

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	6 February 2019
Subject:	Budget 2019 – 2020
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

The proposed net budget totals £8.77m and, after deducting government support and other financing streams, the resultant Council Tax requirement is £4.13m giving a Band D Council Tax figure of £119.36.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL:

- i. that a net budget of £8,772,830 be APPROVED;**
- ii. that a Band D Council Tax of £119.36, an increase of £5.00 per annum, be APPROVED;**
- iii. that the use of New Homes Bonus, as proposed in paragraph 3.5 of the report, be AGREED; and**
- iv. that the capital programme, as proposed in Appendix A, to the report be AGREED.**

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 2019 its budget requirement for 2019/20.

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 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 29 January 2019.
- 1.2 The MTFS outlines the budget pressures facing this Council now and in future years. It 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 £3.5million with a gap suggested in 2019/20 of approximately £691,000.
- 1.3 The production of the MTFS has this year included the relative content from the Chancellor's Autumn Budget, the details of the provisional local government finance settlement and the confirmed second year of the two year pay deal. In summary, the headlines from these include:
- New monies to support local government in the current spending review period but, with the exception of Disabled Facility Grant funding and Rural Services Delivery Grant, no monies for tier two authorities.
 - A new one-off fund to help local authorities support the high street.
 - Confirmation of 15 new 75% retained business rates pilots in 2019/20, but not including Gloucestershire.
 - No new changes to the New Homes Bonus scheme in the current year but potential future changes.
 - No changes to Council Tax thresholds for Districts of £5 or 3%, whichever is greater.
 - Increased Council Tax threshold of £24 for Police.
 - Pay award of 2% for 2019, with extra weighting for the lowest paid, and changes to the spinal column point structure.
- 1.4 This report now brings together the general information on the financial climate with the detailed figures associated with the 2019/20 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 the budget deficit for 2019/20 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 2019/20, the Council has continued to provide the same level of service as in previous years and in many areas looks to 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 2019/20

2.1 The local government finance settlement for 2019/20 is the fourth and final year under the agreed funding deal which effectively guaranteed the Council's levels of core funding from central government. The four-year deal includes both Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG).

2.2 The provisional local government finance settlement for 2019/20 was announced on 13 December 2018. The settlement is subject to consultation which ended on 10 January 2019, with a final settlement expected at the end of January. The figures within the settlement are in line with expectations and Table 1 highlights the confirmed level of support for the next financial year.

Table 1

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Cash levels			
Revenue Support Grant (RSG)	515	282	23
Rural Services Delivery Grant (RSDG)	14	11	14
Business Rates baseline funding	1,724	1,776	1,815
Total	2,253	2,069	1,852
Change in funding (£)			
Revenue Support Grant (RSG)	-372	-233	-259
Rural Services Delivery Grant (RSDG)	0	-3	3
Business Rates baseline funding	34	52	39
Total	-338	-184	-217
Change in funding (%)			
Revenue Support Grant (RSG)	-41.94%	-45.24%	-91.84%
Rural Services Delivery Grant (RSDG)	0.00%	-21.43%	27.27%
Business Rates baseline funding	2.01%	3.02%	2.20%
Total	-13.05%	-8.17%	-10.49%

*2018/19 core funding adjusted to remove impact of being within a 100% retained business rates pilot.

2.3 As can be seen from Table 1, significant reductions to core government support continue into next year with a total reduction of £217,000 or 10.5% from current funding levels.

2.4 Funding beyond 2019/20 is currently not known with both the Spending Review and the Fair Funding Review due to conclude in 2019 and therefore inform future budgets.

3.0 NEW HOMES BONUS

3.1 The announcement of the 2017/18 settlement saw the government make significant changes to the New Homes Bonus (NHB) 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 technical consultation, issued in Summer 2018, hinted at extending the deadweight factor and it was therefore 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 2019/20. The government decided to find further finance of £18m to fund the scheme rather than make additional amendments to the scheme.

3.3 With no new amendments to the NHB scheme, solid housing growth, a reduction in the number of empty properties and additional affordable housing properties being delivered, the Council has been able to marginally increase the cash levels it receives from the scheme. Table 2 details the projection of NHB over the medium term.

