

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	2 February 2022
Subject:	Budget 2022/23
Report of:	Head of Finance and Asset Management
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Three

Executive Summary:

The proposed net budget totals £9.82m and, after deducting Government support and other financing streams, the resultant Council Tax requirement is £4.81m giving a Band D Council Tax figure of £134.36.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL:

- i. a net budget of £9,821,535;**
- ii. a Band D Council Tax of £134.36, an increase of £5.00 per annum;**
- iii. the inclusion of growth items within the budget for 2022/23 as proposed in Appendix A; and**
- iv. 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 2022 its budget requirement for 2022/23.

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 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 £7.4million.
- 1.3** Given the uncertainties with the majority of funding streams, accentuated by the lack of information provided by the Government as part of the spending review, it has not been possible to provide an updated and reliable MTFS for Council approval during the current financial year. Further modelling did take place and has been shared with Transform Working Group which highlighted a potential 2022/23 deficit of circa £1.1m after allowing for growth and assuming a carry forward of the principal that the Government would not allow any individual authority to see a reduction in its overall Core Spending Power (CSP).
- 1.4** It is hoped that a refresh of the MTFS will happen after the 2022/23 budget has been set but, as this report sets out, the offer of another one year financial settlement from the Government and the lack of commentary on funding reform plans, continue to make sound financial planning and projections extremely difficult.
- 1.5** The Spending Review in October headlined a three year funding position for local government coupled with additional general funding of £4.8bn over 3 years in addition to specific social care funding. No further details were provided at the time to help local authorities plan their budgets and medium term projections and the Council had to wait for the Provisional Local Government Settlement, received on 16 December 2021, for some clarity on future funding streams. The following sections of this report provide further detail on the Provisional Settlement but, in summary, the headlines relevant to this Council from the Settlement include:
- A one year only Settlement period, covering 2022-23 despite the three year funding headline from the Spending Review.
 - A 0.5% inflationary increase to Revenue Support Grant.
 - A freeze of the Business Rates Baseline funding although compensation will be paid to Council's for the freeze.
 - An additional one year, one off payment of New Homes Bonus.
 - The extension of the Lower Tier Services Grant for a further year.
 - The introduction of a new one year, one off Services Grant.
 - Continuation of the Council Tax threshold for District Councils being the higher of 2% or £5.
 - A freeze to Core Spending Power for Tewkesbury in 2022-23.

- 1.6** This report now brings together the information from the Settlement with the detailed figures associated with the 2022/23 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 2022/23 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.
- 1.7** 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.
- 1.8** In setting the budget for 2022/23, 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, the proposed budget includes the addition of £450,050 of ongoing growth in our services and £392,548 of one-off growth to further support services and Council Plan ambitions.
- 1.9** The approval of the 2022/23 budget will mark the start of the process to set a balanced budget for the following year. Much will depend on the Government providing clear information on proposed funding reform for local government in 2023/24 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 2022/23

- 2.1** The Local Government Finance Settlement for 2022/23 includes monetary allocations for a variety of funding streams including New Homes Bonus, Lower Tier Services Grant (LTSG), Services Grant, Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and the Business Rates baseline funding. In addition, it confirms what the Government deem as an excessive Council Tax increase which would be subject to local referendum before it could be introduced.
- 2.2** The provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. The settlement is subject to consultation which will end on 13 January 2022, with a final settlement expected at the end of January. Given that historically the figures contained within the provisional settlement have not changed on publication of the final settlement, the budget report is based on those figures within the provisional settlement. Any movement to the funding streams will be notified to Members and changes to the budget made if necessary.
- 2.3** Despite the Spending Review providing funding quantum for the next three years, the Department of Levelling Up, Housing and Communities (DLUHC) opted to only provide confirmed funding levels for the next financial year. This was in order 'to prioritise certainty for 2022/23' and to 'focus on stability.' A commitment was once again made that over the coming months the Government would 'work closely with the sector and other stakeholders ... to look at the challenges and opportunities facing the sector before consulting on any potential changes.' The 2022/23 Settlement is therefore, in effect, a roll over Settlement with no permanent funding changes being introduced.

2.4 Needs based funding

The Government's assessment of funding support required to deliver services to the Borough, net of the resources that could be raised locally, is provided via three funding streams, these being, Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and the Business Rates baseline funding.

