budget projections for 2023/24 has been prepared on the assumption of a flat rate pay increase of 5% providing some financial stability, although there is a risk of a higher award.**
- 7.15** However, if a higher than expected pay increase is awarded at any point over the term of this plan, for example following union action, a significant increase in the National Living Wage, or the election of a new Government, then additional budget would need to be found to meet the increased cost.
- 7.16** For every 0.5% pay award above those budgeted for, the Council's salaries and wages budget would need to increase by around £14,808.

- 7.17 Any additional costs over the life of the Plan would be met in the first instance from identified budget underspend virements, or, over and above this, from efficiency savings elsewhere in the budget. Finally, potentially, drawing on general reserves

## Salary Increments

- 7.18 Some Council staff are appointed on a salary grade that allows progression through the grade linked to performance in the job or successful completion of qualifications.
- 7.19 **Full provision has been made in the Revenue Budget forecast for any salary increments that are due to such staff over the five-year period of the Plan. Increments, if awarded, are awarded annually by the Personnel Committee**

## Pension Costs

- 7.20 Pension costs in respect of Council employees are another significant area of expenditure.
- 7.21 The next valuation of the pension fund is due to take place during 2022 and will set the pension contributions for the period 2022/23 to 2023/24.
- 7.22 **The Council's employer's pension contribution rate will therefore remain unchanged at 21.8% until the end of 2022/23.**
- 7.23 The Government continues to encourage workers to enrol in a pension scheme and the Council must automatically enrol all eligible new staff and existing staff whose earnings exceed the automatic enrolment threshold of £10,000, and also re-enrol all 'opted out' staff every three years.
- 7.24 This could result in more staff joining the pension scheme over the medium term. It has been assumed in the Revenue Budget projections for 2020/21 to 2023/24 that all new staff will join the pension scheme, while all existing staff who have previously opted out will remain outside of the pension scheme (noting there are currently no staff opted out).

## Savings from Staff Turnover and Flexible Retirements

- 7.25 **No provision has been made within the Revenue Budget forecast for savings from staff turnover or flexible retirements** e.g. reductions to working hours, pension savings, savings from posts being vacant for a period of time, new staff commencing employment on lower grades, new staff not joining the pension scheme etc.
- 7.26 It has been assumed in the Budget forecast that any savings that are achieved from staff turnover or further flexible retirements would be available to support the Budget in the year in which they were achieved, rather than permanently removed from the budget.
- 7.27 These savings would be used in the first instance to fund any recruitment costs or temporary cover arrangements, with any remaining savings added to Council balances at the end of the year.

## Changes to the Staffing Structure

- 7.28 There are not currently any approved decisions to change the Council's staffing structure and the Budget Forecast for 2022/23 to 2023/24 is therefore based on the existing approved staffing structure.

### Premises Costs

- 7.29 The Council faces some potentially unavoidable increases to its premise's costs over the next few years and these have been provided for within the Budget Forecast.
- 7.30 In respect of utility costs, the budget forecast figures reflect current contract agreements. However, recent above inflation increases are predicted to last for at least 2 years and so future budgeting must consider this.
- 7.31 Officers will continue to work to minimise the actual increases in each year and may set up longer fixed term contracts if this is more cost effective. However buying energy in advance is currently very difficult due price volatility and it is assumed the utility costs of office accommodation will reflect the publicised increase costs.
- 7.32 **The Council is currently not liable for business rates (Non Domestic Rates – NDR) however this would change if the Council were to adopt responsibility for premises with a rateable value.**
- 7.33 The Council's building maintenance budgets, as a whole, are in the fortunate position of being under-utilised.
- 7.34 As a result, current **budget provision for office accommodation is considered to be sufficient and has been frozen at existing levels** for the life of this Plan. It should however be considered that the current accommodation is quite small and does not quite meet the needs of the organisation in terms of meeting space, employee welfare, storage capacity and physical officer work space.

