

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	3 February 2021
Subject:	Budget 2021/22
Report of:	Head of Finance and Asset Management
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Two

Executive Summary:

The proposed net budget totals £9.27 million and, after deducting government support and other financing streams, the resultant Council Tax requirement is £4.58 million giving a Band D Council Tax figure of £129.36.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL:

- i. a net budget of £9,270,575.**
- ii. a Band D Council Tax of £129.36, an increase of £5.00 per annum.**
- iii. the use of uncommitted reserves totalling £431,108 to support the base budget.**
- iv. the inclusion of growth items within the budget for 2021/22 as proposed in Appendix A.**
- v. the capital programme as proposed in Appendix B.**

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 2021 its budget requirement for 2021/22.

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 the Council's financial position as shown in the Medium Term Financial Strategy (MTFS) at its meeting on 26 January 2021.
- 1.2 The MTFS outlines the budget pressures currently 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 £7.4 million with a gap suggested in 2021/22 of approximately £2.2 million.
- 1.3 The production of the MTFS has this year included the relative content from the Spending Review and the details of the Local Government Finance Settlement. In summary, the headlines from these include:
- A one year only Spending Review period, covering 2021-22.
 - 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.
 - The phased withdrawal of the New Homes Bonus scheme but with a commitment to consult on a replacement scheme.
 - A range of one off funding measures to support Councils in dealing with the impact of COVID-19 and to ensure that there is no reduction in Core Spending Power.
 - Continuation of the Council Tax threshold for District Councils being the higher of 2% or £5.
- 1.4 This report now brings together the general information on the financial climate with the detailed figures associated with the 2021/22 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 2021/22 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 11 of this report. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.

- 1.6** In setting the budget for 2021/22, 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. In addition, and despite the financial challenges facing the Council, including the loss of £1.25 million of New Homes Bonus funding, the proposed budget includes the addition of £416,850 of ongoing growth in our services and over £800,000 of one off growth to further support services and Council plan ambitions. The proposed budget is however reliant on the use of £431,108 of uncommitted Council reserves and a Council Tax increase of £5 per annum for a Band D property. There are no planned redundancies within the recommended budget.
- 1.7** The approval of the 2021/22 budget will mark the start of the process to set a balanced budget for 2022/23. Much will depend on the government providing clear information on proposed funding for local government in 2022/23 and beyond but the Council will also need to consider its expenditure plans over the medium term and look to align those plans with the likely level of resources available.

2.0 LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22

- 2.1** The Local Government Finance Settlement for 2021/22 includes funding levels for Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) 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 2021/22 was announced on 17 December 2020. The settlement is subject to consultation which will end on 16 January 2021, 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

	2019/20	2020/21	2020/22
	£'000	£'000	£'000
Cash levels			
Revenue Support Grant (RSG)	23	23	23
Rural Services Delivery Grant (RSDG)	14	14	14
Business Rates baseline funding	1,815	1,846	1,846
Total	1,852	1,883	1,883
Change in funding (£)			
Revenue Support Grant (RSG)	-259	0	0
Rural Services Delivery Grant (RSDG)	3	0	0
Business Rates baseline funding	39	31	0
Total	-217	31	0
Change in funding (%)			
Revenue Support Grant (RSG)	-91.84%	0.00%	0.00%
Rural Services Delivery Grant (RSDG)	27.27%	0.00%	0.00%
Business Rates baseline funding	2.20%	1.71%	0.00%
Total	-10.49%	1.67%	0.00%

