

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Executive Committee
<b>Date of Meeting:</b>	1 February 2017
<b>Subject:</b>	Budget 2017 – 2018
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Robert Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Councillor D J Waters
<b>Number of Appendices:</b>	Three

## **Executive Summary:**

The proposed net budget totals £9.91m and, after deducting Government support and other financing streams, the resultant Council Tax requirement is £3.56m giving a Band D Council Tax figure of £109.36.

## **Recommendation:**

**To RECOMMEND TO COUNCIL approval of:**

- i. a net budget of £9,913,693;**
- ii. a Band D Council Tax of £109.36, an increase of £5.00 per annum;**
- iii. the use of New Homes Bonus as proposed in Paragraph 3.8 of the report;**
- iv. the Capital Programme as proposed in Appendix A to the report;**
- v. the capital prudential indicators as proposed in Appendix B to the report;**
- vi. the annual Minimum Revenue Provision (MRP) statement, as contained in Appendix B to the report; and**
- vii. the 2017-18 Treasury Management Strategy, as proposed in Appendix C to the report.**

## **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 2017 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:**

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report but, in summary, centre around the continuing pressure on local government funding as Revenue Support Grant is withdrawn and the New Homes Bonus scheme is amended.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 6 December 2016.

**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 £3.3million with a gap suggested in 2017/18 of approximately £2,050,000.

**1.3** Since the production of the MTFS, the Chancellor has given his Autumn Statement, the Council has been accepted for a four year funding deal from the government and the details of the provisional Local Government Settlement have been received for 2017/18. In summary, the headlines from these announcements include:

- no changes to the planned level of financial support for local authorities over this Parliament.
- 'Core Spending Power' to fall by 1.14% between financial years.
- Expanded flexibility over the adult social care precept.
- Continuation of the £5 or 2%, whichever is higher, Council Tax referendum principles for District Councils.
- Confirmation of changes to the New Homes Bonus scheme resulting in £241m being redirected to support adult social care in 2017/18.

- 1.4 This report now brings together the general information on the financial climate with the detailed figures associated with the 2017/18 budget and the work undertaken by the Transform Working Group and makes a proposal for a balanced budget and resultant Council Tax.
- 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 Whilst the budget is compiled using the best estimates available, the lack of clarity on certain aspects of Local Government Finance, such as business rates retention, and the late announcement with regards to the New Homes Bonus scheme redesign make the setting of the 2017/18 budget difficult and forecasts for future years require a greater degree of sensitivity, impacting on the robustness of these latter year estimates. This adds significant risk to planning the operations of the Council over the medium term.
- 1.7 In setting the budget for 2017/18, 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, restructured management and services, increased commercial activity 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 2017/18**

- 2.1 The Local Government Finance Settlement for 2017/18 is the fifth 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 2017/18 was announced on 15 December 2016. Following the agreement of a four year funding deal in November 2016, the settlement is in line with the indicative figures provided along with the current year settlement. The four year funding deal also provides certainty on core government funding for 2018/19 and 2019/20. The settlement is subject to consultation which will end on 13 January 2017, with a final settlement expected at the end of January.

- 2.3 The Council's MTFs was based on the previously supplied indicative figures and so there is no change between the MTFs and this, the detailed budget report for 2017/18. Table 1 highlights the confirmed level of support for the next three years.

**Table 1**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Cash levels</b>				
Revenue Support grant	887	515	283	23
NNDR baseline funding	1,690	1,723	1,774	1,830
<b>Total</b>	<b>2,577</b>	<b>2,238</b>	<b>2,057</b>	<b>1,853</b>
<b>Change in funding (£)</b>				
Revenue Support grant		-372	-232	-260
NNDR baseline funding		33	51	56
<b>Total</b>		<b>-339</b>	<b>-181</b>	<b>-204</b>
<b>Change in funding (%)</b>				
Revenue Support grant		-41.94%	-45.05%	-91.87%
NNDR baseline funding		1.95%	2.96%	3.16%
<b>Total</b>		<b>-13.15%</b>	<b>-8.09%</b>	<b>-9.92%</b>

- 2.4 As can be seen from Table 1, significant reductions to core government support continue over the next three years and are currently estimated to total a reduction of £724,000 from current funding levels. For 2017/18, the reduction is £339,000 or 13.15%. This position is slightly better than the average reduction facing Shire Districts which is 15.06%.