### Insurance Costs

- 7.35 The council is in a 3 year contract with Zurich Insurance, which commenced in financial year 2021/22 and will end in financial year 2023/24. A procurement exercise will be carried out prior to the end of the contract for a new 3 year contract to run after that point

### Vehicle Costs

- 7.36 The Council currently has no vehicles under contract and this line item has been reduced to zero over the term of this plan.
- 7.37 **If a vehicle were to be required and acquired, funding would need to be identified from reserves, budgetary underspend or savings elsewhere in the budget of that year.**

### Marketing & Events Committee Budgets

- 7.38 The town centre bookings income has been set at zero for 2022/23 due to the impact of Covid19 and then forecast at £ zero per year for the remainder of the life of this plan
- 7.39 **There is significant risk that this income may not be secured due to the changing nature of the town centre, reduced occupancy of commercial units and the ongoing regeneration building/demolition works**

- 7.40 The Marketing & Events Committee Budget has been broadly reviewed and refreshed to reflect new opportunities to add value, with some focus on leveraging income from external funding for greater delivery and a refreshed view of existing delivery. Overall committee budget has increased by 2.4%
- 7.41 The delivery of the Remembrance services and activities has been anticipated to remain constant.
- 7.42 The delivery of the Community Events budget has been reviewed to include for a summer activity programme and cultural events
- 7.43 The delivery of the Event Match Funding budget has been reduced and the funds reallocated to other budget headings.
- 7.44 The delivery of the Event Sinking Fund budget has been removed and reallocated to other budget headings including Event Match Finding, to help leverage in funding to support event delivery.
- 7.45 The Event Seed Funding/Income Generation budget heading has been created, drawing funds from other budget headings.
- 7.46 The delivery of the Cultural Hub budget has been reduced to zero to reflect the start up nature of this project.
- 7.47 The delivery of the Lumen budget has been anticipated to remain constant, but reduced slightly to reflect savings from direct delivery and commissioning as well as anticipated grant income, whilst freeing up funds to create a Christmas Activities heading.
- 7.48 The delivery of the Infrastructure (Christmas) budget has been but reduced slightly to reflect savings, whilst freeing up funds to create a Christmas Activities heading.
- 7.49 The delivery of the Sinking Fund (Christmas) budget has increased to reflect anticipated costs of maintenance and replacement due to aging nature of the current stock.
- 7.50 The delivery of the Place Branding budget has been removed to reflect the start up nature of this project.
- 7.51 The delivery of the Social Media/PR budget has been reallocated to the revenue salaries budget headings to reflect the creation of the Communication Officer post.

### **Community Plan Budget**

- 7.52 **The Community Plan Committee Budget will require significant review over the term of this plan due to the changing priorities of Crewe related to Covid 19 impact, HS2 expectations and regeneration projects.**
- 7.53 The delivery of the Civic Costs budget has been anticipated to remain constant, with the exception of the Twinning budget which has been anticipated to be zero for 2022/23 and 2023/24. Effectively a budget reduction of 2.1% for this committee
- 7.54 The delivery of the Grants budget has been anticipated to remain constant.
- 7.55 The delivery of the Community Plan budget has been anticipated to remain constant. This element may require detailed redefinition under the direction and recommendation of the

committee.

## **Planning Committee Budget**

- 7.56** The Planning Committee has an Ear Marker Reserve (EMR) of £9,000 as of 2021/22, with a revenue budget of zero for 2021/22 and 2022/23.
- 7.57** It has been assumed that the EMR for this committee will be accessed for expert support advice on complex planning issues associated with HS2, therefore a replacement budget has been included for 2023/24 to provide for ongoing support and EMR of unused aspects to provide for future needs.

