TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	3 February 2016
Subject:	Budget 2016–2017
Report of:	Simon Dix, Finance and Asset Management Group Manager
Corporate Lead:	Rachel North, Deputy Chief Executive
Lead Member:	Councillor D J Waters
Number of Appendices:	Four

Executive Summary:

The proposed net budget totals £9.66m and, after deducting Government support and other financing streams, the resultant council tax requirement is £3.320m giving a Band D council tax figure of £104.36.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL that:

- **i. a net budget of £9,663,342 be APPROVED;**
- **ii. a Band D Council Tax of £104.36, an increase of £5.00 per annum, be APPROVED;**
- **iii. the use of New Homes Bonus, as proposed in Paragraph 3.5 of the report, be APPROVED;**
- **iv. the capital programme, as proposed in Appendix A to the report, be APPROVED;**
- **v. the capital prudential indicators, as proposed in Appendix B to the report, be APPROVED;**
- **vi. the annual Minimum Revenue Provision (MRP) statement, as contained in Appendix B to the report, be APPROVED;**
- **vii. the mid-year 2015-16 Treasury Management update, as contained in Appendix C to the report, be APPROVED;**
- **viii. the 2016-17 Treasury Management Strategy, as proposed in Appendix D to the report, be APPROVED; and**
- **ix. delegated authority be given to the Finance and Asset Management Group Manager, in consultation with the Lead Member for Finance and Asset Management, to apply to the Government for a four year Settlement if he believes it is in the best interest of the Council.**

Reasons for Recommendation:

The Council must set a balanced budget and a level of Council Tax necessary to meet its revenue needs, but it must be set at a level affordable to the taxpayer and within the parameters set by the Government.

Resource Implications:

Set out in this report.

Legal Implications: Section 32 of the Local Government Finance Act 1992 as amended places a duty on the Council, as Billing Authority, to calculate before 11 March 2016 its budget requirement for 2016/17. Under Section 25 of the Local Government Act 2003, the Section 151 Officer must report on the robustness of the estimates for the purposes of making the appropriate calculations and of the adequacy of the Council's proposed financial reserves.
Risk Management Implications: The risks are set out more fully in the report but, in summary, centre around the continuing pressure on local government funding as Revenue Support Grant is withdrawn and the New Homes Bonus scheme is amended. It is under these circumstances that holding balances at a higher level for the time being is an appropriate course of action to protect the Council from the financial uncertainty ahead.
Performance Management Follow-up: Performance reports are presented to Members on a quarterly basis and include details of the revenue and capital budgets performance and updates on the use of reserves.
Environmental Implications: None directly from this report.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council considered its financial position as shown in the Medium Term Financial Strategy (MTFS) at its meeting on 8 December 2015.

1.2 The MTFS outlines the budget pressures facing this Council currently, and in future years, and depicts the gap between the estimated net budget of the Council and the estimated funding available in order to finance that net expenditure. The deficit over the five years of the MTFS is estimated to be in the order of £2.9million with a gap suggested in 2016/17 of approximately £1,090,000.

1.3 Since the production of the MTFS the conclusions of the Government's Comprehensive Spending Review (CSR) have been announced. In summary, the headline announcements include:

- a 46% reduction in core government support over the next 4 years (56% in real terms);
- greater support to upper tier authorities for the provision of social care partly funded from an extra 2% levy on Council Tax and partly funded from redistribution of existing funding; and
- a consultation on the future of the New Homes Bonus scheme with the intention of reducing the financial envelope by at least £800m equating to 2/3 of current spend.

1.4 The Council has also received the provisional Local Government Settlement for 2016/17 together with the promised New Homes Bonus consultation.

1.5 This report now brings together the general information on the financial climate with the detailed figures associated with the 2016/17 budget and the work undertaken by the Transform Working Group and makes a proposal for a balanced budget and resultant

Council Tax.

1.6 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (nominated Section 151 Officer) to make a statement to the Council on the robustness of the estimates and adequacy of financial reserves. This statement is set out in Section 11 of this report. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.

1.7 Whilst the budget is compiled using the best estimates available, the lack of clarity and certainty in Local Government Finance at this time make setting the 2016/17 budget difficult and forecasts for future years require a greater degree of sensitivity, impacting on the robustness of these latter year estimates. Whilst uncertainty over future direction is not new to Local Government, particularly in recent times, the unknown impact of the New Homes Bonus consultation, and the potential benefit or loss from retained Business Rates, is such that significant risk is added to planning the operations of the Council over the medium term. The one known is that core government support grant will continue to be significantly reduced over the next four years.

