

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	31 January 2018
Subject:	Budget 2018 – 2019
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Rob Weaver, Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Five

Executive Summary:

The proposed net budget totals £8.73m and, after deducting Government support and other financing streams, the resultant Council Tax requirement is £3.87m giving a Band D Council Tax figure of £114.36.

Recommendation:

That the following be RECOMMENDED TO COUNCIL:

- i. a net budget of £8,732,790;**
- ii. a Band D Council Tax of £114.36, an increase of £5.00 per annum;**
- iii. the use of New Homes Bonus as proposed in Paragraph 3.5;**
- iv. the Capital Programme as proposed in Appendix A;**
- v. the Capital Prudential Indicators as proposed in Appendix B;**
- vi. the annual Minimum Revenue Provision (MRP) statement, contained in Appendix B;**
- vii. the 2018-19 Treasury Management Strategy, as proposed in Appendix C;**
- viii. the 2018-19 Flexible Use of Capital Receipts Strategy, as proposed in Appendix D;**
- ix. to note the Council's involvement in a 100% Retained Business Rates Pilot in Gloucestershire for 2018-19, as detailed in Appendix E.**

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 2018, its budget requirement for 2017/18.

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:

As set out within in the report.

Performance Management Follow-up:

Performance reports are presented to Members on a quarterly basis and include details of the revenue and capital budget 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 5 December 2017.

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 £3million with a gap suggested in 2018/19 of approximately £1,100,000.

1.3 Since the production of the MTFS, the Chancellor has given his Autumn Budget, the Employers have made a pay offer to the Unions and the details of the provisional Local Government Finance Settlement have been received for 2018/19. In summary, the headlines from these announcements include:

- Confirmation of no new monies to support local government in the current spending review period with the exception of the Rural Services Delivery Grant which is to be boosted by £15m in 2018/19.
- Proposal to move to 75% retained business rates from 2020.
- Confirmation of ten new 100% retained business rates pilots in 2018/19, including Gloucestershire.
- No new changes to the New Homes Bonus scheme.
- Increase of 20% on planning fees from 17 January 2018.
- Increased flexibility in Council Tax setting of an additional 1% resulting in a new referendum threshold for Districts of £5 or 3%, whichever is greater.
- Pay offer of 2% in both 2018 and 2019 with extra weighting for the lowest paid.

- 1.4** This report now brings together the general information on the financial climate with the detailed figures associated with the 2018/19 budget and the work undertaken by the Transform Working Group and makes a proposal for a balanced budget and resultant Council Tax. The proposal made is in light of an extended budget deficit of £1.6m for 2018/19 as a result of the impact of the previous bullet points and the detailed analysis of income and expenditure budgets for the next financial year.
- 1.5** 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 10 of this report. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.
- 1.6** In setting the budget for 2018/19, 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 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 further risk in its commercial activities.

2.0 LOCAL GOVERNMENT FINANCE SETTLEMENT 2018/19

- 2.1** The Local Government Finance Settlement for 2018/19 is the third under the four year funding deal which effectively guarantees the Council's levels of core funding from central government until 2019/20. The four year deal includes both Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG) and projects levels of funding for this Council through to 2019/20, although, as previously noted, RSDG has been increased in the current settlement.
- 2.2** The provisional Local Government Finance Settlement for 2018/19 was announced on 19 December 2017. The settlement is subject to consultation which will end on 16 January 2018, with a final settlement expected at the end of January. As part of the Settlement announcement, Gloucestershire, including Tewkesbury, was awarded a 100% Business Rates Pilot for 2018/19. As a result of this, the Council will lose both its RSG and RSDG for 2018/19 and this will be replaced with an increased Business Rates baseline figure. These changes for the Pilot are illustrated in Table 1.

- 2.3** The Council's MTF5 was based on the previously supplied indicative figures for the four year deal and so there is no change, apart from the increased RSDG and changes for the Pilot as previously highlighted, between the MTF5 and this, the detailed budget report for 2018/19. Table 1 highlights the confirmed level of support for the next two years.