## **Operations & Improvements Committee Budget**

- 7.58** The delivery of the Equipment Purchases/repair/hire budget has been anticipated to remain constant.
- 7.59** The CCTV budget has provided for an annual decrease to reflect the agreed 3 year contract and
- 7.60** The Ranger Service budget provides for an increase of service delivery in 2022/23 of additional rangers plus resources. At this point consideration of a seniority within the service to support day to day co-ordination has been considered and implemented for the ongoing development and improvement of the service.
- 7.61** The Ranger Service Budget has also been given an inflationary increase of 4% for 2023/24
- 7.62** The delivery of the Regen Projects and Enforcement budgets have been anticipated to remain constant.
- 7.63** The Floral Schemes budget has shown an annual increase of £2,500 year on year from 2021/22 to 2023/24 to reflect the opportunity to support increased interest in the town centre and improve the public realm in line with ambitions.
- 7.64** The delivery of the Parks and Allotments budget has been anticipated to remain constant.
- 7.65** The delivery of the Christchurch budget has been anticipated to remain constant.
- 7.66** The delivery of the Town Promotion budget has been anticipated to remain constant, with the exception of the Town Centre Business Group and BID Feasibility budget.
- 7.67** The Town Centre Business Group and BID Feasibility budget has been removed for 2022/23 and 2023/24 as an EMR will be developed to facilitate this feasibility work at a point that meets with the timing of the town centre regeneration work implementation.

## **Other Line Amendments**

- 7.68** Unless otherwise listed above, all other budget lines supporting the administration of the Council have remained unchanged and anticipated active procurement will lead to no inflationary rises in these items. The below are the line items that are anticipated to increase over the term of this plan.
- 7.69** Accountancy Fees reduced significantly in 2020/21 and an allowance of £250 increase in 2022/21 has been anticipated and no further increase in 2023/24

- 7.70** Insurance costs have been estimated to increase £200 year on year. The Council is progressing a competitive procurement exercise currently which will seek to secure a fixed price for 3 year term of this plan and it will be updated during the budget setting process for 2022/23.
- 7.71** Janitorial costs have been estimated to increase £100 year on year
- 7.72** Computer Equipment/Software costs have been estimated to increase £100 year on year
- 7.73** Room Hire costs have been anticipated to reduce for 2022/23 and 2023/24 to reflect the decreased impact of Covid 19 on the need for large meeting spaces for formal Council and committee meetings.

### **Investment Income**

- 7.74** Investment income has been based on the projected level of balances and reserves as set out in the Budget Forecast in Section 7 of the Plan.
- 7.75** It has been assumed that interest rates will remain low at 0.35%

### **Grant Funding**

- 7.76** A figure of £2,000 has been estimated for potential low level grant funds income

### **Annual Precept Increase**

- 7.77** As highlighted earlier in the Plan, the Revenue Budget Forecast has been prepared on the principle of aiming to maintain existing levels of service and maintain a prudent level of balances and reserves, while keeping any future increases in the Town Council Tax as low as possible.
- 7.78** The plan indicates that, through structured planned budgeting over the lifetime of this plan, the Council will be able to keep any precept increases to a minimum but potentially very unlikely to be below 1% by 2023/24
- 7.79** Any amendments to the assumptions and estimations for spend will impact on the precept requirement.

### **Council Tax Base**

- 7.80** In 2021/22 there was a decrease in the tax base for Crewe Parish and this affected the impact of the precept increase a little.
- 7.81** 2022/23 Tax Base increased beyond 2020/21 and the assumption for 2023/24 has been based on an assumed 1% increase in tax base
- 7.82** Cheshire East Council has undertaken a boundary review of the wards and parishes in its area and the impact of the review is minimal on Crewe as a parished area.
- 7.83** A modest increase in tax base of 1% has been estimated to reduce the risk of over estimation. Any greater increase in tax base will further reduce the impact on precept rise and/or provide for further consideration of service investment and enhancement.

