

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	5 February 2020
Subject:	Budget 2020/21
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 £8.96million and, after deducting government support and other financing streams, the resultant Council Tax requirement is £4.39million giving a Band D Council Tax figure of £124.36.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL that:

- i. a net budget of £8,956,607 be APPROVED;**
- ii. a Band D Council Tax of £124.36, an increase of £5.00 per annum, be APPROVED;**
- iii. the use of New Homes Bonus, as proposed in Paragraph 3.5 of the report, be AGREED;**
- iv. the addition of £183,965 to the capital programme to fund new ICT requirements, as outlined in Paragraph 9.5 of the report, be AGREED; and**
- v. 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 2020, its budget requirement for 2020/21.

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 28 January 2020.
- 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 £5million with a gap suggested in 2020/21 of approximately £784,000.
- 1.3** The production of the MTFS has this year included the relative content from the Spending Review and the details of the provisional Local Government Finance Settlement. In summary, the headlines from these include:
- A one year only Spending Review period covering 2020/21.
 - An inflationary increase to needs based central funding.
 - Confirmation of a one year delay to the Fair Funding Review and the implementation of a 75% Business rates retention scheme.
 - No new changes to the New Homes Bonus scheme in the current year but no future legacy payments.
 - A reduction to the Council Tax thresholds for districts to £5 or 2%, whichever is greater.
- 1.4** This report now brings together the general information on the financial climate, with the detailed figures associated with the 2020/21 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 2020/21 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 2020/21, 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 reductions in cost such as pensions and business travel. 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 2020/21

2.1 The Local Government Finance Settlement for 2020/21 includes funding levels for Revenue Support Grant, Rural Services Delivery Grant and the Business Rates baseline funding. This is essentially the government's assessment of the needs based funding required to provide services within the Borough.

2.2 The provisional Local Government Finance Settlement for 2020/21 was announced on 20 December 2019. The settlement is subject to consultation which will end on 17 January 2020, 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

	2018/19 £'000	2019/20 £'000	2020/21 £'001
Cash levels			
Revenue Support Grant (RSG)	282	23	23
Rural Services Delivery Grant (RSDG)	11	14	14
Business Rates baseline funding	1,776	1,815	1,846
Total	2,069	1,852	1,883
Change in funding (£)			
Revenue Support Grant (RSG)	-233	-259	0
Rural Services Delivery Grant (RSDG)	-3	3	0
Business Rates baseline funding	52	39	31
Total	-184	-217	31
Change in funding (%)			
Revenue Support Grant (RSG)	-45.24%	-91.84%	0.00%
Rural Services Delivery Grant (RSDG)	-21.43%	27.27%	0.00%
Business Rates baseline funding	3.02%	2.20%	1.71%
Total	-8.17%	-10.49%	1.67%

2.3 As can be seen from Table 1, the Council will actually receive a small increase in its core funding level in 2020/21 as opposed to the significant reductions it received in the previous decade. Whilst this is a welcome change, the increase, although being an inflationary increase, only generates an additional £31,000 given that the base funding level is now so low.

2.4 Funding beyond 2020/21 is currently not known. The Spending Review in 2019 only provided for a one year funding settlement and it is hoped a multi-year settlement can be agreed as soon as possible in 2020. Similarly, the Fair Funding Review, which has been delayed for a year, needs to be concluded and provide clarity on the method for allocating overall funding to individual local authorities. It is hoped that these reviews result in funding being directed to the Council which adequately meets the needs of providing services to our communities.

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 New Homes Bonus 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 October 2018 stated that the government's intention was to withdraw the New Homes Bonus scheme in its entirety with the possibility of a new scheme, continuing to incentivise growth, being introduced in the future. This intention has been reiterated in this year's technical consultation, which included the following statement:

It is the Government's intention to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth. We will consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020-21 subject to the 2020 Spending Review and potential new proposals, any new allocations in 2020-21 will not result in legacy payments being made in subsequent years on those allocations.

Whilst the continuance of the scheme, without further amendments, for a further year is most welcome, the obvious direction of travel for the scheme is of concern and could cause the Council significant financial difficulties in future years. This risk has been highlighted within the Council's Medium Term Financial Strategy.