Table 1

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Cash levels				
Revenue Support Grant (RSG)	887	515	0	23
Rural Services Delivery Grant (RSDG)	14	11	0	11
Business Rates baseline funding	1,690	1,723	2,069	1,815
Total	2,591	2,249	2,069	1,849
Change in funding (£)				
Revenue Support Grant (RSG)		-372	-515	23
Rural Services Delivery Grant (RSDG)		-3	-11	11
Business Rates baseline funding		33	346	-254
Total		-342	-180	-220
Change in funding (%)				
Revenue Support Grant (RSG)		-41.94%	-100.00%	-
Rural Services Delivery Grant (RSDG)		-21.43%	-100.00%	-
Business Rates baseline funding		1.95%	20.08%	-12.28%
Total		-13.20%	-8.00%	-10.63%

- 2.4** As can be seen from Table 1, significant reductions to core government support continue over the next two years and are currently estimated to total a reduction of £400,000 from current funding levels. For 2018/19, the reduction is £180,000 or 8%.

3.0 NEW HOMES BONUS

- 3.1** As part of the 2016/17 Local Government Finance Settlement, the government launched a consultation on the future of the New Homes Bonus (NHB) scheme. The consultation closed on 11 March 2016 but it was not until the announcement of the 2017/18 Settlement that the government responded to the consultation and issued significant changes to the scheme. The changes included the reduction in the number of years for which NHB would be paid, from six to four, and the introduction of a baseline deadweight of 0.4% below which no NHB would be paid. At the time, the government warned that it would keep under review other potential amendments to the scheme.
- 3.2** A further consultation was undertaken by the government in Autumn 2017, considering extending the deadweight factor and not paying NHB for homes built following appeal. It was widely expected that the deadweight factor would be increased but the Local Government Finance Settlement confirmed that there would be no further alterations to the scheme in 2018/19.

- 3.3 With no new amendments to the NHB scheme, the Council is able to maintain the cash levels it receives from the scheme as the reductions from scheme amendments are offset by increases in house building and increasing levels of national Council Tax. Table 2 details the projection of NHB over the medium term.

Table 2 – Projection of NHB

	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Year 1	0	0	0	0	0	0
Year 2	0	0	0	0	0	0
Year 3	295	0	0	0	0	0
Year 4	638	0	0	0	0	0
Year 5	871	871	0	0	0	0
Year 6	659	659	659	0	0	0
Year 7	750	750	750	750	0	0
Year 8	0	899	899	899	899	0
Year 9	0	0	960	960	960	960
Year 10	0	0	0	1,365	1,365	1,365
Year 11	0	0	0	0	1,449	1,449
Year 12	0	0	0	0	0	1,442
Total NHB	3,213	3,179	3,268	3,974	4,673	5,216
Variance (£)	-188	-34	89	706	699	543
Variance (%)	-5.53%	-1.06%	2.80%	21.60%	17.59%	11.62%

- 3.4 As can be seen from the table, the Council will receive £3.18m in 2018/19 from the NHB scheme. This is a reduction of only £34,000 on the current levels but a reduction of £933,000 against the original scheme, pre amendments. The table also illustrates how the latter years see an increase in NHB as a result of projected housing numbers and increasing levels of national Council Tax.

- 3.5 The total allocation of NHB for 2018/19 is £3,179,723 and therefore the proposed use of NHB is as follows:

Base budget support	£2,610,755
Planning appeals	£129,160
Business Transformation fund	£50,000
Asset Management Plan	£75,000
IT Management Plan	£25,000
GDPR system requirements	£40,000
Contribution to Strategic Planner	£21,000
Housing and Homeless support	£58,708
Community Funding Officer	£33,192
Growth Hub Navigator	£31,000
Growth Hub marketing budget	£5,908
MTFS Reserve	£100,000
Total	£3,179,723

- 3.6 The suggested use of NHB includes utilising £2,610,755 to support the base budget. This is an increase of £200,000 over the current utilisation and is in line with the phased increase in support outlined within the MTFS last year. In percentage terms, this increases base budget support to 82% of total NHB and leaves 18% or £568,968 to support the Council's other requirements.