1.8 In setting the budget for 2016/17, the Council has continued to provide the same level of service as in previous years and in many areas, provide an enhanced service. Much of the deficit which has faced the Council for the new financial year has been met through increased income and financing streams, a greater degree of sharing and improved service efficiency and, of course, increased Council Tax. Future budget setting may not find these areas as plentiful and Members and Officers will be faced with tough decisions on the operation of the Council, including reducing or stopping some services, and taking greater risk in its commercial activities.

2.0 LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17

2.1 The Local Government finance settlement for 2016/17 is the fourth under the new funding arrangements introduced in the Local Government Finance Act 2012. 2013/14 saw the implementation of a new Business Rates Retention Scheme, a Gloucestershire Business Rates Pool and a Localised Council Tax Support Scheme whilst core government support is now in the form of Revenue Support Grant (RSG) and a Business Rate baseline.

2.2 The provisional Local Government Finance Settlement for 2016/17 was announced on 17 December 2015. The settlement is effectively for one year, although indicative figures have been provided for a four year period. The settlement is subject to consultation which ended on 15 January 2016, with a final settlement expected at the end of January.

2.3 The Council's MTFS included the widely held assumption that RSG would all but disappear from core government support over the next four years and the provisional settlement confirms this position. Table 1 highlights the indicative level of support for the next four years:

Table 1

	15/16	16/17	17/18	18/19	19/20	Total

	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Cash Levels						
RSG	£1,352	£887	£515	£283	£23	-
Baseline	£1,676	£1,690	£1,723	£1,774	£1,830	-
Total	**£3,028**	**£2,577**	**£2,238**	**£2,056**	**£1,853**	**-**
Change in funding (£)						
RSG	-	-£465	-£372	-£233	-£260	-£1,329
Baseline	-	£14	£33	£51	£57	£155
Total	**-**	**-£451**	**-£339**	**-£182**	**-£203**	**-£1,175**
Change in funding (%)						
RSG	-	-34.37%	-41.94%	-45.15%	-91.94%	-98.31%
Baseline	-	0.83%	1.97%	2.95%	3.20%	9.23%
Total	**-**	**-14.89%**	**-13.15%**	**-8.12%**	**-9.88%**	**-38.80%**

2.4 As can be seen from Table 1, significant reductions to core government support continue over the next four years and are currently estimated to total a reduction of £1.175m from current funding levels. This is in line with the projections contained within the MTFS but the profile of reductions is more gradual meaning that this Council is losing less support in the next couple of years compared with estimates. For 2016/17, the reduction is £451,000, or 14.89%, which is approximately £110,000 better than had been anticipated.

2.5 As part of the provisional settlement, the government has made an offer to local authorities to apply for a four year fixed settlement. A four year deal in theory would give the Council certainty as it prepares its Medium Term Financial Strategy and is something that local government has consistently asked for. However, there is a lack of detail surrounding the offer, particularly in regard to what a Council must do to receive the multi-year settlement. It appears that an Efficiency Plan needs to be submitted which would include an intended use of reserves to support the budget. The government has also confirmed that, although the four year deal would be agreed in principle, there are circumstances, e.g. economic shock, where they may not be able to honour the deal.

2.6 For Tewkesbury, the benefit of any deal is unclear. The Council already knows that it will receive only £887,000 of Revenue Support Grant in 16/17 and this will be phased out over Parliament. The business rate baseline is again, in theory, fixed until 2020, only rising by inflation. Of more concern to this Council is the future of New Homes Bonus and this currently appears to be outside of this particular offer. More detail on the offer, and the requirements, are expected to be released in the coming weeks and it is therefore suggested that delegated authority is given to the Finance and Asset Management Group Manager, in consultation with the Lead Member, to consider the offer and, if deemed beneficial for the Council, to apply to Government.

3.0 NEW HOMES BONUS

3.1 The New Homes Bonus (NHB) allocation for 2016/17 is based on housing growth and bringing empty properties back into use between October 2014 and October 2015. The allocation for 2016/17 is £659,431 and gives the Council a total allocation of NHB of £3,401,162.