## Council Balances and Reserves

- 7.84** Within the existing statutory and regulatory framework, it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the level of its reserves and to ensure that there are clear protocols for their establishment and use.
- 7.85** In accordance with Section 25 of the Local Government Act 2003, an annual assessment of the adequacy of the Council's balances and reserves is made at the time the Council Precept is set.
- 7.86** This assessment is based upon a guidance note on Local Authority Reserves and Balances issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is considered to be best practice with regard to balances and reserves (LAAP Bulletin 99).
- 7.87** CIPFA holds the view that a generally applicable minimum level of reserves is not appropriate. The guidance note states that *'in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary'*, and that Councils *'should establish reserves including the level of those reserves based on the advice of their chief financial officer and make their own judgements taking into account local circumstances'*.
- 7.88** In coming to a view on the adequacy of the Council's balances and reserves, account needs to be taken of the risks facing the Council, in terms of any significant unforeseen spending commitments, for example asset and service transfers, and also the capital investment requirements of the Council over the medium to long term, taking into account the ability of the Council to secure external funding via capital grants and contributions, take out additional borrowing, or generate capital receipts from sale of assets.
- 7.89** The Council should seek to have a minimum of 6 months' operating costs in general reserve to a maximum of 1 year's operating costs.
- 7.90** **EMR should clearly reflect the Councils ambition, intent and ability to spend the funds for the identified purpose.**
- 7.91** The recommended policy for balances and reserves is as follows:-
- 1. Maintain minimum Revenue Balances of 50% of the Council Precept** to protect against unforeseen budget pressures
  - 2. Maintain maximum Revenue Balances of 100% of the Council Precept** to provide for the flexibility to respond to opportunity/urgent need for the benefit of Crewe
  - 3. Set aside such sufficient sums in Ear Marked Reserves, as is considered prudent,** to support future year's capital investment requirements and other specific commitments;
  - 4. Undertake an annual review of the level of Balances and Earmarked Reserves** as part of the budget setting process.
- 7.92** It is a key principle of the Council's financial strategy to limit support from Council balances and reserves to the Revenue Budget over the medium term as such support is not sustainable.
- 7.93** **It is considered that the current level of balances and reserves provides the Council with an adequate level of resources to protect against any unforeseen spending pressures**

and future funding opportunities/risks, and to fund capital investment requirements in the medium term.

- 7.94** However, it is inevitable that Council balances and reserves will fall over the life of this Plan as capital commitments are funded.
- 7.95** This issue is considered in more detail in the Revenue and Capital Budget Forecast in Section 8 of the Plan.

### **Efficiency Savings**

- 7.96** The Council is committed to ensuring that year on year efficiency savings are achieved over the period of the Plan.
- 7.97** The need to identify and achieve efficiency savings is likely to become increasingly important over the coming years given the increases in staffing costs and other budget pressures faced, as well as the need to limit precept increases over the coming years.
- 7.98** Any known savings or budget reductions have been built into the Revenue Budget Forecast to 2023/24 in the Plan.
- 7.99** As highlighted earlier in the Plan, the Revenue Budget Forecast to 2023/24 sets out the savings and budget reductions that would need to be made to restrict the increase in the precept.
- 7.100** Options for delivering any required budget reductions and efficiency savings, should they be required, would need to be drawn up each year and agreed during the annual budget setting process.

<b>Section</b>	<b>Budget Forecast to 2023/24</b>
<b>8</b>	

## Introduction

**8.1** A summary of the Budget Forecast for the plan period to 2023/24 is set out below. Please note that the first year of the Plan reflects the already approved 2021/22 Budget.

	Yr1 2021/22	Yr2 2022/23	Yr3 2023/24
<b>FINANCE AND GOVERNANCE COMMITTEE</b>			
<b>Total Administrative Costs</b>	362,382	390,082	478317
<b>MARKETING AND EVENTS COMMITTEE</b>			
<b>Total M&amp;E Committee Costs</b>	227,500	228000	200,000
<b>COMMUNITY PLAN</b>			
<b>Total Community Plan Costs</b>	119,000	121,500	120000
<b>PLANNING</b>			
<b>Total Planning Committee</b>	0	0	2,000
<b>OPERATIONS &amp; IMPROVEMENTS</b>			
<b>Total O&amp;I Committee</b>	443,755	464,626	460000
<b>Net Operational Costs</b>	<b>1,152,637</b>	<b>1,207,208</b>	<b>1258319</b>
<b>%change in budget spend</b>		4.54	4.23
Tax base (estimated for yrs 2 and 3)	13962.90	14,176.97	14,318.74
Band D equivalent	£82.55	£85	£87.88
%change in precept	5.98%	2.96%	3%