3.3 With no new amendments to the New Homes Bonus scheme in 2020/21, solid housing growth, a reduction in the number of empty properties and additional affordable housing properties being delivered, the Council has been able to substantially increase the cash levels it receives from the scheme for next year. Table 2 details the projection of New Homes Bonus over the medium term.

Table 2 – Projection of NHB

	Year 9	Year 10	Year 11	Year 12	Year 13
	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Year 6	659	0	0	0	0
Year 7	750	750	0	0	0
Year 8	899	899	899	0	0
Year 9	965	965	965	965	0
Year 10	0	1,111	0	0	0
Year 11	0	0	0	0	0
Year 12	0	0	0	0	0
Year 13	0	0	0	0	0
Total NHB	3,273	3,725	1,864	965	0
Variance (£)	94	452	-1,861	-899	-965
Variance (%)	2.96%	13.81%	-49.96%	-48.23%	-100.00%

3.4 As can be seen from the table, the Council will receive £3.73million in 2020/21 from the New Homes Bonus scheme. This is an increase of £452,000 on the current levels. The table also forecasts the elimination of New Homes Bonus in the medium term as a result of the government's intention to withdraw the scheme.

3.5 The total allocation of New Homes Bonus for 2020/21 is £3,762,756 and therefore the proposed use of New Homes Bonus is as follows:

Base budget support	£2,810,755
Planning appeals	£50,000
Climate Emergency Support	£40,000
HGV Driver training	£30,000
Collection of Small Electrical Equipment	£12,000
IT & Digital Development Plan	£3,500
Borough Elections	£70,000
Business rates intelligence	£47,067
Community Funding Officer	£36,000
Heritage Action Zone match funding	£10,000
Economic Development & Tourism Officer	£25,249
Tourism study	£10,000
MTFS reserve	£288,185
Investment fund	£250,000
Pay Award contingency	£80,000
Total	£3,762,756

3.6 The suggested use of New Homes Bonus includes utilising £2,810,755 to support the base budget. This is a freeze on the current year level of support and, despite New Homes Bonus increasing significantly, is made in recognition of the likely withdraw of New Homes Bonus over the next three years. This level of support means that the Council is using 75% of New Homes Bonus to fund its core services, down from 86% in the current year. It is likely that significant reductions to the monetary amount supporting the base budget will need to be made in the next few years in order to manage the withdrawal of New Homes Bonus, although this may be mitigated to some extent should the government introduce an alternative system for incentivising housing delivery.

3.7 Given this recommended use of the majority of New Homes Bonus 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. The continued funding of the Community Funding Officer is also included within the use of New Homes Bonus as is a £70,000 contribution towards the funding of future Borough elections. This is once again in recognition of the likely withdrawal of New Homes Bonus which has funded the Borough elections over the last decade. Further funding will be required from year end surpluses to ensure sufficient funding for the 2023 election.

3.8 Significant resources are set aside from New Homes Bonus for future management of the budget. This includes £288,185 to top up the current Medium Term Financial Services reserve of £1million which, aside from the £800,000 in the working balance, is effectively the only non-committed reserve of the Council. It is intended to support the Council in balancing the budget position should the deficit not be met through specific activities or to provide funding for a range of cost saving or income producing measures. Also set aside is £250,000 to part fund any investment activity the Council may wish to make where there is not an immediate return to cover financing costs. An example of this type of investment is the purchase of land with development potential.

- 3.9** Other actions recommended for New Homes Bonus support include spend-to-save initiatives such as HGV Driver training and gathering of business rates information; expenditure to support the priorities within our Council Plan such as the climate emergency and expenditure to mitigate the risks in the base budget, such as the pay award contingency.
- 3.10** Overall a total of £952,001 or 25% has been allocated for use outside of the core service delivery.

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 reported at the third quarter point being in excess of the budgeted £679,000. 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 £1million. It is against this improved performance that projections for 2020/21 are undertaken.
- 4.2** As indicated earlier in this report, the government's intention to move the local authority sector as a whole to a 75% retention scheme from 1 April 2020 has now been delayed a year. Therefore, the calculation of likely levels of retention for 2020/21 have been made against the existing 50% retention scheme. It is estimated that the amount of growth retained by the Council within the current 50% retention scheme will increase by around £60,000 to a total of £739,000.
- 4.3** Tewkesbury also remains 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 2020/21, although it should be noted there also remains a risk to the pool from potential successful appeals. The monies accumulated by the Pool are not budgeted for but, if delivered, are 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** In theory, this year will be the last year under the 50% retention scheme with all Councils moving to a 75% retention model in 2021. The new model is yet to be fully designed and further work is necessary to establish the detail of the scheme. 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 2020/21, 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 4.19%, is approved, generating an additional £176,700 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 2%, 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 2% for basic Council Tax and 2% for Adult Social Care levy for upper tier authorities whilst the threshold for Police and Crime Commissioners is yet to be announced. There are again no thresholds for Town and Parish Councils.