- 3.7** Given the forecast of the Council's financial position contained within the MTFs, and the need to utilise reserves to provide a balanced budget for 2018/19 and future years, it is suggested that £100,000 is placed into a MTFs reserve to help fund the future year requirements. This would mean that the MTFs reserve would stand at £830,000 to support future year's requirements.
- 3.8** Given this recommended use, the sum available to support other requirements is limited. The proposal includes the continued funding of a planning appeals reserve and the employment of a barrister to act on behalf of the Council in these appeals. A sum of £50,000 is also included to fund one-off costs of some of our transformational activities and £100,000 is set aside, as in previous years, to maintain the Council's assets, both in terms of building and information technology assets. The continued funding of the Community Funding Officer is also included within the use of NHB.
- 3.9** New areas of activity, recommended to be funded from NHB on a one-off basis, include meeting the system needs of the General Data Protection Requirements in order to be compliant with the legislation; investment in the day-to-day operation and the marketing of the new Growth Hub; financial support, to be used in conjunction with external funding, to meet the growing demand and requirements for housing and homelessness; and a contribution to meet the employment of a Countywide Strategic Planner over the next three years.

4.0 BUSINESS RATES RETENTION

- 4.1** Business rates retention in Tewkesbury has historically been an area of substantial loss as successful appeals, most notably by Virgin Media, have led to deficits in the last three years. The performance in the current year however has been positive with retained income of £240,000 being reported at the third quarter point. Whilst successful appeals can have a damaging effect on this position, the underlying growth is expected to continue and the provisions that Tewkesbury has accumulated are substantial. It is against this improved performance that projections for 2018/19 are undertaken.
- 4.2** In addition to this improved position, the Council has identified a number of renewable energy installations where the business rates receivable are outside of the retention scheme and are retained in full by the authority. This, coupled with the increased business rate multiplier and the change in government tariff, has resulted in a significant improvement in the retained rates projection and a return of a growth target for the next financial year within the base budget. Within the current 50% retention scheme, projections for retained income total £412,214 for 2018/19.
- 4.3** As detailed earlier within the report, and following agreement of Executive Committee, the Council submitted a bid alongside the other five Gloucestershire District Councils and the County Council to become a 100% Retained Business Rate Pilot for 2018/19. As part of the Secretary of State's oral statement to Parliament on 19 December it was announced that Gloucestershire was one of ten successful bids. This will mean that Tewkesbury will re-enter the Gloucestershire Pool for the next financial year. As the terms of the Pilot include a 'no detriment' clause the Council can be no worse off than under the current scheme and will hopefully benefit from additional business rate retention. Appendix E provides more detail on the arrangements for the Pilot which are based on the current pooling arrangements and the Government's prospectus requirements.
- 4.4** As the announcement was for a one year pilot only, the financial gain, if realised, will be treated as a one-off windfall. This will mean that monies generated can be used for the Council's benefit in 2019/20. Therefore the base budget has been amended so that it reflects the actual tariffs and baselines relevant to Tewkesbury in 2018/19 but the net effect is in line with the substantive position of the 50% retention scheme.

4.5 The Secretary of State also issued further clarity on the future direction of travel for retained rates as part of the Draft Local Government Settlement. The Government's intention is for all authorities to move to 75% rate retention by 2020. This move will not require primary legislation as full retention would do and so can be introduced relatively easily. The full detail of a 75% scheme is yet to be established and Members will be updated as this progresses.