3.2 2016/17 is the sixth year of the scheme and so, under the current scheme design, is the final year of growth before it becomes a rolling six year allocation. However, as widely expected, the government is considering the future of the scheme and has issued a consultation paper on proposed changes. The government has stated its intention to ‘sharpen the incentive’ and release at least £800m for use within social care. The proposals are summarised below:

- Reduce the number of years for which payments are made. The proposal is a reduction from six to four years but asks if it should be reduced further to three or two years.
- Withhold NHB if no Local Plan in place.
- Lose a percentage of NHB if Local Plan is not up-to-date.
- Reduce payments for homes allowed on appeal – either 50% or 100%.
- Only make payment for housing growth above a baseline to allow for growth that would happen regardless of an incentive scheme being in place for local authorities.

3.3 The government’s preferred option appears to be a transitional approach based on reducing the number of years from six to four and a combination of ‘sharpening the incentive’ as described above. Although the government will not release a response document to the consultation until the summer, the Council’s forecasts of future NHB receipts have been reworked based on the preferred approach and are shown in Table 2:

Table 2 – Revised Projection of NHB

	Year 5 2015/16 (£'000)	**Year 6 2016/17 (£'000)**	**Year 7 2017/18 (£'000)**	**Year 8 2018/19 (£'000)**	**Year 9 2019/20 (£'000)**	**Year 10 2020/21 (£'000)**
Year 1	£527	£527	£0	£0	£0	£0
Year 2	£411	£411	£0	£0	£0	£0
Year 3	£295	£295	£295	£0	£0	£0
Year 4	£638	£638	£638	£0	£0	£0
Year 5	£871	£871	£871	£871	£0	£0
Year 6	£0	£659	£659	£659	£659	£0
Year 7	£0	£0	£344	£344	£344	£344
Year 8	£0	£0	£0	£344	£344	£344
Year 9	£0	£0	£0	£0	£344	£344
Year 10	£0	£0	£0	£0	£0	£344
Total NHB	**£2,742**	**£3,401**	**£2,807**	**£2,218**	**£1,691**	**£1,376**
Variance (£)	**£0**	**£0**	**-£666**	**-£1,444**	**-£2,277**	**-£2,554**
Variance (%)	**0.00%**	**0.00%**	**-19.16%**	**-39.42%**	**-57.37%**	**-64.99%**

3.4 As can be seen from the table, if the government pursues its preferred option for NHB, there will be a significant impact on the Council in the medium term with ongoing receipts being significantly less than current levels. It would be expected that there would be some damping mechanism in a new scheme to protect individual authorities from extreme reductions in funding and there will be a form of local damping as levels of house building are forecast to increase by around 50% per annum in the Borough in the coming years. This may allow the Council to retain a further £100,000-£200,000 of NHB per annum.

3.5 The consultation document did confirm that 2016/17 NHB would not be affected by the consultation and therefore the proposed use of NHB in 2016/17 is as follows:

- Support to Base Budget - £2,210,755.

- Base Budget Contingency - £150,000.
- Business Rates Reserve - £133,000.
- Asset (IT & Property) Management - £80,000.
- Community Grants - £180,000.
- Business Transformation - £47,407.
- Uncommitted - £600,000.

3.6 The suggested use of NHB includes utilising £2,210,755 to support the base budget. This is an increase of £426,630 over the current utilisation and maintains the total amount of NHB used to directly support the base budget to the 65% ceiling that was agreed in the Medium Term Financial Plan. It should be noted that many Councils utilise 100% of their NHB allocation to support their base budget. The use of only 65% of NHB to support the 2016/17 budget leaves 35% or £1,190,407 available to the Council to commit to other priorities and projects.

3.7 A base budget contingency has proved to be invaluable in previous years with its use as a result of the impact of retained business rates and the rising costs associated with the Joint Core Strategy (JCS). The base budget for 2016/17 is also 'tighter' than in previous years with income levels in particular estimated at their maximum likely levels. It is therefore imperative to have a contingency available to meet any shortfalls in income or economic shock. The Council can be protected from further shock from losses on the Retained Business Rate Scheme with the deployment of a further £133,000 to top up the current reserve to the full level required. The Council has agreed to fund community grants and a grants officer initially on a two year basis from NHB and therefore a second year of funding worth £180,000 has been included. A combined sum of £80,000 has been included to cover some of the requirements of the emerging property and IT asset management plans and a further £47,407 made available for a continuing programme of service reviews.