*Note: That budget setting for 2023/24 will need to consider if 0.51% is sustainable in light of the current and anticipated inflation rate at that time*

## Budget Forecast to 2023/24

- 8.2** The Budget forecast summarised above has been based on the detailed assumptions set out in Section 7 of the Plan, and the following key principles:-
1. Maintaining existing levels of services and staffing structures;
  2. Safeguarding a prudent level of balances and reserves;
  3. Keeping any increase in Council tax as low as possible
- 8.3** The forecast makes provision for likely future increases in costs from pay awards, pension increases, inflation and any other unavoidable spending commitments, forecast increases and decreases in income, as well as accounting for any known savings, and assumed increases in fees and charges and Council tax base growth.
- 8.4** **In overall terms, the Revenue Budget forecast shows that the Council may need to increase the Precept by up to £105,682 or 9.2% over the period to 2023/24.**
- 8.5** These precept increases will be required in order to offset and to fund the various spending pressures that the Council faces including pay (including increase in National Insurance contributions) and pension contribution increases, inflation on running costs, and other unavoidable increases in costs and falls in income.
- 8.6** The increases to the Council Precept over the medium term will be offset, as far as possible, from savings and reduction of under-utilised budgets.
- 8.7** These increases in costs and funding cuts have been partly offset by assumed Council tax base growth, increases in fees and charges, reductions in one-off or under-utilised budgets and efficiency savings. This will be assisted by the positive financial position in the current financial year.
- 8.8** **Based on the above assumptions, the Council would need to increase the Precept by around £51,000 in 2023/24. This would represent a Council tax increase to individual households in the region of 3% next year.**
- 8.9** **In real terms, this would result in a £2.88p year on year increase in the Council Tax at Band D.**
- 8.10** **This represents a below inflation increase, which would reduce pressure on households, but also provide the opportunity for consideration of an increase that could deliver more local services, whilst not reflecting a full inflationary increase.**

## 2024/25 Onwards

- 8.11** It is likely that by 2024/25, the Council will be in a position to understand the impact of any asset and service transfers from Cheshire East Council that may occur and the resource

(including financial) requirements they create.

- 8.12** This could lead to a situation by the end of the next decade whereby there will be very limited surplus resources remaining in the Revenue Budget, and where all options for achieving further savings, without making cuts to services, will have been exhausted.
- 8.13** It will therefore be important that the Council continues the process of reviewing its services in the years leading up to the middle of the next decade, with a view to determining where possible budget cuts will be made in the longer term, if required.

### **Overall Summary of Revenue Budget Forecast**

- 8.14** The Council remains in good financial health with a balanced Budget, on-going savings, and strong levels of balances and reserves. **The medium-term outlook for the Council Budget through to the middle of the next decade is relatively positive.**
- 8.15** The decision to increase the precept by 5.98% in 2021/22, and boost the contribution to capital reserves through underspend in 2020/21 has definitely helped contribute towards this improved financial situation.
- 8.16** **However, it is also apparent that the process of balancing the Revenue Budget will get progressively harder as the Council moves into the middle of the decade and beyond.**
- 8.17** The Council also needs to try and maintain surplus resources in the Budget for as long as possible, in order to provide protection against any unforeseen budget pressures, help offset future year's budget pressures, and ensure that earmarked capital reserves can be replenished each year.
- 8.18** These Revenue Budget pressures will need to be funded by a combination of increases to the Town Council precept, increases in fees and charges, Council tax base growth, efficiency savings and budget reductions, with much depending, in the longer term, on whether the Council is subject to a government limit in future financial years, in terms of how much it can increase the Council tax, and at what level this limit is set.
- 8.19** **Beyond the end of this Medium-Term Financial Plan period i.e. from 2024/25 onwards, it is likely that the Council will be in a very different position in terms of service delivery and activities being delivered**
- 8.20** In addition, if in any year a Government limit on Council tax increases is implemented at less than 2%, or worse, then budget cuts and reductions to services may be required before this.
- 8.21** Clearly the Budget projections included in this MTFP are subject to change depending upon a number of factors including:-
- possible changes to the Cheshire East Council Asset and service review;
  - increases in the Council Tax Base from new housing and boundary review;
  - the possible extension of Council tax referendum principles to large town Councils;
  - significant increases to the National Living Wage and further restructuring of the local government pay scale;

- Government reform to local government finance;
- the final impact of Brexit;
- The ongoing social and financial impact of Covid 19; and
- the failure of the economic recovery.