Table 2 – Projection of NHB

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Year 5	871	0	0	0	0	0
Year 6	659	659	0	0	0	0
Year 7	750	750	750	0	0	0
Year 8	899	899	899	899	0	0
Year 9	0	965	965	965	965	0
Year 10	0	0	690	690	690	690
Year 11	0	0	0	493	493	493
Year 12	0	0	0	0	621	621
Year 13	0	0	0	0	0	644
Total NHB	3,179	3,273	3,304	3,047	2,769	2,448
Variance (£)	-35	94	31	-257	-278	-321
Variance (%)	-1.09%	2.96%	0.95%	-7.78%	-9.12%	-11.59%

3.4 As can be seen from the table, the Council will receive £3.27m in 2019/20 from the NHB scheme. This is an increase of £94,000 on the current levels. The table also forecasts a future reduction in NHB as a result of the lower projection of housing delivery and assumptions around further deadweight being added to the scheme. There also remains the potential for the government to make further significant alterations to the scheme or even consider withdrawing it and replacing it with an alternative system of incentivising housing growth.

3.5 The total allocation of NHB for 2019/20 is £3,273,399 and therefore the proposed use of NHB is as follows:

Base budget support	£2,810,755
Planning appeals	£50,000
Business Transformation fund	£50,000
Asset Management Plan	£50,000
IT & Digital Development Plan	£114,632
Borough Elections	£90,000
Student Environmental Health Officer	£21,500
Community Funding Officer	£35,512
Car Parking Strategy	£25,000
Economic Development & Tourism Officer	£26,000
Total	£3,273,399

3.6 The suggested use of NHB includes utilising £2,810,755 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 previous MTFS. In percentage terms, this increases base budget support to 86% of total NHB and leaves 14% or £462,644 to support the Council's other requirements. It is likely that 2019/20 will be the last year where the Council could increase the use of NHB to support its core services and future years will require a phased reduction in this support.

3.7 Given this recommended use of the majority of NHB funding, the sum available to support other requirements is limited. The proposal includes the continued funding of a number of expenditure streams including £50,000 for potential planning appeals. A sum of £50,000 is also included to fund one-off costs of some of our transformational activities and £50,000 is set aside to maintain the Council's assets. The continued funding of the Community Funding Officer is also included within the use of NHB.

3.8 As in previous years, an allocation from NHB has been set aside to support the crucial role of Information Technology in delivering our services. For 2019/20, the set aside has been increased to over £114,000 to provide the funding required to not only maintain the Council's existing network and hardware requirements but also support its ambition to further develop its use of IT and digital solutions in order to make services more cost effective and also to improve customer service. Looking to the future, investment in appropriate solutions now will not only deliver immediate benefits but will safeguard the Council against increasing service costs as the Borough grows and customer demand increases. The set aside also includes monies for the new membership, following the elections in May, to be furnished with the appropriate IT provision in order for them to perform their duties.

3.9 New areas of activity, recommended to be funded from NHB on a one-off basis, include a £90,000 contribution to supplement the existing £40,000 elections reserve to fund the cost of the Borough Elections in May 2019. Two new one-off posts are included in the recommendations; a new Student EHO as per the Community Services review and an Economic Development and Tourism Officer to support the existing teams and the Growth Hub.

3.10 The Council will also need to undertake a parking policy review in 2019 as it is five years since the last one. A sum has been set aside to provide the necessary survey data and also, if required, to contract external expertise to support the project.

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 initial years of the scheme. The performance in the current year however has been positive with retained income of £298,000 being reported at the third quarter point. Whilst successful appeals can have a damaging effect on this position, very few are being processed under the new Check, Challenge and Appeal system and the provisions that Tewkesbury has accumulated are substantial. Underlying growth is expected to continue and the amount of grant funding received from central government (s31 grants) in compensation for changes they have made to the scheme is now well in excess of £1m. It is against this improved performance that projections for 2019/20 are undertaken.
- 4.2** The business rate multiplier has increased by 2.3% for the new year therefore increasing the gross collectable amount and with further changes, including a reduction in estimated bad debts and a further increase in s31 grants, it is estimated that the amount of growth retained by the Council within the current 50% retention scheme will increase by around £269,000 to a total of £680,923.
- 4.3** As highlighted in Paragraph 1.3, Tewkesbury, along with the other Gloucestershire authorities, was unsuccessful with its application to be a business rates retention pilot authority again in 2019/20. It will, however, remain a member of the Gloucestershire Pool under the 50% scheme, and as a result is likely to benefit from a further windfall of retained business rates in 2019/20 although it should be noted there also remains a risk to the pool from potential successful appeals. Whilst this potential windfall will be less than enjoyed in the current year as a pilot authority, it is nonetheless a welcome bonus which can provide one-off funding towards the Council's ambitions. The performance of the Pool will be monitored throughout the year and on successful conclusion of the full financial year, the windfall will be allocated through the year end reserves process.
- 4.4** This year will be the last year under the 50% retention scheme with all Councils moving to a 75% retention model in 2020. The new model is yet to be designed and a consultation is underway with regard to some of the important principles that need to be considered and agreed. Of particular interest to this Council will be decisions on systems reset, which could eliminate all the growth currently being enjoyed by the Council, the retention of a levy within the system, the split of growth retention between different tiers of authorities and the approach to dealing with appeals.