5.3 The proposed increase will be the fifth 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 £124.36 per annum and most likely keep the Council around 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 £69 short of the average District Council for 2020/21.

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 19/20	Annual Council Tax 20/21	Annual Increase
A	6,522	15.55%	£79.57	£82.91	£3.33
B	6,668	15.90%	£92.84	£96.72	£3.89
C	11,742	27.99%	£106.10	£110.54	£4.44
D	6,154	14.67%	£119.36	£124.36	£5.00
E	5,349	12.75%	£145.88	£152.00	£6.11
F	3,374	8.04%	£172.41	£179.63	£7.22
G	1,937	4.62%	£198.93	£207.27	£8.33
H	198	0.47%	£238.72	£248.72	£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
2019/20	119.36	5.00	4.37

6.0 BUDGET PROPOSALS

6.1 The base estimates for the Council in 2020/21 have been compiled and are detailed in table 5. The projection within the Medium Term Financial Strategy highlighted a potential deficit facing the Council of £0.8million for 2020/21 and this has been reflected in the draft budget requirements put forward by service areas. Significant savings and increased income have been made to offset this deficit and this has resulted in the net cost of services only increasing by £183,777 (2.09%) for the next financial year.

Table 5

	2019/20 Budget	2020/21 Budget	Variance (£)	Variance (%)
Chief Executives unit	£262,110	£269,060	£6,950	2.65%
Corporate Services	£2,036,847	£2,189,614	£152,767	7.50%
Democratic Services	£847,254	£776,824	-£70,430	-8.31%
One Legal	£308,298	£318,371	£10,073	3.27%
Deputy Chief Executive	£122,877	£187,539	£64,662	52.62%
Development Services	£935,568	£1,062,879	£127,311	13.61%
Community Services	£3,854,921	£4,296,508	£441,587	11.46%
Finance and Assets	£404,955	-£144,188	-£549,143	-135.61%
TOTAL	£8,772,830	£8,956,607	£183,777	2.09%

6.2 The estimates for 2020/21 include the following headlines:

- An allowance for a pay award of 2%. Negotiations between Unions and the employers are yet to progress with Unions requesting a pay award significantly in excess of inflation. Should agreement be reached which sees a settlement in excess of 2%, a contingency within New Homes Bonus allows coverage up to a level of 3%. The assumed 2% pay award plus annual increments along with any salary re-evaluations which have taken place mean that the cost of employees has risen by approximately £236,000;
- The Gloucestershire Local Government Pension Scheme has been revalued this year and contribution rates set for the next three years. The amount the Council will pay for current employees has increased from 17.5% to 19.7% meaning an extra cost of £136,000. However, the amount which is required to repay the accumulated deficit has been reduced significantly and will continue to fall over the following two years. For 2020/21 the deficit contribution will fall by £307,000 to £1,661,000. Overall, the cost of pensions has reduced by approximately £171,000;
- An increased cost of £309,000 (8.0%) on the annual Ubico contract. Some of this increase was already known through the increased depot recharge of £50,000 experienced throughout the current year. In addition, the Grounds Maintenance Working Group wishes to continue to support the additional capacity being deployed within grounds maintenance for one more year. This is at a cost of £100,000 but can be met with a contribution from the Open Spaces and Watercourses reserve. Other elements of the increase are related to inflationary pressures on employees and vehicles. Overall, the contract sum for 2020/21 stands at £4.18million;
- An increase in the cost of collecting, transferring and disposing of recycled materials collected of £119,000;
- A reduction in income of £107,000 associated with recycling as tonnages reduce, contamination increases and changes are made to the countywide incentive grant;
- An increased contribution of £100,000 per annum to the vehicle replacement reserve in order to meet future need;