5.0 COUNCIL TAX

5.1 Given the increasing level of deficit for 2018/19 as described in later sections of this report and the Medium Term Financial forecast of continued deficits, it is once again necessary to recommend an increase in Council Tax in order to balance next year's budget and improve the Council's financial footing as it looks towards future deficit reduction. It is recommended that a £5 per annum increase at Band D level, equivalent to 4.57%, is approved, generating an additional £169,000 of ongoing income to support the Council's core services.

5.2 The level of increase proposed is in line with the government's set thresholds for determining whether a Council Tax increase is excessive and should be put to a local referendum. The government has allowed more flexibility of the setting of Council Tax for next year by allowing Councils to potentially increase the basic level of tax by 3% rather than the previous year's 2%. For District Councils there is greater freedom for those with a lower than average Council Tax who can continue to increase the tax by £5. Thresholds for other precepting bodies are 3% for basic Council Tax, 3% for Adult Social Care levy for upper tier authorities and £12 on Band D for Police and Crime Commissioners. There are again no thresholds for Town and Parish Councils.

5.3 It is interesting to note that the government has relaxed its view on excessive Council Tax increases. This move could be a reaction to the increasing pressure on all levels of public service, the pay offer for next year or simply linked to the increase in inflation. Government projections for Councils Core Spending Power also include an assumption that all Council's will increase the tax by the maximum available to them.

5.4 The proposed increase will be the third year in succession that the Council will have increased the Council Tax. This follows the period from 2011 to 2016 where Tewkesbury decided to freeze its share of the Council Tax in order to support its taxpayers during tough economic times. The proposed increase would set the Band D Council Tax at £114.36 per annum and most likely keep the Council as the fifth lowest District Tax in England. The proposed tax would also keep the Council in the lowest quartile for Council Tax charges and would be approximately £40 lower than the lower quartile threshold and some £60 short of the average District Council for 2018/19.

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

Table 3

Band	No. of properties	Percent of total	Annual Council Tax 17/18	Annual Council Tax 18/19	Annual Increase
A	6,416	15.90%	£72.91	£76.24	£3.33
B	6,470	16.04%	£85.06	£88.95	£3.89
C	11,224	27.82%	£97.21	£101.65	£4.44
D	5,937	14.71%	£109.36	£114.36	£5.00
E	5,043	12.50%	£133.66	£139.77	£6.11
F	3,204	7.94%	£157.96	£165.19	£7.23
G	1,858	4.61%	£182.27	£190.60	£8.33
H	195	0.48%	£218.72	£228.72	£10.00

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

Table 4

Year	Council Tax £	Increase Pa £	Increase %
2010/11	99.36	3.78	3.95
2011/12	99.36	0.00	0.00
2012/13	99.36	0.00	0.00
2013/14	99.36	0.00	0.00
2014/15	99.36	0.00	0.00
2015/16	99.36	0.00	0.00
2016/17	104.36	5.00	5.03
2017/18	109.36	5.00	4.79
2018/19	114.36	5.00	4.57

6.0 BUDGET PROPOSALS

6.1 The base estimates for the Council in 2018/19 have been compiled and are detailed in Table 5. The projection within the MTFS highlighted a potential deficit facing the Council of £1.1m for 2018/19 but the draft budget requirements put forward by service areas saw this deficit increase to £1.6m prior to the agreement of savings plans and increased income. Savings plans and increased income, particularly in relation to commercial property investments and treasury activities, has resulted in the net cost of services only increasing by £37,462 (0.43%) for the next financial year.

Table 5

	2017/18 Budget Re-stated	2018/19 Budget	Variance (£)
Chief Executive	£250,187	£256,350	£6,163
Corporate Services	£1,832,730	£1,957,477	£124,747
Democratic Services	£750,929	£741,229	-£9,700
One Legal	£362,170	£374,780	£12,610
Deputy Chief Executive	£113,826	£120,064	£6,238
Development Services	£648,855	£748,711	£99,856
Housing & Environmental Services	£3,557,398	£3,731,408	£174,010
Finance and Assets	£1,179,233	£802,771	-£376,462
TOTAL	£8,695,328	£8,732,790	£37,462