5.0 COUNCIL TAX

- 5.1** Given the level of deficit for 2019/20, 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 4.37%, is approved, generating an additional £173,000 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 threshold, of £5 or 3%, whichever is the higher, for determining whether a district Council Tax increase is excessive and should be put to a local referendum. Thresholds for other precepting bodies are 3% for basic Council Tax and 3% for Adult Social Care levy for upper tier authorities and £24 on Band D for Police and Crime Commissioners, an increase of £12 on the previous year. There are again no thresholds for Town and Parish Councils.

5.3 The proposed increase will be the fourth 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 £119.36 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 £43 lower than the lower quartile threshold and some £66 short of the average District Council for 2019/20.

5.4 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 18/19	Annual Council Tax 19/20	Annual Increase
A	6,434	15.66%	£76.24	£79.57	£3.33
B	6,558	15.96%	£88.95	£92.84	£3.89
C	11,478	27.93%	£101.65	£106.10	£4.44
D	6,062	14.75%	£114.36	£119.36	£5.00
E	5,180	12.61%	£139.77	£145.88	£6.11
F	3,291	8.01%	£165.19	£172.41	£7.22
G	1,891	4.60%	£190.60	£198.93	£8.33
H	198	0.48%	£228.72	£238.72	£10.00

5.5 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 2019/20 have been compiled and are detailed in table 5. The projection within the MTF5 highlighted a potential deficit facing the Council of £0.69m for 2019/20 and this has been reflected in the draft budget requirements put forward by service areas. 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 £40,040 (0.46%) for the next financial year.

Table 5

	2018/19 Budget	2019/20 Budget	Variance (£)	Variance (%)
Chief Executives unit	£256,350	£262,110	£5,760	2.25%
Corporate Services	£1,963,477	£2,036,847	£73,370	3.74%
Democratic Services	£741,229	£847,254	£106,025	14.30%
One Legal	£374,780	£308,298	-£66,482	-17.74%
Deputy Chief Executive	£120,064	£122,877	£2,813	2.34%
Development Services	£750,711	£935,568	£184,857	24.62%
Community Services	£3,730,908	£3,854,921	£124,013	3.32%
Finance and Assets	£795,271	£404,955	-£390,316	-49.08%
TOTAL	£8,732,790	£8,772,830	£40,040	0.46%

6.2 The estimates for 2019/20 include the following headlines:

- an allowance for the current pay offer made by the employers' side of a basic 2% pay award from April 2019 rising to over 6% for the lowest paid workers. Amendments to the national pay scales have also been incorporated in the local pay and grading structure resulting in further cost. The estimated cost of the pay award is £210,000;
- 2019/20 is the final 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 £195,000 (5.3%) on the annual Ubico;
- an increase in the cost of disposing of recycled materials collected of £36,000;
- inclusion of the ongoing cost of the Community Services review totalling £54,000;
- inclusion of the Growth Hub Navigator role into base budget at a cost of £28,500;
- a reduction in estimated planning income of £140,000;
- increased Housing Benefit recovery of £61,000;
- a new Planning Performance Agreement budget of £40,000;
- increased recycling credit income from the County Council of £34,000;
- an uplift in general fees and charges resulting in an additional income of £30,000;
- an increase in garden waste income of £145,000 as a result from an increased customer base and a fee uplift;
- additional income derived from letting the top floor of the Public Service Centre of £95,000; and
- an increase in the income derived from treasury investments of £171,000.