3.8 The balance of £600,000 has been left uncommitted at this stage with the anticipation that future reports to Executive Committee will request the draw-down of funds as and when they are required. This will give the Council flexibility in responding to the emerging needs of projects such as regeneration, public sector housing, the Public Service Centre and vehicle purchase. It also sets aside a substantial sum to assist with any structural redesign of the Council and to support a financial transition if the government's redesigned NHB scheme does have the impact projected.

4.0 BUSINESS RATES RETENTION

4.1 From April 2013, the Gloucestershire Councils have 'pooled' their business rates. The main benefit of pooling is that more of any growth generated in Gloucestershire can be retained in Gloucestershire than if the Councils were operating independently. The downside risk is the level of outstanding business rate appeals that could be backdated and being in a pool takes away the safety net.

4.2 Members will be aware of the Pool position at the end of 2014/15 following the backdated appeal from the Virgin Media. Given the ongoing threat that there will be further reductions in RV from this site, the Pool will be dissolved on 31 March 2016 and reformed in April 2016 excluding Tewkesbury Borough Council. Confirmation has been received from the Department for Communities and Local Government (DCLG) that the new pool can be formed. Tewkesbury will continue to operate independently within the retained business rates scheme and should there be future safety net requirements arising from either Virgin Media or other business entities these will be met by the government rather than Gloucestershire authorities. Should the ongoing risk be reduced, Tewkesbury will look to re-join the pool at the earliest opportunity.

4.3 The Spending Review included an announcement that the retention of 100% of Business Rates will be rolled out to all authorities by the end of the Parliament. However, this will come with additional responsibilities, the details of which are not yet known. As more detail on the proposed scheme becomes available, this will be shared with members and forecasts updated.

4.4 With regards to the forthcoming year, the projections for growth within Tewkesbury remain relatively flat. The growth that is known will hopefully replace the losses incurred through ongoing appeals and therefore the retained income target has been set at the same level as the current year with a small allowance made for the inflationary growth in the charge to businesses. Given the ongoing threat of successful appeals a reserve of £383,000 has been established as detailed at Paragraph 3.7.

5.0 COUNCIL TAX SETTING

5.1 The referendum principle issued by the government for Council Tax setting, set a national threshold of 2% for lower tier authorities with the exception of those authorities whose Council Tax is in the lowest quartile and who are therefore deemed to have low Council Tax. A threshold of £5 or 2 %, whichever is higher, has been set for those authorities of which Tewkesbury is one.

5.2 In giving greater flexibility to these authorities, Secretary of State Greg Clark, commented:

“Some district councils – those with low Council Tax bases or which serve the most rural areas – face particular pressures. So while this settlement maintains the core referendum threshold at 2%, the threshold for the lowest cost district councils will be £5 a year, so they aren’t punished for being economical while those who have spent more in the past are allowed to spend more now.”

5.3 Tewkesbury has frozen its share of the Council Tax for the last five years to support its taxpayers during tough economic times. In return, the government has given the Council a grant equivalent to a 1% rise in Council Tax. Unfortunately a large proportion of this is funded from RSG which, as previously indicated, is being removed over the course of Parliament. The freeze in tax has also maintained the Council’s position as the fifth lowest lower tier authority Council Tax in England. At £99.36, the Council is approximately £45 lower than the lower quartile threshold and some £68 short of the average District Council for 2015/16.

5.4 In proposing a £5 per annum rise in Council Tax for Band D taxpayers, the Council will retain its position in the lowest charging authorities, thereby honouring its commitment to maintain a low Council Tax, but will also generate an additional income of around £96,000 over an increase of 2%. This increase can limit the need to use reserves to cover ongoing service cost in 2016/17 and also put the Council in a better position to tackle the future deficits it faces and the uncertainty over the future of the NHB scheme.

5.5 The impact of this proposal on the Borough taxpayers is illustrated in Table 3.

Table 3

	No. of properties	**Percent of total**	**Annual Council Tax 15/16**	**Annual Council Tax 16/17**	**Annual Increase**
Band A	6,249	16.05%	£66.24	£69.57	£3.33
Band B	6,296	16.17%	£77.28	£81.17	£3.89
Band C	10,809	27.76%	£88.32	£92.76	£4.44
Band D	5,691	14.61%	£99.36	£104.36	£5.00
Band E	4,848	12.45%	£121.44	£127.55	£6.11
Band F	3,039	7.80%	£143.52	£150.74	£7.22
Band G	1,821	4.68%	£165.60	£173.93	£8.33
Band H	188	0.48%	£198.72	£208.72	£10.00