- 2.3** As can be seen from Table 1, the Council's core funding level in 2021/22 is on a par with that of the current year. An inflationary increase of 0.55%, being the CPI figure for September 2020, has been applied to RSG generating an uplift of £128 whilst an injection of funding into the RSDG has seen that increase by £679. The business rates multiplier for 2021/22 has been frozen by government, despite September's CPI figures, in an effort to support business during the pandemic. The inflationary increase would have seen a small uplift in the business rates baseline funding but that will not happen given the freeze on the multiplier and our baseline funding level will stay the same. The government is required to compensate local authorities for this decision by providing a section 31 grant of the equivalent value and that will be represented in the business rates retained income figures shown in section 4.
- 2.4** In addition to the needs based funding, the Provisional Settlement also outlined several new, one-off grants to support local authorities in 2021/22. The first of these is the Council Tax Support Grant with £670 million being allocated nationally. This is not a scheme whereby the funding is passed onto taxpayers facing hardship in the current financial climate, but is in fact intended to support Councils to deal with the increase in claimants for the Local Council Tax Reduction Scheme arising from the impact of coronavirus. At the time of writing, Tewkesbury has seen a 40% increase in working age claimant caseload and, as a result of the increased Council Tax discount awarded, has seen a significant fall in the level of tax base growth expected – see section 7.7. This one-off grant is aimed at supporting that increased discount and the amount allocated to Tewkesbury is £93,201. Current government expectations are that claimant numbers should fall to normal levels for 2022/23 and therefore no grant will be required going forward.
- 2.5** The Lower Tier Services grant is also a new, one-off grant scheme with £111 million allocated nationally to support lower tier services in 2021/22. The grant takes its funding from the surplus within the New Homes Bonus scheme and effectively acts to ensure that no authority see its Core Spending Power reduce from the previous year as a result of changes in other areas of funding. As Tewkesbury Borough Council will see significant reductions in its New Homes Bonus (NHB) for 2021/22 – see section 3 – the Lower Tier Services Grant for Tewkesbury Borough Council totals £932,465. This grant offsets much of the loss being experienced in NHB but it must be stressed that currently the grant is only awarded for 2021/22 and there are no indications that it will continue beyond that year.
- 2.6** Other one off grant funding was also announced in the Provisional Settlement and includes the Tax Income Guarantee Scheme which will fund 75% of irrecoverable losses in both Council Tax and business rates for the 2020/21 year. The amount of the claim that will be made for these tax losses will be calculated at year end with the outturn figures for both Council Tax and business rates and compensation payments are expected to be made in January 2022. Given this, it is not possible to include an amount within the proposed budget and the receipt from this scheme will be treated as an in year gain rather than being part of the base budget. A further tranche of COVID-19 grant funding was also announced which will see Tewkesbury receive £424,927 in the first quarter of 2021/22. Again, this will not form part of the Council's base budget but will offset any additional expenditure or lost income as a result of Coronavirus in year.

2.7 The government's preferred measure of financial resources available to local government is called the Core Spending Power (CSP) and takes into account all of the grants referred to in the previous paragraphs, New Homes Bonus and Council Tax to forecast the level of total resources available to local government in the coming year. For upper tier authorities it also includes items such as the adult social care precept and the social care support grant. The headline figure for local government sees an increase of 4.5% or £2.2 billion in funding for 2021/22. This is largely made up of increases to Council Tax income (87% of the total) as the government assumes all Councils will make the decision to increase Council Tax by the maximum possible before referendum and an assumption of average growth in the tax base throughout the country. This continues a feature of recent settlements in that a greater burden for funding local government has been placed on the local taxpayer.

2.8 Tewkesbury's CSP forecast for 21/22 is somewhat less than the national average, standing at 0%, and only reaches 0% as a result of the new Lower Tier Services Grant and the assumption of Council Tax increases. Table 2 illustrates how Tewkesbury's CSP is calculated:

Table 2 – Tewkesbury's Core Spending Power

	2020-21	2021-22
	£ millions	£ millions
Settlement Funding Assessment	1.9	1.9
Compensation for under-indexing the rates multiplier	0.1	0.1
Council Tax Requirement excluding parish precepts	4.4	4.7
New Homes Bonus	3.8	2.5
Rural Services Delivery Grant	0.0	0.0
Lower Tier Services Grant	0.0	0.9
Core Spending Power	10.1	10.1
Increase (£)		0.0
Increase (%)		0.00%

2.9 Funding beyond 2021/22 is currently not known. The Spending Review in 2020 only provided for a one year funding settlement and it is hoped a multi-year settlement can be agreed as soon as possible in 2021. Similarly, the Fair Funding Review, which has again been delayed for a year, needs to be concluded and provide clarity on the method for allocating overall funding to individual local authorities.

3.0 NEW HOMES BONUS

3.1 The Provisional Settlement for 2021/22 has confirmed that New Homes Bonus (NHB) will be withdrawn over a three year period. This has widely been touted as the most likely direction the government would take on this funding stream for the last eighteen months and confirmation has now been received of the reduced value for 2021/22 and likely profile of reduction in the following two years.

3.2 For 2021/22, local authorities will receive NHB payments in respect of only three years rather than four:

- Years 8 and 9 (legacy payments for growth in previous years).
- Year 11 (payments earned based on data from October 2020 – no legacy payments associated with this year).