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

	2020/21	2021/22	2022/23
Cash levels			
Revenue Support Grant (RSG)	23,157	23,286	23,990
Rural Services Delivery Grant (RSDG)	13,779	14,459	14,459
Business Rates baseline funding	1,846,234	1,846,234	1,846,234
Total	1,883,170	1,883,979	1,884,683
Change in funding (£)			
Revenue Support Grant (RSG)	371	129	704
Rural Services Delivery Grant (RSDG)	0	680	0
Business Rates baseline funding	29,599	0	0
Total	29,970	809	704
Change in funding (%)			
Revenue Support Grant (RSG)	1.63%	0.56%	3.02%
Rural Services Delivery Grant (RSDG)	0.00%	4.94%	0.00%
Business Rates baseline funding	1.63%	0.00%	0.00%
Total	1.62%	0.04%	0.04%

2.5 As can be seen from Table 1, the Council's core funding level in 2022/23 is on a par with that of the current year. An inflationary increase of 3.02%, being closely aligned to the CPI figure for September 2021, has been applied to RSG generating an uplift of £704. The RSDG has been frozen for 2022/23 having previously seen an increase of nearly 5% in the current year.

Also frozen for 2022/23 is the business rates multiplier, 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 are required to compensate local authorities for this decision by providing a section 31 grant of the equivalent value and that will be included in the business rates retained income figures shown in section 4.

2.6 Lower Tier Services Grant

The Lower Tier Services Grant (LTSG) was introduced for 2021/22 as a one-off grant. The scheme allocated £111m on a national basis to support lower tier services and effectively provide funding to compensate for reductions elsewhere in the settlement. The funding in Tewkesbury's case ensured that the Council did not see a reduction in Core Spending Power according to the Government's calculations.

Given the roll over nature of the 2022/23 Settlement, the LTSG has been retained for a further year as has the overall quantum of funding for the grant. Tewkesbury's share of the LTSG has increased from £932,465 in the current year to £1,345,362 for 22/23. This is in view of the further reduction in New Homes Bonus funding as detailed at 2.8 and section 3 and once again ensures no reduction to Tewkesbury's Core Spending Power. It is not known whether LTSG will go on beyond March 2023.

2.7 Services Grant

The Services Grant is a new, one-off allocation of £822m coming from the additional £1.5bn per annum that was announced during the Spending Review, with the balance going to support social care. The grant is available for all tiers of local government and is un-ringfenced so that Councils can use it on supporting all services. The grant also includes the compensation for the cost increases in the employers National Insurance Contributions from April 2022.

The Government has decided to use the 2013/14 shares of Settlement Funding Assessment to allocate the £822m. This is an interesting choice for allocation basis and has a unique distributional effect, which could be said to be supporting the Levelling Up agenda. As a result, the allocation for Tewkesbury is £127,274.

The Government has a clear intention for this grant to be one off for 2022/23. It has prioritised using an available distribution for 2022/23 but intends to work closely with local government on how to best use this funding from 2023/24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

2.8 New Homes Bonus

The Government is proposing to roll-over last year's policy on new Homes Bonus (NHB) for a new round of NHB payments in 2022/23. New legacy commitments ceased to be made in allocations from 2020/21, and the Government confirmed in February 2021 that it did not intend to reintroduce the concept of legacy payments. As a result, Tewkesbury will see a NHB allocation of £1,633,094 in 2022/23. Full details are provided in section 3.

2.9 Other grant funding

A new cyber resilience grant was announced at the Spending Review with £12m made available at a national level for 2022/23. Confirmation of individual allocations are still awaited from the Government.

2.10 Council Tax principles

The Government has set a core principle of a maximum increase in Council Tax of 1.99% but has given greater freedoms for most precepting bodies. For District Councils, the principle that has been in place since 2016/17, being the higher of £5 or 1.99%, will remain for 2022/23.

The Government assumes every authority will increase Band D Council Tax by the maximum allowed. In its Core Spending Power figures, the Government also assumed that the taxbase would increase in 2022-23 for each authority in line with their average taxbase increase between 2017-18 and 2021-22.

Full details of the Council Tax calculation can be found in section 7.

2.11 Core Spending Power

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 6.9% in cash terms or £3.46bn in funding for 22/23. This includes assumed increases to Council Tax income of £1.4bn based on maximum Council Tax increases and five year average growth to tax bases. This continues a feature of recent settlements in that a greater burden for funding local government has been placed on the local taxpayer. Also included in the national calculation of CSP is the £822m for the Services Grant, £636m added to social care grants, £162m for social care reform and £447m for baseline funding increases.