5.6 The council's recent record on Council Tax is shown below for information.

	Budget £000s	**Increase %**	**Council Tax £**	**Increase Pa £**	**Increase %**
2009/10	8,293	3.2	95.58	4.56	5.0
2010/11	8,499	2.5	99.36	3.78	3.9
2011/12	7,426	-12.6	99.36	0.00	0.0
2012/13	7,050	5.0	99.36	0.00	0.0
2013/14	8,525	20.9	99.36	0.00	0.0
2014/15	8,746	2.6	99.36	0.00	0.0
2015/16	9,210	5.3	99.36	0.00	0.0
2016/17	9,663	4.9	104.36	5.00	5.0

6.0 BUDGET PROPOSALS

6.1 The base estimates for the Council in 2016/17 have been compiled and are as follows:

Budget Heading	**£**
Employees	8,174,956
Premises	533,016
Transport	146,742
Supplies & Services	1,969,379

Third Party Payments	4,619,126
Transfer Payments	18,989,000
Income	-25,251,424
Movement in reserves	482,547
Net Budget Requirement 2016/17	**9,663,342**

6.2 The estimates for 2016/17 include the following headlines:

- £80,000 increase in direct staffing costs as a result of the assumption of a 1% pay award to be agreed for the period from April 2016.
- £196,000 increase in pension deficit contributions which is the third and final step of the agreed three year settlement.
- £150,000 increase in national insurance contributions as a result of removing the rebate from contracted out schemes.
- £63,000 reduction in Housing Benefit Administration Subsidy grant from the government.
- £68,000 reduction in investment income as a result of reduced investment balances.
- £140,000 increase in the cost of the planning department manpower to meet increased demand.
- £303,000 increase in planning income.
- £70,000 increase in garden waste income.
- £10,000 of new procurement targets.

6.3 In addition, the base estimates include the savings generated by a number of business transformation activities over the last 12-18 months. Previous Council decisions that have a new impact on the base budget for 2016/17 have been incorporated and provide vital income streams and reduced expenditure to help meet the budget deficit. These include the opening of the new leisure centre, which will attract a contractor sum from the appointed operator as well as the elimination of the deficit on the current facility, year two of the business case for services joining Ubico Ltd, which projects efficiency savings of £90,000, the expansion of One Legal to incorporate Gloucester City and the restructure of the Business Transformation and Policy and Performance Groups within the Council.

6.4 The cashable savings generated by the service review of Customer Services have been included in the base estimate as has an estimate of potential savings from the ongoing review into Environmental Health and Development Management. Finally, photovoltaics have been fitted to the Public Service Centre with an estimated return of 13.4% from the feed in tariff and reduced energy costs.

6.5 The base estimates also include the use of NHB as outlined previously at Paragraph 3.6 above.

6.6 The finance available to fund the Net Budget Requirement is as follows:

Financing	**£**
Government Settlement	-2,557,109
New Homes Bonus	-3,401,162
Collection Fund surplus	-103,500
Retained Business Rates	-261,375
Total	**-6,343,146**

6.7 The balance of financing therefore required is £3,320,196. This is funded by householders through Council Tax. The tax base for the forthcoming year is 31,814. This therefore generates a Council Tax of £104.36 at Band D which is an increase of 5.03% on the current year.

7.0 RISKS

7.1 The Council's budget is prepared using best estimates for the level and timing of expenditure, budget and efficiency savings and available resources. However, a number of uncertainties exist which could have an impact on the budget of the Council:

- Government Support – The settlement is only provisional and is subject to change. Whilst an indication of future years funding was included, this is not guaranteed. A prudent view of future years funding has been included in the MTFP.
- New Homes Bonus – The Council now relies heavily on this source of funding. The consultation document released indicates that it is very likely that future levels of NHB income will be severely reduced but the actual size and timing of reductions is not yet known.
- Business Rates – Until such time as the issues with backdated appeals have been resolved, accurately forecasting the level of business rate income in future years is difficult. The government has announced a review of the scheme which is expected to be financially neutral as is the revaluation for 2017. The detail of the 100% retained rates scheme is not yet known and neither are the new burdens the Council will need to take on as part of the deal.
- Interest Rate Forecasts – Rates continue at a historically low level. The current base rate is 0.5%. Our Treasury Advisers indicate that it is unlikely that rates will increase until late 2016 at the earliest and therefore a cautious approach has been adopted within the MTFP for forecasting likely returns.
- Welfare Reform – The introduction of Universal Credit has been delayed although a further phased roll out is planned for summer 2016. However other reforms are already having an impact on tenants ability to pay their rent e.g. the under occupancy charge. The Council is continuing to give full Council Tax support in 2016/17.
- Savings Plan – Whilst savings are only included in the budget after it has been concluded that they are deliverable, some aspects of the savings plan will still require ongoing management during the year to ensure that the agreed targets are met.
- Salary Award – An assumed 1% pay award has been included in the estimates. Any agreement in excess of this will require further finance to be sourced.