Year 10, which was first received in 2020/21, will not attract any legacy payments and therefore is withdrawn. Only one year of benefit has been derived from that particular year of growth rather than the usual four. This is particularly disappointing for Tewkesbury as year 10 was the biggest single year of bonus at £1.11 million.

For 2022/23, Tewkesbury will only receive NHB from the final year of Year 9 legacy payments. Year 8 will drop out after delivering four years of funding, whilst Year 11 has been announced for one year only i.e. no legacy payments.

3.3 For Year 11, which is based on growth between October 2019 and October 2020, the value of the NHB will be £644,982. This is significantly lower than previous years and reflects the slowdown in growth in the Borough as a result of Coronavirus and an increase in the number of empty properties. Table 3 details the projection of NHB over the medium term.

Table 3 – Projection of NHB

	2020/21	2021/22	2022/23 Projection	2023/24 Projection
Year 6	£0	£0	£0	£0
Year 7	£750,088	£0	£0	£0
Year 8	£898,713	£898,713	£0	£0
Year 9	£965,166	£965,166	£965,166	£0
Year 10	£1,148,789	£0	£0	£0
Year 11	£0	£644,982	£0	£0
Year 12	£0	£0	£0	£0
Year 13	£0	£0	£0	£0
	£3,762,756	£2,508,861	£965,166	£0
Variance (£)	£489,358	-£1,253,895	-£1,543,695	-£965,166
Variance (%)	14.94%	-33.32%	-61.53%	-100.00%

3.4 As can be seen from the table, the Council will receive £2.51 million in 2021/22 from the NHB scheme. This is a reduction of £1.25 million on the current levels. The table also forecasts the elimination of NHB over the following two years with reductions in finance of £1.54 million and then £0.96 million.

3.5 The Council's allocation in 2020/21 of £3.76 million enabled the base budget support of £2.81 million to continue whilst supporting a further £952,000 of 'one-off' uses. Given the reduction in NHB funding for 2021/22 of 33%, it will no longer be possible to support these one-off uses with NHB and, in addition, the core funding support will need to fall by nearly £302,000 to £2.51 million. This core budget support will therefore utilise 100% of the NHB available in 2021/22 and beyond.

- 3.6** Some of the one-off uses have been supported for a number of years and some are essential every few years. Examples of these uses include planning appeals, community grants, asset maintenance and the Borough Elections. Items such as planning appeals and the Borough Elections are unavoidable costs and will need to be brought inside the base budget in 2021/22 and the following years. Other items will need to be considered as growth items, either for ongoing funding as part of the base budget or as funded on a one-off basis only. Section 6 looks at the growth items recommended for inclusion within the overall budget for 2021/22.
- 3.7** Given that the government is only funding three years of NHB rather than the usual four years, the surplus within the NHB scheme, estimated at £278 million out of the £900 million allocation, would normally be returned to local government pro rata to the top slice of Revenue Support Grant that funds NHB. The government has opted not to follow this requirement of the system but has instead used the surplus to fund the new Lower Tier Services Grant of £111 million, 50% of the new Social Care grant at £150 million and also funded the inflationary uplift in needs based funding. This change in use for the surplus undermines confidence in the management of funding schemes and the settlement itself whilst allowing funding packages to be falsely represented as new. However, in Tewkesbury's case this has worked to its advantage with the £932,465 of Lower Tier Service grant being a far greater amount than would have been allocated through a normal NHB surplus redistribution.
- 3.8** Looking beyond the NHB scheme, the government is making very clear that it wants to replace NHB with something that is more "targeted". Any replacement is unlikely to distribute as much funding as the NHB currently does, or to be distributed in the same way, but at least there will be some financial reward for delivering housing growth in the coming years. A consultation document is expected early in 2021 which will give some idea of the likely replacement scheme with indications being that the new scheme will go live in 2022/23 and reduce some of the impact of known losses in the NHB scheme.