### 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 has taken until the announcement of the new settlement for the government to respond to the consultation and issue a direction of travel for the scheme. The implications of the changes to the scheme, which are set out below, are significant and of particular concern to District Councils.
- 3.2 As widely expected, the government has decided to reduce the number of years for which the bonus is paid from the current six year allocation down to four years. Again as expected, this transition will happen over two years with a five year allocation being paid in 2017/18 and four year allocation being paid in 2018/19.
- 3.3 Not expected was the introduction of a growth baseline, below which no NHB will be paid. Having consulted on introducing a 0.25% baseline and with 80% of respondents against this proposal, the government has introduced a baseline of 0.4% from 2017/18. All growth below this baseline, which is measured against the number of properties on the current tax base, is ignored for calculating NHB payments. For Tewkesbury, this has resulted in 151 properties being disregarded and reducing the Council's NHB payment by over £180,000 for next year. As this growth baseline starts to affect future years, it is estimated that the annual loss from its introduction could reach approximately £750,000. For many authorities, their total growth falls below 0.4% and in these circumstances they will not attract any NHB payment next year.

**3.4** The government has confirmed that there will be no other changes affecting 2017/18 but further changes will remain under consideration. These include:

- Amending the growth baseline so that payments remain within the overall financial envelope for the scheme.
- Not making any NHB payments if an authority does not have an adopted local plan in place.
- Not making and NHB payments against housing that has been developed following an appeal to the original planning committee decision to refuse the planning application.

**3.5** The changes for 2017/18 will result in the re-direction of £241m from NHB to support financial issues within the adult social care sector. The cumulative impact of the changes in the next few years should result in the government meeting its intention to transfer £800m from NHB to adult social care.

**3.6** The impact of these changes on Tewkesbury has been softened by the increasing housing growth that has been seen within the Borough. For 2017/18, Tewkesbury's overall NHB payment will fall by 5.5% compared to the average reduction in District Councils of 14.8%. In addition, forecasts within the Joint Core Strategy of new housing numbers over the medium term suggest the overall impact of the scheme redesign on this Council is limited. This could however change if the government brings in the additional changes that remain under consideration. Table 2 details the revised projection of NHB over the medium term.

**Table 2 – Revised projection of NHB**

	16/17	17/18	18/19	19/20	20/21	21/22
	£'000	£'000	£'000	£'000	£'000	£'000
Year 1	527	0	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	638	0	0
Year 5	871	871	871	871	871	0
Year 6	659	659	659	659	659	659
Year 7	0	935	935	935	935	935
Year 8	0	0	919	919	919	919
Year 9	0	0	0	1,051	1,051	1,051
Year 10	0	0	0	0	1,441	1,441
Year 11	0	0	0	0	0	1,491
<b>Sub-total</b>	<b>3,401</b>	<b>3,809</b>	<b>4,317</b>	<b>5,073</b>	<b>5,876</b>	<b>6,496</b>
Reductions in payable years	0	-411	-933	-1,509	-1,530	-1,594
Reductions from growth baseline	0	-184	-374	-564	-752	-754
<b>Total NHB available</b>	<b>3,401</b>	<b>3,214</b>	<b>3,010</b>	<b>3,000</b>	<b>3,594</b>	<b>4,148</b>
Variance (£)		-187	-204	-10	594	554
Variance (%)		-5.50%	-6.35%	-0.33%	19.80%	15.41%