6.2 The estimates for 2018/19 include the following headlines:

- An allowance for the current pay offer made by the employers side of a basic 2% pay award from April 2018 rising to 9.19% for the lowest paid workers. The estimated cost of this award, if accepted by the Unions, is £150,000;
- 2018/19 is the second year of the current pensions fund triennial valuation and will see a stepped increase of £192,000 towards the pension fund deficit;
- An increased cost of £254,000 on the annual Ubico contract partly as a result of the pay offer;
- A reduction in estimated planning income of £200,000 the impact of which has been offset by the national uplift in planning fees from 17 January 2018 of 20%;

- An increase in the cost of disposing of recycled materials collected of £88,000;
- The inclusion of a Data Protection Officer role to meet the needs of the General Data Protection Requirements;
- Increased recycling credit income from the County Council of £89,000;
- The reduced cost of external audit by £10,000 following a tender process;
- An uplift in fees and charges resulting in an additional income of £30,000;
- An increase in the income derived from treasury investments of £190,000.

6.3 In addition, the base estimates include the additional income gained from the commercial property portfolio. The Council has been successful in acquiring £13.6m of additional investments in 2017/18 giving a total portfolio size of just over £31m. This portfolio generates a gross income of £1.92m and contributes a total of £1.149m, net of financing costs, to support the Council's core services in 2018/19.

6.4 The base estimates also include the use of NHB as outlined previously at 3.5.

6.5 The finance available to fund the net budget requirement is as follows:

Table 6

Financing stream	2017/18 Budget Re-stated	2018/19 Budget	Variance (£)
Revenue Support Grant	-£515,253	£0	£515,253
Rural Services Delivery Grant	-£11,056	£0	£11,056
Business Rates Baseline	-£1,724,138	-£2,069,621	-£345,483
Retained Business Rates	£0	-£412,214	-£412,214
New Homes Bonus	-£3,213,838	-£3,179,723	£34,115
Collection Fund surplus	-£67,300	-£102,200	-£34,900
Minimum Revenue Provision	£377,500	£403,103	£25,603
Net Transfer to / (from) reserves	£14,304	£499,935	£485,631
Total	-£5,139,781	-£4,860,720	£279,061
Service Expenditure b/fwd	£8,695,328	£8,732,790	£37,462
Balance to be funded by Tax Payers	£3,555,547	£3,872,070	£316,523

6.6 The financing streams highlighted in Table 6 demonstrate an increase in the collection fund surplus as a result of increasing levels of house building throughout the Borough. The collection fund surplus represents the additional Council Tax collected in the previous year against the original estimates. Given the increase, amendments have been made to the calculation of the tax base to allow for greater estimates of projected housebuilding. This benefits the tax base but will restrict surpluses in future years.

6.7 Also included in financing streams are the cost of the Minimum Revenue Provision (MRP) which is the statutory set aside to repay borrowing and the net contribution to or from reserves. Within this figure are the Council's planned annual set aside for vehicle fleet replacement and a further contribution to the MTFs reserve for future budget management.

6.8 After deducting the highlighted financing streams from the net cost of services, the balance of expenditure to be funded by Council Tax Payers is £3,872,070 for 2018/19. The Council Tax base has increased by 1,346.3 band D equivalents (4.14%) over the previous year to a total of 33,858.6. Dividing the amount to be funded by tax payers by the tax base gives the new Band D Council Tax level for the Borough Council of £114.36.

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. Funding levels beyond 2019/20 are as yet unknown. 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. Whilst the Council has absorbed, to a large extent, the changes introduced to the scheme, further changes cannot be ruled out which could have a severe impact on the Council's finances.
- 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 have announced a move towards 75% business rate retention but scheme details are as yet unclear and make future forecasting difficult at this time.
- 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 in 2018 and therefore a cautious approach has been adopted within the MTFP for forecasting likely returns and cost of borrowing.
- Welfare Reform – The introduction of Universal Credit began in Tewkesbury Borough in December 2017 with full roll out being completed by February 2018. The full impact of this move on services is not yet known.
- Salary Award – An assumed 2%+ pay award has been included in the estimates as a result of the offer from the employer's side. At the time of preparing the budget, the offer was yet to be accepted by the Union side. Any agreement in excess of this will require further finance to be sourced.