4.0 BUSINESS RATES RETENTION

- 4.1** In recent years Tewkesbury Borough has benefited from significant amounts of retained business rates income to support its base budget. The current year reflects this with a base budget estimate of £603,335 of retained income and a Business Rates Collection Fund distributable surplus of over £3.5 million, largely delivered from the release of provisions made in previous years. This position is in stark contrast to the substantial losses made in the early years of the retained business rates scheme.
- 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 2021 has now been delayed for a further year. In addition, the proposed reset of the system has also been postponed. Therefore, the calculation of the likely level of retention for 2021/22 has been made against the existing 50% retention scheme. The calculation has also needed to reflect the currently known impact of coronavirus on the business community and a forecast of further potential changes to the collectable debit as a result of additional properties becoming vacant, changes to valuations as a result of Material Change in Circumstances and an increase in write offs. As a result, the estimate of retained business rates income has fallen to £130,047.

- 4.3** In addition to the in budgeted in year retention, the Council budgets for the surplus or deficit arising on the Business Rates Collection Fund in the previous year. As would be expected in 2020/21, there has been a severe negative impact on rates collection as a result of the pandemic. A number of businesses have either not been required to pay rates in the year, have not been able to pay or have simply chosen to not yet pay. The collective impact of this is a substantial deficit of which Tewkesbury's share totals £4.65 million. However, this deficit will be matched out within our budget by a business rates reserve funded from s31 government grant intended to meet the cost of the retail relief provided. The overall impact on our budget is therefore nil.
- 4.4** In addition to our own, individual performance, Tewkesbury Borough has been a member of the Gloucestershire Pool which incorporates all Gloucestershire authorities and, through the inclusion of the County Council, results in a much reduced levy payment being applied, therefore generating higher levels of retained income within Gloucestershire. This increased retention is shared directly amongst the Councils and also with the Strategic Economic Development Fund in Gloucestershire. Section 151 Officers have risk assessed the proposed pool in 2021/22 and, despite the impact of coronavirus on forecast business rates, believe there is sufficient existing retention within the system to mitigate against the risk of losses materialising. Tewkesbury will therefore continue within the pool for 2021/22 and any additional retention delivered by the pool arrangements will be treated as a windfall bonus at the year end.
- 4.5** Whilst the government has again postponed the move to 75% retention and the system reset for another year, further delays cannot be ruled out given the impact of the pandemic and the withdrawal from the European Union.

5.0 COUNCIL TAX

- 5.1** Given the level of deficit for 2021/22, 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 4.02%, is approved, generating an additional £177,000 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 1.99%, 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:
- 1.99% for basic Council Tax and 3% for the Adult Social Care levy for upper tier authorities.
 - £15 for Police and Crime Commissioners (£10, £24 and £12 in preceding years).
 - There are again no thresholds for Town and Parish Councils.
- 5.3** The proposed increase will be the sixth 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 £129.36 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 2021/22.

5.4 The impact of this proposal on the Borough taxpayers is illustrated in Table 4.

Table 4

Band	No. of properties	Percent of total	Annual Council Tax 20/21	Annual Council Tax 21/22	Annual Increase
A	6,613	15.53%	£82.91	£86.24	£3.33
B	6,716	15.77%	£96.72	£100.61	£3.89
C	11,926	28.01%	£110.54	£114.99	£4.44
D	6,209	14.58%	£124.36	£129.36	£5.00
E	5,458	12.82%	£152.00	£158.11	£6.11
F	3,475	8.16%	£179.63	£186.85	£7.22
G	1,988	4.67%	£207.27	£215.60	£8.33
H	200	0.47%	£248.72	£258.72	£10.00

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

Table 5

Year	Council Tax £	Increase Pa £	Increase %
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
2020/21	124.36	5.00	4.19

6.0 GROWTH

6.1 As part of the formation of the Medium Term Financial Strategy, a major exercise was undertaken this year to reveal the potential cost of growth that the Council could face over the next five years. Managers were asked to put forward growth requirements where there were service needs or where a Council Plan ambition needed funding. In addition, the exercise captured the areas of expenditure which have traditionally been funded from New Homes Bonus and the revenue impact from potential capital projects that may be required.

6.2 This exercise resulted in over £2.1 million additional cost being identified for 2021/22 with the majority being required on an ongoing basis. Given the financial constraints of the Provisional Settlement and the outlook for local government funding being uncertain, it is not possible to fund all of this requirement and difficult decisions have been made with regards to which requests will receive funding, which will be funded on an ongoing basis, which will be funded on a one-off basis, which will be funded from other sources and which cannot, unfortunately, be supported at all.