- Additional permanent IT capacity costing £37,500;
- An increase to the annual licence cost from Microsoft of £80,000;
- An ongoing commitment of £20,000 to support the new Council priority on climate emergency;
- The removal of essential user car lump sums and a switch to HMRC rates for mileage reimbursement. This, together with the continued use of a fleet of pool cars, has reduced business travel costs by £89,000;
- Increased use of the garden waste service, in addition to the price increase, generates an additional £103,000;
- Savings on the insurance portfolio of £35,000 part of which has been re-invested in additional cyber security insurance;
- Additional investment returns of £150,000 generated by a larger portfolio and investments in a wider range of products;
- Savings on the interest cost of borrowing to fund capital investment as a result of securing monies at lower rates than expected;
- The in-sourcing of homeless properties management savings approximately £18,000.

6.3 In addition, the base estimates include the additional income associated with the expectation of securing a further commercial property unit in the early part of the new financial year. The expectation is that a sum of approximately £6.6million will be invested in the near future, leaving a balance of £20million to invest in commercial property. Should successful acquisitions be made, the 2021/22 budget will see the benefit of those acquisitions as well as the associated financing costs.

6.4 The base estimates also include the use of New Homes Bonus 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	2019/20 Budget	2020/21 Budget	Variance (£)
Revenue Support Grant	-£22,786	-£23,157	-£371
Rural Services Delivery Grant	-£13,779	-£13,779	£0
Business Rates Baseline	-£1,816,634	-£1,846,234	-£29,600
Retained Business Rates	-£680,923	-£738,836	-£57,913
New Homes Bonus	-£3,273,399	-£3,762,756	-£489,357
Collection Fund surplus	-£41,100	-£82,200	-£41,100
Minimum Revenue Provision	£628,860	£642,162	£13,302
Net Transfer to / (from) reserves	£575,000	£1,263,185	£688,185
Total	-£4,644,761	-£4,561,615	£83,146
Service Expenditure b/fwd	£8,772,830	£8,956,607	£183,777
Balance to be funded by Tax Payers	£4,128,069	£4,394,992	£266,923

6.6 Table 6 highlights an increase in the financing streams available to fund the cost of services totalling £618,341 or 10.6%. This is largely as a consequence of the additional New Homes Bonus secured as well as an increase in other financing streams such as retained business rates. However, the increased cost of the Minimum Revenue Provision, as a result of the annual increase applicable to the annuity method of calculation, and a substantial increase in the transfer to reserves reflecting the additional monies set aside from New Homes Bonus, have resulted in an overall reduction in financing totalling £83,416, a reduction of 1.79%.

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 £4,394,992 for 2020/21, an increase of £266,923 on the current year. The Council Tax base has increased by 755.8 Band D equivalents (2.19%) over the previous year to a total of 35,340.88. This increase in itself generates additional income of £90,000 towards the £267,000 extra required from tax payers. The remaining £177,000 is therefore generated by a rise in the rate of Council Tax from £119.36 to £124.36, 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 2020/21 are, as yet, unknown. A prudent view of future years funding has been included in the Medium Term Financial Projection.
- 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 the performance of neighbouring authorities with regards to rates retention will impact on Tewkesbury's overall retention.
- Interest rate forecasts – rates continue at a historically low level. The current base rate is 0.75%. Our Treasury estimates, informed by our advisors, are based upon a continuation of the current base rate. Recently, they have been increasing rumours of a base rate cut and with both political and economic uncertainty effecting the country, changes to interest rate predictions cannot be ruled out. Changes will effect both the level of return from investments but also the cost of borrowing.
- 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.
- An emerging risk is the value of recycled paper and cardboard. If there is no market for this product or little value in the product, there will potentially be an increased cost to the Council in disposing of this material.
- The cost of disposing of recyclate is significant and is subject to the market and the quality and quantity of materials collected. Best estimates of prices and tonnages have been made, reflecting the likely position, but this could be subject to significant change. Impact from this change will also affect the level of recycling credit income generated.

- A contract sum with our waste provider, Ubico, has been agreed for the new year. This is not a fixed sum and the Council is liable for any overspend incurred by the contractor.
- As previously indicated, there is currently no agreement with regards to the 2020 pay award. The budget therefore carries a risk that there is insufficient money within it to meet the agreement that will be made between the Unions and employers.