- 6.3** In addition, the base estimates include the additional income gained from the commercial property added to the portfolio during 2018/19 and the expectation of securing a further unit in the early part of the new financial year. The Council has been successful in acquiring £8.5m of additional investments in 2018/19 giving a total portfolio size of just over £39.5m, with a further £6.7m set for investment in 2019/20. This portfolio will generate a gross income of £2.75 m and contributes a total of £1.47m, net of financing costs, to support the Council's core services in 2019/20. Of this amount, £175,000 is placed in reserves to meet future asset management needs and income smoothing associated with the commercial portfolio.
- 6.4** The base estimates also include the use of NHB as outlined previously at Paragraph 3.5.
- 6.5** The finance available to fund the net budget requirement is as follows:

Table 6

Financing stream	2018/19 Budget Re-stated	2019/20 Budget	Variance (£)	Variance (%)
Revenue Support Grant	-£282,627	-£22,786	£259,841	-91.94%
Rural Services Delivery Grant	-£11,058	-£13,779	-£2,721	24.61%
Business Rates Baseline	-£1,775,936	-£1,816,634	-£40,698	2.29%
Retained Business Rates	-£412,214	-£680,923	-£268,709	65.19%
New Homes Bonus	-£3,179,723	-£3,273,399	-£93,676	2.95%
Collection Fund surplus	-£102,200	-£41,100	£61,100	-59.78%
Minimum Revenue Provision	£403,103	£628,860	£225,757	56.00%
Net Transfer to / (from) reserves	£499,935	£575,000	£75,065	15.01%
Total	-£4,860,720	-£4,644,761	£215,959	-4.44%
Service Expenditure b/fwd	£8,732,790	£8,772,830	£40,040	0.46%
Balance to be funded by Tax Payers	£3,872,070	£4,128,069	£255,999	6.61%

* re-stated to remove effect of 100% business rates retention pilot.

- 6.6** Table 6 highlights a reduction in the financing streams available to fund the cost of services totalling £215,959 or 4.44%. The reduction in RSG has been offset by increases to both New Homes Bonus and retained business rates. However, reductions in the collection fund surplus together with increases in the Minimum Revenue Provision (MRP), as a result of an increased borrowing requirement, and an increase in the transfer to reserves reflecting the additional monies set aside to deal with future issues in our commercial property portfolio, have resulted in the overall reduction in financing as highlighted.
- 6.7** After deducting the financing streams from the net cost of services, the balance of expenditure to be funded by Council Tax payers is £4,128,069 for 2019/20, an increase of £255,999 on the current year. The Council Tax base has increased by 726.4 Band D equivalents (2.15%) over the previous year to a total of 34,585.03. This increase in itself generates additional income of £83,000 towards the £256,000 extra required from tax payers. The remaining £173,000 is therefore generated by a rise in the rate of Council Tax from £114.36 to £119.36, an increase of £5.

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 is difficult. Provisions are made within the scheme to deal with expected bad debts and appeals but these may not be sufficient. The Council is also a member of the Gloucestershire Pool and so neighbouring authorities' performance with regards to rates retention will impact on Tewkesbury's over all retention.
- Interest rate forecasts – rates continue at a historically low level. The current base rate is 0.75%. Our Treasury Advisers indicate that further modest increases in the base rate are likely to happen in the financial year and these have been factored into estimates for likely investment returns and the cost of borrowing. With both political and economic uncertainty effecting the country, changes to interest rate predictions cannot be ruled out.
- Political uncertainty – the estimates have been prepared based on a stable footing and normal operating conditions. Economic shock or a disorderly exit from the European Union could have knock on-effects on the cost of goods and services, levels of income and costs arising from further requirements on local government.
- Budgetary control – whilst every effort is made by services to operate within their set budgets, in some circumstances, overspends are unavoidable.

7.2 Given the existing requirements for the use of NHB and the budgetary deficit within the 2019/20 estimates it has not possible to allow a contingency sum to meet potential deficits within the 2019/20 budget. However, it is anticipated that a large year end surplus in the current year will allow the Council to add to its existing uncommitted and risk management reserves, to provide some comfort. As always though, careful in-year management of the budget will be necessary to ensure the budget outturn is, at worst, cost neutral and the Council avoids needing to rely on reserves to balance the budget.

8.0 REVENUE RESERVES

8.1 As at 31 March 2018, the Council had earmarked reserves totalling £5.89m. In addition, there was an uncommitted General Fund working balance of £550,000. This reserve is considered to be low and, given a projected year end surplus for 2018/19, it is suggested that it is increased through the year end process to a more appropriate level.

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 2019/20.