6.3 Appendix A details those growth requests and highlights those included within the budget proposal.

6.4 Despite the financial challenges, the budget proposal included £416,850 of ongoing growth and a further £827,500 of one off support. In addition to this, the COVID-19 Recovery Fund, previously allocated by Executive Committee, has supported a further £206,000 of proposals which will support service requirements in the current year and into 2021/22.

7.0 BUDGET PROPOSALS

7.1 The base estimates for the Council in 2021/22 have been compiled, including the proposed growth, and are detailed in table 6.

Table 6

	2020/21 Budget	2021/22 Budget	Variance (£)	Variance (%)
Chief Executives unit	£269,060	£270,911	£1,851	0.69%
Corporate Services	£2,189,614	£2,473,907	£284,293	12.98%
Democratic Services	£776,824	£774,715	-£2,109	-0.27%
One Legal	£318,371	£325,477	£7,106	2.23%
Deputy Chief Executive	£187,539	£128,445	-£59,094	-31.51%
Development Services	£1,062,879	£1,218,309	£155,430	14.62%
Community Services	£4,296,508	£4,674,581	£378,073	8.80%
Finance and Assets	-£144,188	-£595,770	-£451,582	-313.19%
TOTAL	£8,956,607	£9,270,575	£313,968	3.51%

7.2 The estimates for 2021/22 include the following headlines:

- A reflection of the Chancellor's call for Public Sector pay restraint with estimates reflecting a pay freeze core principle with the exception of workers earning less than £24,000 per annum where a £500 uplift is included. Whilst this reflects the chancellor's call, and the funding within the provisional settlement, it should be noted that local government pay is subject to negotiations between Unions and the employers and these are yet to progress. Should agreement be reached which sees a settlement in excess of the Council's assumptions, funding from reserves will be required in 2021/22. Significant savings on the cost of employees have been derived from the amendment to our normal 2% uplift expectation.
- Additional salary savings expectations of £97,500 have been included reflecting expected savings from the senior management team and general turnover of staff.
- The Gloucestershire Local Government Pension Scheme (LGPS) was revalued in 2019 and contribution rates set for the next three years. The amount which is required to repay the accumulated deficit has been reduced significantly within the valuation and as a result a further reduction of £196,000 is factored into our 2021/22 estimates. This results in the Council's annual contribution to the deficit falling to £1.465m, significantly reduced from £1.968m in 2019/20.
- An increased cost of £183,000 (4.5%) on the annual Ubico contract. Some of this increase was already known through the increased corporate recharge of £98,549 having previously been highlighted as an issue with previous contract sums. Other elements of the increase are related to inflationary pressures on employees and vehicles. In order to manage the cost of vehicle maintenance, it has been agreed to budget at an average cost for the final three years of the vehicle fleets useful life and use a newly established reserve to manage the risk of excess costs in the next two years. This new reserve is contained within the growth proposals. Overall, the contract sum for 2021/22 stands at £4.24m.

- A stretch target for garden waste income of £46,000 resulting in an overall forecast of £991,000 income from garden waste.
- The inclusion of two new commercial properties with gross annual rent in excess of £900,000.
- Reductions in costs derived from reduced business travel and climate change action plans.
- Reflection of very low interest rates throughout 2020/21 resulting in reduced investment income but also reduced borrowing costs. Additional borrowing costs, from the purchase of two new commercial properties, have also been added to the overall treasury position leading to a net increase in treasury costs of £123,000.
- Newly identified ongoing and one-off growth as detailed within Appendix A.

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

Table 7

Financing stream	2020/21 Budget	2021/22 Budget	Variance (£)	Variance (%)
Revenue Support Grant	-£23,157	-£23,285	-£128	0.55%
Rural Services Delivery Grant	-£13,779	-£14,458	-£679	4.93%
Business Rates Baseline	-£1,846,233	-£1,846,233	£0	0.00%
Retained Business Rates	-£738,837	£4,519,103	£5,257,940	-711.65%
New Homes Bonus	-£3,762,756	-£2,508,861	£1,253,895	-33.32%
Collection Fund surplus	-£82,200	-£24,833	£57,367	-69.79%
Minimum Revenue Provision	£642,162	£882,413	£240,251	37.41%
Net Transfer to / (from) reserves	£1,263,185	-£4,649,020	-£5,912,205	-468.04%
Council Tax Hardship Fund	£0	-£93,201	-£93,201	-
Lower Tier Services Grant	£0	-£932,465	-£932,465	-
Total	-£4,561,615	-£4,690,840	-£129,225	2.83%
Service Expenditure b/fwd	£8,956,607	£9,270,575	£313,968	3.51%
Balance to be funded by Tax Payers	£4,394,992	£4,579,735	£184,743	4.20%