- Income – Assumptions about the level of likely income are at the high end of expectations in many areas. It is unlikely that additional income will be received above these estimates which can balance expenditure and any failure to meet the targeted income levels could result in a budget deficit.

7.2 Given the risks associated with estimating, and then delivering, the budget for 2016/17 it is suggested that, as in previous years, a sum of NHB is set aside as uncommitted to cover any deficit that may arise as a result of the risks. Section 3.6 details the proposed use of NHB and includes setting aside £150,000 to mitigate these risks. This is considered to be a prudent use of monies and has been fully utilised in both the current and previous year.

8.0 REVENUE RESERVES

8.1 As at 31 March 2015, the Council had useable earmarked reserves totalling £2.63m. In addition there was an uncommitted general fund working balance of £450,000.

8.2 The revenue reserves are reviewed annually as part of the closure of accounts. It is currently forecast that there is likely to be a yearend surplus on the budget as a result of additional income being received which can be utilised to further support the reserves of the Council. The monies will be used to further service aims and mitigate against budgetary risks in the medium term. A financial outturn report will be taken to Executive Committee in July to approve the reserves of the Council for 2016/17.

9.0 CAPITAL PROGRAMME

9.1 The current capital programme for the life of the current MTFS is shown at Appendix A.

9.2 The current programme is significant in size and includes commitments not only to the new leisure centre but also to the Roses Theatre, replacement grounds maintenance equipment, asset investment and community grants. It is estimated that capital balances, on current expenditure profiles, will total £6.2m by 31 March 2016 with a further net expenditure of £3.8m in 2016/17.

9.3 This profile of likely capital expenditure leaves a balance of £2.4m available for future year commitments and additional investment ambitions. Currently the Council funds a proportion of its Disabled Facility Grant expenditure from an annual commitment of its own capital resources as well as a contribution from government. The Council's contribution is estimated at £220,000 per annum and is a significant commitment from its remaining capital balances. Its expenditure also does not provide the Council with a direct financial return. The current review of the DFG scheme may help to reduce the ongoing commitment but the Council must start to plan for future year's expenditure being funded from borrowing, including the revenue impact of borrowing, or directly from revenue budgets.

9.4 The Council is also at the early stages of developing its plans for future investment in a range of initiatives such as the purchase of a new vehicle fleet for its waste and recycling, grounds maintenance and cleansing services. All of these initiatives will require significant investment at a level well in excess of its current capital balances. Whilst the Council will seek to dispose of less valuable assets to supplement its current capital receipts, it is inevitable that the Council will need to consider borrowing, either internally or externally, in the next financial year.

10.0 STATEMENT OF CHIEF FINANCE OFFICER

10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to make a statement on the robustness of the estimates and adequacy of financial reserves when considering its budget and Council Tax. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and Council Tax setting meeting.

10.2 The basis on which the budget for 2016/17 and the MTFP have been prepared has been set out very clearly in this report and the previous MTFS report. I am satisfied that the budgets for the general fund and the capital programme have been based on sound assumptions.

10.3 The grant settlement for 2016/17 has had a significant impact on the Council's finances and the current economic climate continues to challenge the financial affairs of the Council. However, with the planning that has taken place with the Transform Working Group and the budget and efficiency savings that have been identified, the Council is able to set a balanced budget for 2016/17.

10.4 From 2016/17 onwards, the Council is increasingly dependent on general fund balances and New Homes Bonus allocations to support its annual spending plans. Action needs to be taken to ensure that, in future years, the Council's spending plans are reduced to match the resources available.

10.5 The Council has a good record for only including in the budget income estimates that are deliverable. The Council's core expenditure requirements are well understood, budgeted for accordingly and delivered in accordance with the estimates. It is on this basis that I am satisfied the estimates are robust.