- 3.7** As can be seen from the table, the Council will receive £3.214m in 2017/18 from the NHB scheme. This is a reduction of £187,000 on the current levels but a reduction of £595,000 against the original scheme. By year three of the projection, the full effect of the introduced change is seen with total reductions against the original scheme of over £2m forecast. In cash terms, a reduction of £401,000 is forecast against the current year income. The table also illustrates how the latter years see an increase in NHB as a result of projected housing numbers.
- 3.8** The total allocation of NHB for 2017/18 is £3,213,838 and therefore the proposed use of NHB is as follows:
- Support to base budget - £2,410,755.
  - Planning appeals reserve - £129,160.
  - Vehicle Contract termination cost - £100,000.
  - Asset (IT & Property) Management - £95,000.
  - Community Grants - £31,623.
  - Business Transformation - £47,300.
  - MTFs reserve - £400,000.
- 3.9** The suggested use of NHB includes utilising £2,410,755 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. In percentage terms, this increases base budget support to 75% of total NHB and leaves 25% or £803,083 to support the Council's other requirements.
- 3.10** 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 2017/18, it is suggested that at least £400,000 is placed into a MTFs reserve to help fund the future year requirements of one-off funding in order to achieve balanced budgets. The use of one-off sums to fund transformational projects, to cover an expected deficit in 2016/17 and to smooth the deficit for the 2017/18 budget has resulted in the near full commitment of existing reserves. It is therefore essential for future prudent management of the Council's financial affairs that a sum of at least £400,000 is set aside within this NHB allocation.
- 3.11** Given this recommended use, the sum available to support other requirements is limited. The proposal includes the continued support of funding a planning appeals reserve and the employment of a barrister to act on behalf of the council in these appeals. A sum of £47,300 is also included to fund one-off costs of some of our transformational activities and £100,000 is set aside to cover the likely costs associated with the end of the current vehicle contract. Monies are also set aside, as in previous years, to maintain the Council's assets, both in terms of building and information technology assets.
- 3.12** Given the overall reduction in NHB funding available, it is no longer possible to fund an ongoing community grants scheme. Monies have been earmarked to fund the continuing employment of a Grants Funding Officer whose role will be to focus on supporting community organisations in identifying grant funding opportunities and successfully applying for grant awards. The Council's role in grants will move from being a direct provider of grants to having a signposting and enabling role.

## **4.0 BUSINESS RATES RETENTION**

- 4.1** The last two financial years have seen Tewkesbury in a safety net position as a result of the application of the 50% retention of business rates scheme. A safety net position means that no income has been retained by the Council and in fact losses have been made. The size of the loss is limited to 7.5% of the business rates base before a safety net is activated. As the Council was previously within the Gloucestershire Pool for business rates retention, the safety net payments have been met by the Gloucestershire authorities rather than central government therefore depriving the local citizen of increased funding. The losses have resulted from successful appeals being made by a variety of businesses and for a variety of reasons. The success of the appeals and the size of the reduction in rateable value have far outweighed any growth in business seen within the Borough.
- 4.2** As a result of this position, and the ongoing threat of further successful appeals, Tewkesbury withdrew from the pool for the start of 2016/17 and, due to that risk not being mitigated, will continue to operate independently for 2017/18. In these circumstances, a safety net position will be financed by central government. The quarter three position of our current year budget indicates that yet again Tewkesbury is likely to end up in a safety net position and trigger a payment from central government.
- 4.3** This will mean that for three out of four years, Tewkesbury has suffered from substantial losses from this scheme. In addition, a new valuation list, which will come into effect on 1 April 2017, has been published which gives cause for concern that there will be increased levels of appeals being submitted, not least of which could be from Virgin Media as a result of the increased value of their fibre optic network. Given the history and the potential new appeals, there appears to be no immediate prospect of the Council being able to retain income from this scheme. As a result, the budget proposal for 2017/18 has removed the assumed income target of £261,000. Should the Council benefit from the scheme next year this will reduce the use of reserves to support the base budget and start to give some confidence that an income target could be re-introduced in the future.
- 4.4** The government continues to consult on the design of a scheme to enable 100% retention before the end of this Parliament.

## **5.0 COUNCIL TAX**

- 5.1** As with the current year, the government has set an excessive Council Tax threshold, whereby increases over the threshold would trigger a local referendum, at £5 or 2 %, whichever is higher, for District Councils. The current year was the first year for some time that a threshold in excess of 2% has been made available to District Councils and as a result many Council's opted to increase Council Tax by more than 2%.
- 5.2** The thresholds set for upper tier authorities include a standard Council Tax increase of 2% but also the ability to raise a social care levy of up to 3%. Whilst the government consulted on introducing thresholds for Town and Parish Councils, it has decided to refrain from introducing them for the next financial year.

- 5.3** During the period of 2011 to 2016, Tewkesbury had decided to freeze its share of the Council Tax to support its taxpayers during tough economic times. In setting the current budget, Council agreed that it should raise Council Tax by the full amount possible before triggering a referendum. Therefore an increase of £5 on Band D was approved leading to Council Tax charge of £104.36 per annum. Despite this increase, the Council maintained its position as the fifth lowest lower tier authority Council Tax in England with its charge being approximately £40 lower than the lower quartile threshold and some £60 short of the average District Council for 2016/17.
- 5.4** Given the reductions in core government funding, New Homes Bonus and retained business rates as well as the investment needed in service area due to the expanding nature of the Borough, it is once again necessary to recommend that Tewkesbury increases its Band D Council Tax by £5 per annum, bringing its total tax to £109.36 for 2017/18. In proposing this increase, the Council will retain its position within the lowest charging authorities, thereby honouring its commitment to maintain a low Council Tax, but will also generate an additional income of around £162,000 to support its core services.
- 5.5** The impact of this proposal on the Borough taxpayers is illustrated in Table 3.