7.4 Table 7 highlights an increase in the financing streams available to fund the cost of services totalling £129,225 or 2.8%. This is largely as a consequence of the use of Council revenue reserves, totalling £431,108, which is necessary to provide a balanced budget for 2021/22. This is a one-off injection of funding and is matched off against the one off growth approved thereby creating no ongoing requirement. It is estimated that the Council will have approximately £2.4m left in its uncommitted balances following the likely deficit outturn position for the current year and the one off funding being utilised during 2021/22. This is a reasonably healthy position from which the Council will be able to support future year budgets or the structural changes required in order to be financially sustainable in the future.

7.5 Also included within the financing streams are:

- An increase in the Minimum Revenue Provision of £240,251 reflecting the increased borrowing undertaken in the current year.
- Contributions to the vehicle replacement reserve and commercial property reserve of £500,000 and £225,000 respectively.
- Use of £100,000 from the open spaces reserve to fund the enhanced resource requirement in grounds maintenance.
- £5.05m contribution from business rates reserves to meet the business rates collection fund deficit.

7.6 After deducting the financing streams from the net cost of services, the balance of expenditure to be funded by Council Tax Payers is £4,579,735 for 2021/22, an increase of £184,743 on the current year.

7.7 As highlighted previously, the growth of the Council's tax base has been suppressed in comparison to previous years. Given the development taking place in the Borough, the average annual increase in the tax base has been 2.2% resulting in the number of Band D equivalents increasing by around 777 units. Whilst growth has taken place in 2020, albeit at reduced levels, the level of discount awarded through the Local Council Tax Reduction Scheme has increased dramatically as the number of working age claimants has grown. The growth of circa 40% has resulted in a significant impact on the tax base although not to the extent seen in many local authorities where the tax base is actually reducing. The tax base for 2021/22 is 35,403.02 an increase of 62.14 Band D equivalents or 0.2%.

7.8 Table 8 highlights the movement on the tax base, the balance to be funded by tax payers and the corresponding tax increase required whilst table 9 breaks down the additional tax receipts between the tax base increase and the tax charge increase.

Table 8

	2020/21	2021/22	Variance
Balance to be funded by Tax Payers	£4,394,992	£4,579,735	£184,743
Tax base	35,340.88	35,403.02	62.14
Council tax @ Band D	£124.36	£129.36	£5.00

Table 9

Council tax raised through tax base increase	£7,727.73
Council tax raised through charge increase	£177,015.27
Additional council tax raised	£184,743.00

8.0 RISKS

8.1 The Council's budget is prepared using best estimates for the level and timing of expenditure, budget & 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 2021/22 are, as yet, unknown. A prudent view of future years funding has been included in the MTFP.
- Impact of Coronavirus – the budget has been prepared without estimation of both the cost of a continuation of the pandemic or an estimate of potential government support. It is hoped that there will be a reduced impact in 2021/22 and will be matched off by government funding but a more significant impact cannot be ruled out resulting in a call on Council reserves.
- Impact of Coronavirus – shortfalls in taxation receipts during 2021/22 will be reflected in collection fund deficits which will impact the 2022/23 budget.
- 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 0.1%. Our Treasury estimates, informed by our advisors, are based upon a continuation of the current base rate but further cuts and a negative rate cannot be ruled out. Changes will affect both the level of return from investments but also

the cost of borrowing.

- Political and economic uncertainty – the estimates have been prepared based on a stable footing and normal operating conditions. Economic impacts from recession or 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.
- 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 occurred by the contractor.
- As previously indicated, there is currently no agreement with regards to the 2021 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.
- New budgetary pressures may emerge e.g. the external funding of the Garden Town may not be agreed and delivered.

8.2 As detailed in the following section, the Council does hold reserves which can meet any unforeseen costs highlighted within the risks.