2.12 Tewkesbury's CSP forecast for 22/23 is, once again, somewhat less than the national average, standing at 0%, and only reaches 0% as a result of the 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	2022-23
	£ millions	£ millions	£ millions
Settlement Funding Assessment	1.9	1.9	1.9
Business rates multiplier compensation	0.1	0.1	0.2
Council Tax Requirement	4.4	4.6	4.9
New Homes Bonus	3.8	2.5	1.6
Rural Services Delivery Grant	0.0	0.0	0.0
Lower Tier Services Grant	0.0	0.9	1.3
Services Grant	0.0	0.0	0.1
Core Spending Power	10.1	10.0	10.0
Increase (£)		-0.1	0.0
Increase (%)		-1.12%	0.00%

NB 2021-22 adjusted to reflect actual council tax levels

2.13 It should be noted that, whilst the overall CSP of the Council remains unchanged at £10.0m, the split between locally controlled funding and funding from central government continues to come closer together. The Council Tax element of CSP is again expected to rise by £0.3m meaning that it will account for around 49% of the Council's CSP, up from 34.7% in 2015/16. This continues the journey of the last seven years which has put an ever-increasing emphasis on local tax payers to pay for the cost of services.

Whilst the Council's CSP will have remained relatively cash flat over the last two-year period, this is because of an increase in Council Tax income of £500,000 which has replaced central funding of an equivalent amount.

2.14 Funding beyond 2022/23 is currently not known. Whilst the Spending Review in 2021 provided for a three-year funding position, DLUHC has only provided one-year local government settlement. It is hoped that the Department will engage with local government as soon as possible to provide clarity on funding reform early in the financial year and to enable a two-year settlement to be reached in good time.

3.0 NEW HOMES BONUS

3.1 The Provisional Settlement for 2021/22 confirmed that New Homes Bonus (NHB) would be withdrawn over a three-year period after much speculation in the preceding couple of years. Despite a consultation on a replacement scheme taking place in early Spring 2021, no further announcements have been made. It therefore came as no surprise that the Government has decided to roll over the scheme and award one more year of funding.

3.2 For 2022/23, local authorities will receive NHB payments in respect of the following years:

- Year 9 final legacy payment.
- Year 12 (payments earned based on data from October 2021 – no legacy payments associated with this year).

Years 10 and 11 were only awarded for that specific year and did not attract the usual three years' worth of legacy payments.

3.3 For Year 12, which is based on growth between October 20 and October 21, the value of the NHB will be £677,928. Whilst this is on a par with the year 11 allocation, it is significantly down on previous years partly as a result of the Government's inclusion of a payment threshold but also reflecting the slow down in new property delivery experienced in the Borough over the last eighteen months. Only 529 new properties were added to the valuation list in the twelve months to October 2021 whereas 852 were added in the period to October 2019.

Table 3 details the projection of NHB over the next two years.

Table 3 – Projection of NHB

	2020/21	2021/22	2022/23	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	£667,928	£0
Year 13	£0	£0	£0	£0
	£3,762,756	£2,508,861	£1,633,094	£0
Variance (£)	£489,358	-£1,253,895	-£875,767	-£1,633,094
Variance (%)	14.94%	-33.32%	-34.91%	-100.00%

3.4 As can be seen from the table, the Council will receive £1.63m in 2022/23 from the NHB scheme. This is a reduction of £0.88m on the current levels. All of the £1.63m will be used to support the base budget of the Council. The table also forecasts the elimination of NHB in the following year with a cliff edge reduction of £1.63m currently projected.

3.5 Given that the Government is only funding two years of NHB rather than the usual four years, the surplus within the NHB scheme, estimated at £346m out of the £900m allocation, would normally be returned to local government pro rata to the top slice of Revenue Support Grant that funds NHB. The Government has, once again, opted not to follow this requirement of the system but have instead used the surplus to fund the Lower Tier Services Grant of £111m, the Social Care grant at £150m and also funded the inflationary uplift in needs based funding.