7.2. Given the reduction in NHB available and the future requirements to support the base budget from this pot, it is not possible to allow a contingency sum to meet potential deficits in 2018/19. As always, careful in-year management of the budget will be necessary to ensure the budget outturn is, at worst, cost neutral.

8.0 REVENUE RESERVES

8.1 As at 31 March 2017, the Council had useable earmarked reserves totalling £3.34m. In addition there was an uncommitted General Fund working balance of £450,000.

8.2 The revenue reserves are reviewed and approved annually as part of the closure of accounts. A Financial Outturn report will be taken to Executive Committee in June to approve the reserves of the Council for 2018/19.

9.0 CAPITAL PROGRAMME

9.1 The current capital programme is shown at Appendix A and covers estimates of expenditure in the current year and forward forecasts of the next three years.

- 9.2** The programme is significant in size and totals £38.62m over the four years. The vast majority of the programme relates to investment in commercial properties with the aim of delivering an income stream to the Council over and above the cost of financing. This strand of the capital programme totals £28.7m and includes the recent purchases in Hertford, Ellesmere Port and Trowbridge. It also includes the third phase of property investment which added a further £12m to the capital programme.
- 9.3** Other significant expenditure within the programme includes the estimate of finance required for the regeneration of Tewkesbury town centre in line with the currently approved programme and an estimate of finance required to enable the second phase of the refurbishment of the Public Service Centre. Historical levels of expenditure on Disabled Facilities Grants (DFGs) are projected throughout the programme and are financed entirely by government grant.
- 9.4** The capital programme also includes two transformational projects which would normally be required to be financed from revenue resources. However, the government will allow the flexible use of new capital receipts for transformational projects which will generate ongoing savings, subject to the approval of a strategy before the beginning of the financial year. The strategy is attached at Appendix D to this report. Executive Committee approved a number of land disposals in 2017 and it is the capital receipt from these disposals which are being proposed to fund these projects.
- 9.5** The size of the capital programme will utilise the majority of the balance of the capital receipts reserve within the next two years, leaving a balance of circa £737,000. If all projects are delivered in line with the programme, the Council's external borrowing requirement will total £48.7m. The costs of securing and repaying this borrowing have been factored into the revenue estimates. Any sale of existing assets in future years could offset the size of the borrowing requirement.

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 2018/19 and the MTFP have been prepared has been set out very clearly in this report and the previous MTFP 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 2018/19 and the previous amendments to the NHB scheme have 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, the efficiency savings that have been identified and the commercial activity being undertaken, the Council is able to set a balanced budget for 2018/19.
- 10.4** From 2018/19 onwards, the Council is increasingly dependent on General Fund balances and the full utilisation of New Homes Bonus allocations to support its annual spending plans. Action will need 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 to ensure adequacy of reserves for future years.

11.0 TREASURY STRATEGY 2018/19

- 11.1** 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.
- 11.2** The Treasury Management Strategy 2018/2019, in Appendix C, 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.
- 11.3** 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.
- 11.4** Given that the Council's approved capital programme relies on prudential borrowing to fund commercial property development, asset refurbishment and town centre regeneration, added importance is given to the sections in the strategy setting out the Council's borrowing strategy and levels of intended borrowing.
- 11.5** The budget for investment income in 2018/19 is £0.22 million, based on an average investment portfolio of £14.9 million at an interest rate of 1.47%. The budget for debt interest paid in 2018/19 is £0.34 million, based on an average debt portfolio of £25 million at an average interest rate of 1.36%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

12.0 MINIMUM REVENUE PROVISION

- 12.1** The statement at Appendix B sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2018/19 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The current year was the first year where MRP charges were necessary following the purchase of a commercial property in Tewkesbury funded by prudential borrowing. The MRP charge is likely to increase in future years as further capital investment funded from borrowing is made.
- 12.2** 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.