9.0 REVENUE RESERVES

9.1 As at 31 March 2020, the Council had earmarked reserves totalling £7.33 million. This is a reduction on the previous year and reflects the timing of costs and income associated with the Business Rates Collection Fund surplus. The surplus will be realised in 2020/21 and will fund the deficit created by the pandemic. In addition, and based on projections prior to the latest lockdown, it is estimated that a further £3 million will be added to the reserves of the Council, giving the Council over £10 million in its useable revenue reserves. The additional monies will replenish the MTFs fund to meet the call on reserves for 2021/22, as detailed earlier in the report, and provide funding to meet future financial challenges.

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.

9.2 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 CIPFA's 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.

9.3 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 2021/22.

10.0 CAPITAL PROGRAMME

- 10.1** The current capital programme is shown at Appendix B and covers forward forecasts of the next five years.
- 10.2** The programme is reduced in size in comparison to previous year and totals £15.1 million over the five years. A pause on commercial property acquisition has been put in place pending a formal decision not to pursue any further commercial properties. This is in light of changes introduced by the government to public borrowing regulations, strong messaging about the appropriateness of commercial investment by the public sector and the obvious impact of the coronavirus impact on some sectors within the commercial property world. A formal report on this issue and the progress of the commercial portfolio will be brought to members at the earliest opportunity but in the meantime the balance of funding allocated, circa £6.6 million, will be removed from the capital programme.
- 10.3** Significant expenditure within the remaining programme includes the delivery of a bridge at Ashchurch to support the delivery of the Garden Town. This totals £8.1 million 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 £3.53 million and funded from revenue set aside. Historical levels of expenditure on Disabled Facilities Grants (DFGs) are projected throughout the programme and are financed entirely by government grant.
- 10.4** The capital programme also includes anticipated receipts and for the first time includes anticipated receipts from the Community Infrastructure Levy (CIL). These estimates will be refined and extended over time and as spending plans become clear, these will need to be added to the programme.

11.0 STATEMENT OF CHIEF FINANCE OFFICER

- 11.1** 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.
- 11.2** The basis on which the budget for 2021/22 has been prepared has been set out very clearly in this report and the previous MTFs report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound assumptions.
- 11.3** The grant settlement for 2021/22 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. It is as a result of this continued uncertainty that the Council has had the good foresight in previous years to set aside uncommitted reserves to meet its financial challenges. The budget for 2021/22 now calls on those reserves in provide a balanced budget.
- 11.4** 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 further 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.
- 11.5** The Council has a good record for only including in the budget income estimates that are deliverable. The Councils 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.
- 11.6** 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.

- 11.7** 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 overall 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.
- 11.8** 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 judgement about the adequacy of reserves, bringing both allocated and unallocated reserves together gives assurance that the overall level of reserves is acceptable.
- 11.9** 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.

12.0 CONSULTATION

- 12.1** 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.

13.0 OTHER OPTIONS CONSIDERED

- 13.1** The proposal within this report is for the Council to increase Council Tax by £5 or 4.02%. 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 10 – Council Tax increase options

Council Tax 20/21	Council Tax 21/22	Increase	Increase	Ongoing income produced	Ongoing savings required
£124.36	£129.36	£5.00	4.02%	£177,015	£0
£124.36	£124.36	£0.00	0.00%	£0	£177,015
£124.36	£125.36	£1.00	0.80%	£35,403	£141,612
£124.36	£125.60	£1.24	1.00%	£43,900	£133,115
£124.36	£126.36	£2.00	1.61%	£70,806	£106,209
£124.36	£126.85	£2.49	2.00%	£88,154	£88,862
£124.36	£127.36	£3.00	2.41%	£106,209	£70,806
£124.36	£128.09	£3.73	3.00%	£132,053	£44,962
£124.36	£128.36	£4.00	3.22%	£141,612	£35,403

13.2 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.

13.3 It has been necessary to increase Council Tax by £5 in order to meet the deficit for 2021/22. 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.

13.4 The recommended increase in council tax is also made against the background of a £7m+ 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.

14.0 RELEVANT COUNCIL POLICIES/STRATEGIES

14.1 In line with Medium Term Financial Strategy approved by Council on 26 January 2021.

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 Borough.

16.0 RESOURCE IMPLICATIONS (Human/Property)

16.1 No redundancies are included within the budget proposals for 2021/22 whilst a number of one off posts will be added to the establishment.

The contribution to the asset management reserve has been suspended for one year.

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

17.1 None directly arising from this report.

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 26 January 2021.

Background Papers: Medium Term Financial Strategy.

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Appendices: A - Growth proposals.
B – 2020-25 Capital Programme Growth proposals.