- 3.6** No details were presented in the Provisional Local Government Settlement as to what, if anything, might replace the NHB scheme and what transitional arrangements might look like. The only comment made was found in the press release accompanying the Settlement and stated:

'The Government remains committed to reforming New Homes Bonus to improve how housing growth is incentivised, and our response to the consultation on the New Homes Bonus will be published in the coming months.'

It is therefore currently impossible to forecast potential sums due from NHB or a revised scheme beyond March 2023.

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 budgeted current year retained income is much reduced at £130,047 as a result of expectations around issues such as empty properties, appeals and bad debts linked to the impact of coronavirus. The in year performance is much improved against this base position with a significant surplus expected to be accrued. This puts the Council in a good position to consider retained business rates in 2022/23.

- 4.2** As part of the retention calculation, the Council will receive compensation from the Government for its decision to freeze the business rates multiplier and therefore deny local authorities the expected inflationary increase to the business rates baseline position. This is the second year where the government has decided to do this and as a result the compensation total currently stands at £151,694 as indicated within our CSP figures. The government also provides compensation for other historical adjustments to the business rates multiplier.

- 4.3** Reform of the business rates retention scheme has long been an ambition of the government with a move to 75% retention widely expected and a number of pilots run to test the scheme and its benefits. Following comments by the new Secretary of State about 75% retention and its incompatibility with the levelling up agenda, it no longer appears that this move will happen and the sector will remain on 50% retention. The figures for 2022/23 are based on this level of retention.

The national reset of the retention scheme, whereby accumulated growth in individual authorities is taken back by the government and potentially redistributed amongst the whole local government sector, has also been earmarked to happen for a number of years but has been delayed in successive years. A further year's delay is now in place for 2022/23 but indications are that the reset will happen in 2023/24.

- 4.4** The calculation of business rates due and therefore retained by the Council is contained within our NNDR1 return to DLUHC and is based on the standstill position highlighted in the preceding paragraph, the compensation due highlighted at 4.2, the underlying growth of the business community within the Borough and the reassessment of provisions made for appeals and bad debts. The resultant level of expected business rates retention for Tewkesbury Borough Council is £1,319,109 for 2022/23.

- 4.5** In addition to the budgeted in year retention, the Council budgets for the surplus or deficit arising on the Business Rates Collection Fund in the previous year. Given the impact of the pandemic and the Government's rate relief programme in 2020/21, there was a substantial deficit within the collection fund of which Tewkesbury's share totalled £4.65m resulting in a significant negative impact on our 2021/22 base budget position. This impact was however, matched off within our budget by a business rates reserve funded from s31 Government grant intended to meet the cost of the retail relief provided.

For the coming year, the position is clearer with no such substantial figures distorting the budget calculations. Whilst there continues to be an impact on business from the pandemic and a continuation of the relief programme, other positive adjustments to the collection fund mean that only a £42,619 deficit exists for the 2022/23 budget which can be met from the increased levels of retention previously highlighted.

4.6 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.

Given the Government's decision not to make any alterations to the business rates retention scheme in 2022/23 and thus maintain the intrinsic benefit of pooling, Section 151 officers have risk assessed the proposed pool and believe there is sufficient benefit and risk mitigation to maintain the pool for a further year. Tewkesbury will therefore continue within the Pool for 2022/23 and any additional retention delivered by the pool arrangements will be treated as a windfall bonus at the year end. The windfall can be used to boost a number of our long-term planning reserves such as vehicle replacement, asset maintenance and IT replacement and therefore mitigate the need for additional ongoing budget growth.

5.0 GROWTH

5.1 Following a decade of austerity in local government and with the Borough expanding rapidly in recent years, our services, across the Council, are under severe pressure to meet the demands placed upon them. In addition, the ambition of both national and local government continues to present new challenges and financial demands whilst the impact of the pandemic has presented both opportunities and challenges. Alongside this, the withdrawal of new homes bonus – traditionally used to support growth in the Council - without a replacement scheme has created further financial pressures and removed a growth funding resource from our budget position. The restriction on Council Tax increases as well as new restrictions on commercial property investment also mean that there is limited ongoing funding available to support the growth requests put forward.

5.2 It is against this backdrop that growth bids were requested from services and from which nearly £1.5m of ongoing funding was requested. Clearly this level of additional ongoing cost is not affordable for the Council and so choices needed to be made so that a balanced budget proposition could be developed. In order to assess the growth bids an exercise was undertaken to:

- remove bids that could be funded, at least on a temporary basis, by alternative sources.
- highlight bids where a one off funding solution was acceptable.
- highlight bids where further work was required.
- identify bids that could be delayed.