13.0 CONSULTATION

- 13.1** Consultation on the budget has taken place with the Transform Working Group. There has also been direct consultation with our Citizens' Panel. 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 2018/19 as it is statutorily required to do.
- 13.2** With regard to the public and Citizens' Panel consultation, only 42 responses were received. Over 78% of respondents were satisfied that the current Council Tax Band D Rate represented value for money. The consultation responses were mostly positive about the services provided with the most popular service being Waste Collection and Recycling. Six comments were made regarding whether the Council was ensuring that costs, particularly senior salaries and Councillor pay was reasonable and providing value for money. As in previous years the majority of respondents were satisfied that the fees charged were reasonable.
- 13.3** When asked about employment and business opportunities in the borough there were a lot of comments. Responses seem to pick up that Tewkesbury Borough's location on the M5 was a positive, but need to also ensure that access through road networks, internet and WIFI are being exploited to bring business to the area. Many respondents commented about high rents/business rates for small business in Tewkesbury.
- 13.4** There were no key themes from the consultation that has changed the budget proposals.

14.0 OTHER OPTIONS CONSIDERED

14.1 The proposal within this report is for the Council to increase Council Tax by £5 or 4.57%. In producing a balanced budget proposal, officers have considered a number of options for Council Tax. A summary of different levels of Council Tax is shown in the table below alongside the impact on the Council's on-going deficit.

Table 7 – Council Tax increase options

Council Tax 17/18	Council Tax 18/19	Increase	Increase	Ongoing income produced	Ongoing savings required
£109.36	£114.36	£5.00	4.57%	£169,295	£0
£109.36	£109.36	£0.00	0.00%	£0	£169,295
£109.36	£110.36	£1.00	0.91%	£33,859	£135,436
£109.36	£111.36	£2.00	1.83%	£67,718	£101,577
£109.36	£111.55	£2.19	2.00%	£74,151	£95,144
£109.36	£112.36	£3.00	2.74%	£101,577	£67,718
£109.36	£112.64	£3.28	3.00%	£111,058	£58,237
£109.36	£113.36	£4.00	3.66%	£135,436	£33,859

14.2 A range of options are available within the set thresholds. A decrease on the Council Tax has been ruled out given the financial outlook for the Council, as has an excessive Council Tax increase as it is not believed that the public would vote in favour of an increase in excess of £5 in a local referendum.

14.3 It has been necessary to increase Council Tax by £5 in order to meet the deficit of £1.6m for 2018/19. Whilst lower Council Tax increases were considered, these added additional cost to the deficit and would need to be met by either ongoing savings or ongoing income. The use of one-off sums to replace an ongoing income stream is not considered prudent and only results in the need for ongoing savings to be postponed. The use of one-offs to support a budget should only be considered as a last resort.

14.4 Given the Council's current low spend on services, driving further savings from these services in the form of staff reductions and / or service reductions could have a damaging impact on Council's activities particularly when considered alongside the reductions made through the austerity period of the last seven years. The Council continues to drive income, and new income, streams where it can and the estimates included within the overall budget are realistic based on the Council's current activities. Significant additional income budgets are already included in the base budget.

15.0 RELEVANT COUNCIL POLICIES/STRATEGIES

15.1 In line with Medium Term Financial Strategy approved by Council on 5 December 2017.

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 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 5 December 2017.

Background Papers: Medium Term Financial Strategy.

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Appendices:

- A - 2017-21 Capital Programme.
- B - Minimum Revenue Provision & Capital Prudential Indicators.
- C - 2018-19 Treasury Strategy.
- D - 2018-19 Flexible Use of Capital Receipts Strategy.
- E - 100% Business Rates Retention Scheme.