7.2 The recommended use of New Homes Bonus allows for the setting aside of further uncommitted monies as well as specific pay award contingencies. As in previous years, a year end surplus is expected which can be utilised both for Council ambitions but also further mitigation of risk within the 2020/21 budget and the Medium Term Financial Strategy as a whole. 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 2019, the Council had earmarked reserves totalling £8.01million. Of this amount, £1million is set aside for future budget management requirements within the Medium Term Financial Strategy Reserve. Other reserves exist to manage risk to the authority, such as the business rates reserve, whilst other reserves plan for future expenditure, such as the vehicle replacement reserve and the asset management reserve. The remainder of the reserves provide for service specific activities and in many cases are funded via external grant.

8.2 In addition, there is an uncommitted General Fund working balance of £800,000. This reserve was increased by £250,000 in June 2019 in recognition of how low it was in comparison to other District Councils. This was highlighted within the Chartered Institute of Public Finance and Accountancy Financial Resilience Index. This year's index suggests that this uncommitted balance is still low and should be increased should funds become available at the year-end outturn.

8.3 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 2020/21.

9.0 CAPITAL PROGRAMME

9.1 The current capital programme is shown at Appendix A and covers forward forecasts of the next five years.

9.2 The programme is significant in size and totals £39.9million over the five years. The 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 £20million. It is expected that a further £6.6million will be spent in the current year on commercial property but should this fail to be delivered, it will roll over to the new year making a programme of £26.6million for commercial property acquisition.

9.3 Other significant expenditure within the programme includes the delivery of a bridge at Ashchurch to support the delivery of the Garden Town. This totals £8.1million and is funded entirely from external grants. Also included in the programme is the re-provision of a large proportion of the vehicle fleet totalling £3.69million and funded from revenue set aside. Historic 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 Flexible Use of Capital Receipts Strategy was approved in January 2020 and included a new item for consultancy support to review the Council's options for its waste and recycling services.
- 9.5** Also included within the programme is capital expenditure of £184,000 to fund new IT related commitments. This sum largely covers investment in a replacement Storage Array Network (SAN) which provides the principle block storage array for the Council's IT infrastructure. The current SAN is at its end of life and failure to replace it will leave the Council at risk of hardware failure or the infrastructure being compromised by cyber threats. Also included in the capital allocation is a sum to provide for the rollout of new IT hardware to all staff to replace ageing technology and enhance mobile and flexible working. In addition, a small investment is being made within our HR service to digitise our records and the management of key functions within the service.

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 2020/21 has been prepared has been set out very clearly in this report and the previous Medium Term Financial Strategy 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 2020/21 and the cost pressure on service areas have had a significant impact on the Council's finances and the current economic climate continues to challenge the financial affairs of the Council. The high level of uncertainty surrounding the future of local government finance also causes great difficulty. 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 2020/21.
- 10.4** The potential impact of the withdrawal of New Homes Bonus coupled with a potential reset of the business rates retention system is likely to cause significant financial challenges in the coming years. 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 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 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 the Chartered Institute of Public Finance and Accountancy Financial Resilience Index and, as already highlighted, will require additional monies being added to it at the earliest opportunity. However, in making 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 2020/21 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 4.19%. 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 ongoing deficit.

Table 7 – Council Tax increase options

Council Tax 19/20	Council Tax 20/21	Increase	Increase	Ongoing income produced	Ongoing savings required
£119.36	£124.36	£5.00	4.19%	£176,704	£0
£119.36	£119.36	£0.00	0.00%	£0	£176,704
£119.36	£120.36	£1.00	0.84%	£35,341	£141,364
£119.36	£121.36	£2.00	1.68%	£70,682	£106,023
£119.36	£121.75	£2.39	2.00%	£84,465	£92,240
£119.36	£122.36	£3.00	2.51%	£106,023	£70,682
£119.36	£122.94	£3.58	3.00%	£126,520	£50,184
£119.36	£123.36	£4.00	3.35%	£141,364	£35,341

- 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 £0.8million for 2020/21. 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 £5million deficit over the next five years and the uncertainty about government policy for local government finance. This leaves the Council in a risky position and it is therefore 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 28 January 2020.

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.

One post, previously funded from one-offs, has now been added to the base establishment. No redundancies are included within the budget proposals for 2020/21.

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

16.1 None directly arising from this report.

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 28 January 2020.

Background Papers: Medium Term Financial Strategy.

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Appendices: A - 2020-25 Capital Programme.