As a result of this exercise:

- £179,918 of bids have been included in the budget on a one-off basis.
- £212,630 of bids have had alternative sources of funding identified.
- £608,857 of bids have not been supported at this time.

5.3 Having completed this exercise, it left 15 bids where it was felt that ongoing resources were needed to meet the identified requirement. Given that information on funding from the Government arrived very late and the Council was unaware what funding, if any, it would have available to support growth, the 15 remaining bids were prioritised without knowing whether they were affordable or whether cuts would be required to support the highest priority bids. Nine 'levels' of priority were established and each bid was assessed by Corporate Leadership Team and categorised.

Appendix A details the growth bids and, for the ongoing growth, details the prioritisation level assigned to it.

5.4 Upon calculation of the overall position of the base budget, it was identified that all 15 bids could be afforded without additional support from reserves or reductions in other service areas and no line would need to be drawn based on affordability. This level of affordability is as a result of the substantial savings identified for inclusion in the new base budget such as pension fund contributions and MRF savings as well as increases in income and funding levels, particularly the retained business rates position. As a result, £450,050 of ongoing growth can be recommended for approval in the 2022/23 budget.

5.5 Despite the inclusion of £450,050 of ongoing growth in the coming budget, on top of the £416,000 included in the current year, it is likely that there will continue to be large demands for additional ongoing funding in the coming years for the reasons outlined at 5.1. The 2023/24 budget will need to consider in particular the increased capacity requirements that will be needed in both our residual waste and recycling services.

6.0 PROPOSED BUDGET

6.1 The base estimates for the Council in 2022/23 have been compiled, including the proposed growth, and are detailed in table 4.

Table 4

	2021/22 Budget	2022/23 Budget	Variance (£)	Variance (%)
Chief Executives unit	£270,911	£283,874	£12,963	4.78%
Deputy Chief Executive	£128,445	£0	-£128,445	-100.00%
Monitoring Officer	£81,819	£132,200	£50,381	61.58%
Corporate Services	£2,473,907	£2,865,781	£391,874	15.84%
Democratic Services	£774,715	£852,387	£77,672	10.03%
One Legal	£243,658	£285,037	£41,379	16.98%
Development Services	£1,218,309	£1,373,380	£155,071	12.73%
Community Services	£4,674,581	£4,830,437	£155,856	3.33%
Finance and Assets	-£595,770	-£801,561	-£205,791	-34.54%
TOTAL	£9,270,575	£9,821,535	£550,960	5.94%

6.2 The budget proposals for 2022/23 include a number of variances against the current year and are summarised in the following paragraphs.

6.3 Additional costs

- The current year estimate for staff salary growth was set at 0% following comments from the Chancellor about pay restraint and the ensuing local government settlement. Subsequent to this, negotiations between employers and the Unions have resulted in the rejection of a 1.75% pay offer and the ballot of members for industrial action. As a result of the current impasse, the salary growth figure for 2022/23 includes a backdated increase of 2% for the current year.
- A salary growth assumption of 2% has also been made for the year commencing 1 April 2022.
- An increase to employer National Insurance contributions of 1.25% with effect from 1 April 2022.
- With consumer price inflation running at 5.1% at the time of writing, this has inevitably affected a number of individual budget lines within the Council such as computer licences, diesel and insurances.
- The cost of gas and electric is also rising but the Council is currently insulated from the steep rises being reported in the press as a result of its contract arrangements with supplier West Mercia Energy where energy has been purchased in advance of need and in advance of the significant price increases. Increases of 13% on electric and 23% on gas have been included with the budget for 2022/23.
- Each year a forecast of likely planning income is made by the Development Control Manager based on intelligence of likely major applications in addition to the standard level of minor applications. As a result of this year's exercise a small reduction in planning application income is forecast. It should be noted that the government has not increased planning application fees for a number of years. In addition to the reduced income, extra budgetary provision has been made for the cost of planning appeals and the specialist input require for planning applications.
- An increase to the overtime provision within the Ubico budgets to cater for partial round growth in residual waste and recycling. This is an interim measure before full round growth is needed, probably in 2023/24
- An increased cost for the operation of the transfer station relating to comingled recycle as a result of Environment Agency recommendations, increased pest control and general inflationary pressures. Increased tonnage collected has also increased the cost as it has done with tipping charges for trade waste collections.
- The two office accommodation units within the Council Offices remain vacant after 12 months of advertising and whilst a change of marketing approach may help to secure a tenant for one space it has been recognised that the Council are unlikely to fill both spaces given such limited demand for office accommodation both in Tewkesbury and nationally. The budget has therefore been reduced to reflect that and a decision taken to relocate One Legal to one of the vacant units. This space should provide scope for extended One Legal operations in future years.