9.0 CAPITAL PROGRAMME

- 9.1** The current capital programme is shown at Appendix A and covers forward forecasts of the next three years.
- 9.2** The programme is significant in size and totals £9.29m over the three years, although this is much reduced compared to recent 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 £6.7m and represents the finance available for the purchase of a further industrial unit to balance the portfolio and which will consume the remaining monies of the sum approved by Council for commercial property investment. It is envisaged that the acquisition will be concluded in the first half of 2019 and a review of the potential for further investment phases will be undertaken in the summer of 2019 when national economic conditions are known and more clarity on the future of local government funding should be available.
- 9.3** Other significant expenditure within the programme includes the purchase of a new split back vehicle as required by the waste and recycling service and significant investment in information technology requirements across the Council. 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 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 projects were previously approved in the 2018/19 budget papers and an updated Flexible Use of Capital Receipts strategy was approved in January 2019.
- 9.5** The capital programme will utilise the majority of the balance of the capital receipts reserve within the next 12 months, leaving a balance of circa £560,000. The forward projection however also includes estimates of capital receipts from land sales including garage sites and the MAFF site. These receipts will replenish capital balances and allow the Council to consider part funding further capital projects such as the Spring Gardens regeneration project that is currently being reviewed by Mace Ltd.

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 2019/20 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 2019/20, 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 that has been undertaken, the Council is able to set a balanced budget for 2019/20.

- 10.4** The Council is increasingly dependent on business rates retention and the 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 set in June of each year by the Executive Committee with quarterly scrutiny being undertaken on a quarterly basis by both the Executive Committee and the Overview and Scrutiny Committee. The earmarked reserves contain specific project and service reserves as well as risk and forward management reserves. The level of reserves is considered to be good and places the Council in a low risk position as highlighted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Index.
- 10.8** The General Fund balance on its own is low when comparisons are made with other District Councils again as highlighted by CIPFA's Financial Resilience Index and, as already highlighted, will require additional monies being added to it at the earliest opportunity. However, in making a judgement about the adequacy of reserves, bringing both allocated and unallocated reserves together gives assurance that the overall level of reserves is acceptable.
- 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 CONSULTATION**
- 11.1** 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 2019/20 as it is statutorily required to do.

12.0 OTHER OPTIONS CONSIDERED

12.1 The proposal within this report is for the Council to increase Council Tax by £5 or 4.37%. 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 18/19	Council Tax 19/20	Increase	Increase	Ongoing income produced	Ongoing savings required
£114.36	£119.36	£5.00	4.37%	£172,925	£0
£114.36	£114.36	£0.00	0.00%	£0	£172,925
£114.36	£115.36	£1.00	0.87%	£34,585	£138,340
£114.36	£116.36	£2.00	1.75%	£69,170	£103,755
£114.36	£116.65	£2.29	2.00%	£79,200	£93,725
£114.36	£117.36	£3.00	2.62%	£103,755	£69,170
£114.36	£117.79	£3.43	3.00%	£118,627	£54,298
£114.36	£118.36	£4.00	3.50%	£138,340	£34,585

12.2 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.

12.3 It has been necessary to increase Council Tax by £5 in order to meet the deficit of £0.7m for 2019/20. 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.

12.4 The recommended increase in Council Tax is also made against the background of £3.5m deficit over the next five years and the uncertainty about government policy for local government finance. Even with the Council meeting the projected deficit, it will still be reliant on NHB for £2m of its funding. This leaves the Council in a risky position should the government choose to reduce or eliminate the scheme and with further uncertainty about the level of business rates growth the Council will be allowed to retain, it is of paramount importance that the council takes the decision to increase financing streams within its control as and when it can and to their full extent.

13.0 RELEVANT COUNCIL POLICIES/STRATEGIES

13.1 In line with Medium Term Financial Strategy approved by Council on 29 January 2019.

14.0 RELEVANT GOVERNMENT POLICIES

14.1 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.

15.0 RESOURCE IMPLICATIONS (Human/Property)

15.1 The budget now relies significantly on a contribution from property assets towards the financing of the budget. This is both from the new commercial portfolio but also from the efficiency of the existing service buildings.

A number of new posts are included within the budget and only one vacant post has been deleted to enable the balanced budget proposal.

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

16.1 None directly.

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

17.1 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.

18.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

18.1 Approval of Medium Term Financial Strategy – Council on 29 January 2019.

Background Papers: Medium Term Financial Strategy.

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Appendices: A - 2019-24 Capital Programme.