10.6 The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local Government Finance Act 1992 requires billing authorities to have regard to the level of reserves needed for meeting future expenditure when calculating the budget requirement.

10.7 The Council's earmarked reserves are reviewed as set out in the report. Clearly there is an opportunity cost to holding reserves and so a regular review is essential to ensure the Council does not hold money in reserves unnecessarily.

10.8 The General Fund balance is adequate to meet any unforeseen requirements.

10.9 Overall, I am satisfied that the projected levels of reserves and balances held by the Council are adequate for the forthcoming year but will continue to review the position as necessary.

11.0 SEMI ANNUAL TREASURY OUTTURN REPORT 2015/16

11.1 The Semi Annual Treasury Outturn Report for 2015/16 is attached at Appendix C. It is a requirement of the CIPFA Treasury Management in the Public Services: Code of Practice 2011 that treasury activities are reported to members at least twice yearly.

11.2 The report notes that at the half year point of the financial year, treasury activities have resulted in an average return of 0.83%. The full year projection suggests investment returns of £115,000 against the budget estimate of £188,000. This loss is as a result of the substantial refunds issued to Virgin Media in respect of Business Rate appeals and an equalisation reserve has been established to compensate for this deficit.

12.0 TREASURY STRATEGY 2016/17

12.1 The Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that, along with the CIPFA Treasury Management in the Public Services: Code of Practice 2011 requires the Council to approve an investment strategy before the start of each financial year.

12.2 The Treasury Management Strategy 2016/2017, in Appendix D, sets the framework in which day-to-day and strategic treasury activities are operated. The documents are compiled from the recommendations within the CIPFA guidance and from the Council's Treasury Management advisors with consideration given to the current financial climate and factors affecting market conditions.

12.3 Both the CIPFA Code and the DCLG Guidance require the Authority to invest its funds prudently, and to "**have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.**" The strategy proposed addresses these requirements as well as the changing legislation with regards to failing banks and proposes a policy of diversification, utilising a number of investment vehicles, in order to protect the Council.

13.0 MINIMUM REVENUE PROVISION

13.1 The statement at Appendix B sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2016/17 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. At present the Council does not have any borrowing charges, either supported or unsupported.

13.2 The Council has ambitions for regeneration, investment in housing and the purchase of a new vehicle fleet. The Council will look to utilise capital and revenue balances where possible in order to reduce the revenue impact of investment plans. However, where either internal or external borrowing is required a MRP will be required to be made. Again to minimise the impact on the revenue account, the financially most advantageous MRP option will be chosen.

14.0 CONSULTATION

14.1 Consultation on the budget has taken place with the Transform Working Group. In addition, a public and business consultation has taken place on general budgetary principles. The Council is also consulting with business rate payers on the specific proposals for 2016/17 as it is statutorily required to do.

14.2 With regard to the public consultation, only 40 responses were received. Over 77% of respondents were prepared to increase Council Tax in order to protect services with 27% prepared to accept an increase of 4% or more. The most popular service was waste collection and recycling but a number of negative comments were received on street cleaning. These comments have been passed to the Service Manager to address. Finally, when asked about charges set by the Council, none of the respondents felt the current garden waste charge was expensive.

15.0 RELEVANT COUNCIL POLICIES/STRATEGIES

15.1 In line with Medium Term Financial Strategy approved by Council on 8 December 2015.

16.0 RELEVANT GOVERNMENT POLICIES

16.1 The Government has set down excessive Council Tax increase rules. Any increase in Band D Council Tax over a set limit will trigger a local referendum. The proposal for an increased Council Tax of £5 at Band D will mean that no referendum is required for Tewkesbury.

17.0 RESOURCE IMPLICATIONS (Human/Property)

17.1 Significant savings have been necessary to provide a balanced budget. Some of these have staffing implications although compulsory redundancy will be avoided wherever possible, but this cannot be ruled out.

18.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

18.1 None directly.

19.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

19.1 Changes may be required to the way services are provided in order to reduce costs. Service Managers are responsible for undertaking Equalities Impact Assessments (EIAs) for any changes they make to any services they provide and where appropriate, EIAs will have been undertaken.

20.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

20.1 Approval of Medium Term Financial Strategy – Council 8th December 2015.

Background Papers: Medium Term Financial Strategy.

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Appendices:
A - Capital Programme.
B - Capital Prudential Indicators & MRP.
C - Treasury mid-year report.
D - 2016-17 Treasury Strategy.