**Table 3**

	<b>No. of properties</b>	<b>Percent of total</b>	<b>Annual Council Tax 16/17</b>	<b>Annual Council Tax 17/18</b>	<b>Annual Increase</b>
Band A	6,327	15.92%	£69.57	£72.91	£3.34
Band B	6,405	16.12%	£81.17	£85.06	£3.89
Band C	11,021	27.74%	£92.76	£97.21	£4.45
Band D	5,851	14.73%	£104.36	£109.36	£5.00
Band E	4,970	12.51%	£127.55	£133.66	£6.11
Band F	3,132	7.88%	£150.74	£157.96	£7.22
Band G	1,838	4.63%	£173.93	£182.27	£8.34
Band H	190	0.48%	£208.72	£218.72	£10.00

- 5.6** The Council's recent record on council tax is shown below for information.

**Table 4**

	<b>Budget £000s</b>	<b>Increase %</b>	<b>Council Tax £</b>	<b>Increase Pa £</b>	<b>Increase %</b>
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
2017/18	9,900	2.5	109.36	5.00	4.8

## 6.0 BUDGET PROPOSALS

6.1 The base estimates for the Council in 2017/18 have been compiled and are as follows:

**Table 5**

	2016/17 Budget	2017/18 Budget
Chief Executive	£187,864	£250,187
Corporate Services	£1,342,549	£1,372,149
Democratic Services	£727,750	£750,929
One Legal	£270,237	£362,170
Deputy Chief Executive	£116,979	£113,826
Development	£821,920	£647,284
Housing & Environmental Services	£3,261,546	£3,574,798
Revenues and Benefits	£593,898	£488,174
Finance and Assets	£2,340,599	£2,354,176
<b>TOTAL</b>	<b>£9,663,342</b>	<b>£9,913,693</b>

6.2 The estimates for 2017/18 include the following headlines:

- £65,000 increase in direct staffing costs as a result of the assumption of a 1% pay award to be agreed for the period from April 2017.
- £50,000 increase in pension deficit contributions which is the first stepped increase following the valuation of the fund in 2016. This will take the annual contribution towards the pension deficit to £1.583m with further increases planned of £192,000 per annum over the following two years.
- £130,000 increase in current employee pension costs as a result of the valuation of the fund previously highlighted.
- £390,000 increase in the costs of providing waste and recycling, street cleansing and grounds maintenance services predominately caused by the change in waste and recycling collection methodology where food waste is now collected separately.
- £345,000 increase in costs associated with the disposal of recycle collected.
- £41,000 additional resources requested by Ubico Ltd to meet capacity requirements.
- £80,000 increase in the cost of the planning department manpower to meet increased demand.
- £20,000 increase in expenditure to meet the growing demand of homelessness.
- £14,000 increase in costs to provide additional capacity to support fraud detection and prevention work across the council. The result of this area of activity is likely to lead to increased income from Council Tax and business rates to support the Council's base budget in future years.
- £15,000 for the governments new apprentice levy.
- £120,000 increase in planning income.
- £45,000 increase in garden waste income.
- £47,000 of new procurement targets.

- 6.3 In addition, the base estimates include the additional income gained from the £15m purchase of commercial property within the Borough completed in December 2016. This purchase will generate an income, net of financing costs, of approximately £430,000 in the next financial year. Council also approved a Commercial Investment Strategy in December 2016 which approved the investment of a further £15m from prudential borrowing to acquire additional commercial units. An estimate of the net return from acquiring these assets has also been included in the base budget but is reduced to reflect the part year benefit likely in 2017/18.
- 6.4 The cashable savings forecast by the service review of Revenues and Benefits have also been included in the base estimate. The same service has also contributed increased income of around £100,000 as a result of improved performance in reclaiming housing benefit subsidy from the government.
- 6.5 The base estimates also include the use of NHB as outlined previously at Paragraph 3.8.
- 6.6 The finance available to fund the net budget requirement is as follows:

<b>Financing</b>	<b>£</b>
Government Settlement	-2,239,391
New Homes Bonus	-3,213,838
Collection Fund Surplus	-67,300
Retained Business Rates	-0
<b>Total</b>	<b>-5,520,529</b>