**8.22** These issues will need to be considered, in detail, via future budget setting processes, when the options for delivering any required budget reductions and efficiency savings, if these are required, would need to be drawn up and agreed.

**8.23** It would also be advisable for the Council to continue with its programme of service reviews and annual appraisal of the Council's strategic aims and community priorities, with a view to determining which services are to be protected and which services may be subject to budget reductions in the longer term.

### **Council Balances and Reserves**

**8.24** It is difficult to accurately estimate exactly how balances and reserves may change over the period of the plan due the uncertainty around the various budget pressures and the level of savings that may or may not be delivered on the Budget.

**8.25 With the expectation of delivering a balanced budget each year, the Council aims to maintain general reserves of 6 to 12 months will be achieved**

**8.26** EMRs will be managed to ensure they are retained for set and defined purposes with ability and intent to deliver.

**8.27 This is considered to be a prudent level of reserves and is a much-improved position compared to previous years**

### **Risk Management - Introduction**

**8.28** The Council has an approved Financial Risk Assessment in place, which is updated annually. All key decisions made by the Council are also subject to a formal risk assessment where this is considered relevant.

**8.29** The Financial Risk Assessment covers all identified risks applicable to the Council and the services that it provides. The register provides full details of the risks broken down by service area, with an assessment of the impact of the risk and the likelihood of the risk occurring (low, medium or high), the controls put in place to minimise the risk, and any further actions required.

**8.30** All relevant financial risks have been identified and assessed during this process and are included within the Financial Risk Assessment.

## **Links to Medium Term Financial Plan**

**8.31** The Council is subject to a range of political, economic, demographic, sociological and technological influences. Many of these factors change on a regular basis resulting in new, and sometimes unexpected, financial pressures.

**8.32** The Council keeps under constant review the key challenges and risks impacting on its financial position. This identification and assessment of risk is an essential element of the financial planning process and a key factor in informing financial planning decisions.

**8.33** As highlighted earlier, the Council's balances and reserves should be able to be maintained at prudent levels over the period of the plan. These balances provide protection against any unforeseen budget pressures that might arise, as well as providing resources to fund capital investment requirements. The level of balances and reserves is reviewed annually as part of the budget setting process.

**8.34** The MTFP and annual Budgets are developed on a prudent basis taking into account all known commitments and spending pressures. The key assumptions made in the MTFP Revenue and Capital Budget forecasts were set out in Section 7 of the Plan

## **Mitigating Financial Risks**

**8.35** In terms of managing and mitigating financial risks, in the event of an unforeseen event during the year creating a substantial budget pressure, the following list details examples of the action that could be taken to mitigate the risk:-

- use of revenue budget underspend;
- use of Council Balances and Earmarked Reserves;
- investigation of external funding opportunities;
- income generation activity e.g. pricing review, marketing;
- enhanced approval process for making financial commitments;
- recruitment freeze;
- all non-statutory spend frozen; and
- service reviews.

## **Conclusion**

**8.36** The MTFP makes a key contribution towards the risk management process by putting in place a financial planning framework to efficiently manage the Council's finances, considering the key influences on its financial position and the main risks facing the Council.

**8.37** Financial forecasts are reviewed and updated annually and regularly monitored throughout the year. The key challenges and risks that could have implications for the Council's financial position in the following year and over the medium term are subject to annual review.

**8.38** Fortunately, the Council remains in a relatively healthy financial position at the present time and is therefore as well placed as it can be to meet the challenges that the next five years are likely to bring.