- 6.7 Tewkesbury’s Council Tax base has increased by 697.37 to 32,512.32, an increase of 2.2% on the previous year. This coupled with the proposed increase in Council Tax by £5 per annum at Band D level would generate a total income of £3,555,547 from Council Tax payers. Adding this to the financing available which was outlined in the previous Paragraph gives the Council a total of £9,076,076 from which to fund services. This is a shortfall of £837,617 against the total net budget requirement outlined in Paragraph 6.1.
- 6.8 The shortfall will need to be met by the use of reserves in 2017/18. Whilst the use of one-off monies to fund ongoing activities should be avoided if at all possible, given the size of the reductions in finance available as well as the growth needed to maintain services, the use of reserves will be necessary. The Council has sums of £330,000 available in the current MTFS reserve and a further £300,000 of uncommitted current year NHB available. A review of the current level of earmarked reserves and provisions have been undertaken and a further £210,000 can be released to meet the shortfall in reserves available.
- 6.9 The use of reserves to balance the budget for 2017/18 is necessary but is not sustainable at this level. It will be necessary to ensure the delivery of all current and new savings targets identified within in the budget but also the commencement and delivery of further service reviews, shared services and commercial opportunities to ensure reliance on the use of one-off monies is reduced in future years and can be met through the monies available to the Council.

## 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 review of the scheme which is expected to be financially neutral. 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 0.25%. Our Treasury Advisers indicate that it is unlikely that rates will increase until late 2017 at the earliest 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 has been delayed but is now planned for a phased roll out in December 2017. 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 2017/18.
- Savings plan – whilst savings are only included in 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 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 2017/18. The risk is mitigated to an extent by the business rates reserve which is forecast to have balances of £150,000 by the year end. 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 2016, the Council had useable earmarked reserves totalling £2.80m. 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. It has already been highlighted that a review of the reserves has been undertaken in order to target reserves that can be released to support the base budget of the Council for 2017/18. This requirement will be the primary need met when the reserves are presented to Executive Committee for approval. A Financial Outturn report will be taken to Executive Committee in July to approve the reserves of the Council for 2017/18.

## **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 four years.
- 9.2** The programme is significant in size and totals over £46.3m over the five 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 £31.8m and includes the recent purchase in Tewkesbury, the newly approved £15m within the Commercial Investment Strategy and the balance of the previously allocated property investment fund.
- 9.3** Other significant expenditure within the programme includes the purchase of a new vehicle fleet which will be completed before April 2017, the estimate of finance required for the regeneration of Tewkesbury town centre and an estimate of finance required to enable the second phase of the refurbishment of the Public Service Centre. Current levels of expenditure on Disabled Facilities Grants (DFG's) are projected throughout the programme.
- 9.4** The size of the capital programme will utilise the balance of the capital receipts reserve within the next two years and finance will be required from alternative sources. It is expected that grant funding will cover the total cost of DFG's in this and future years and the Council has already secured grant funding of £377,000 towards the Public Service Centre refurbishment. Direct revenue financing also supports the programme and utilises NHB to support the IT Investment Strategy and accumulated asset management reserves to support the Public Service Centre refurbishment. The majority of financing comes in the form of borrowing with £5m being estimated to be available from treasury balances (internal borrowing) and a total of £31.3m required to be borrowed from external sources. The cost of securing and repaying this borrowing have been factored into the revenue estimates. Any sale of existing assets in future years can 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 2017/18 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 2017/18 and the changes 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 2017/18.
- 10.4** From 2017/18 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 2017/18**
- 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 2017/2018, 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 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.

## **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 2017/18 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. 2017/18 will be the first year where MRP charges will be 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. In addition, a public and business consultation has taken place on general budgetary principles. The Council has a duty to consult with business rate payers its budget proposals.

## **14.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**14.1** In line with Medium Term Financial Strategy approved by Council on 6 December 2016.

## **15.0 RELEVANT GOVERNMENT POLICIES**

**15.1** 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.

## **16.0 RESOURCE IMPLICATIONS (Human/Property)**

**16.1** 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.

## **17.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

**17.1** None directly.

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

**18.1** 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.

**19.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**19.1** Approval of Medium Term Financial Strategy – Council on 6 December 2016.

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**Background Papers:** Medium Term Financial Strategy.

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**Appendices:**

- A - Capital Programme.
- B - Capital Prudential Indicators and MRP.
- C - 2017-18 Treasury Strategy.