6.4 Budget savings and increase income

- Council took the decision to delete the vacant Deputy Chief Executive post in summer 2021. The net saving from this deletion, amendments to the Heads of Service roles and the inclusion of the Borough Monitoring Officer as a full-time corporate officer have been included in the 2022/23 budget.
- For a third year, the Council is able to reduce its contribution to the pension fund deficit. A further reduction of £196,000 has been factored into the base budget resulting in an annual contribution of £1.269m, a reduction of £699,000 from the position three years ago. This is the last planned reduction and a further valuation of the fund will take place in 2022.
- The bulky waste service has been subject to a transformation programme over the last 18 months which has seen a change in service provider, a change to the fee structure and the digitisation of the booking service. As a result, the service has moved from a loss generating service to a fee earning service. In addition, the digitisation of bookings has allowed capacity to be released in customer services.
- A new Materials Recovery Facility (MRF) operator has been contracted for the current year and based on current performance the Council is able to reduce the estimated cost of service provision by £84,000.
- A £35,000 reduction in the cost of processing digital transactions as a result of a tender for merchant acquirer services.
- An increase of £104,000 expected from treasury activities given the performance of the Council's pooled investments and expected higher interest rates.
- The annual review of Council controlled fees and charges in areas such as cemeteries, licensing and garden waste resulting in inflationary increases in all areas.

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

Table 5

Financing stream	2021/22 Budget	2022/23 Budget	Variance (£)	Variance (%)
Revenue Support Grant	-£23,285	-£23,990	-£705	3.03%
Rural Services Delivery Grant	-£14,459	-£14,459	£0	0.00%
Business Rates Baseline	-£1,846,233	-£1,846,233	£0	0.00%
Retained Business Rates	£4,519,103	-£1,319,109	-£5,838,212	129.19%
New Homes Bonus	-£2,508,861	-£1,633,094	£875,767	-34.91%
Collection Fund surplus	-£24,832	-£98,009	-£73,177	294.69%
Minimum Revenue Provision	£882,413	£905,359	£22,946	2.60%
Net Transfer to / (from) reserves	-£4,649,020	£492,233	£5,141,253	-110.59%
Council Tax Hardship Fund	-£93,201	£0	£93,201	-100.00%
Lower Tier Services Grant	-£932,465	-£1,345,362	-£412,897	44.28%
Services Grant	£0	-£127,275	-£127,275	100.00%
Total	-£4,690,840	-£5,009,939	-£319,099	6.80%
Service Expenditure b/fwd	£9,270,575	£9,821,535	£550,959	5.94%
Balance to be funded by Tax Payers	£4,579,735	£4,811,596	£231,860	5.06%

6.6 Table 5 highlights the financing streams as described in the previous sections. Despite the £875,000 reduction in NHB, other funding streams such as the LTSG and business rates retention in particular have more than compensated for that loss.

6.7 Also included within the financing streams are:

- An increase in the Minimum Revenue Provision of £22,946 reflecting the annuity method of calculation used.
- Contributions to the vehicle replacement reserve and commercial property reserve of £500,000 and £225,000 respectively offset with the use of £100,000 from the open spaces reserve to fund the enhanced resource requirement in grounds maintenance, as well as other contributions from specific reserves giving a total net transfer to reserves of £492,233.
- A Council Tax collection fund surplus of £98,009.

6.8 As a result of the movement on individual funding streams, the net total of funding available to the Council has increased by £319,099 or 6.8%.

6.9 After deducting the funding streams from the net cost of services, the balance of expenditure to be funded by Council Tax Payers is £4,811,595 for 2022/23, an increase of £231,860 on the current year.

7.0 COUNCIL TAX

7.1 As highlighted earlier in the report, the Government expects all Councils to increase Council Tax to the maximum level permissible before a referendum is required. The increased council tax delivers the national headline 6.9% increase in CSP but in Tewkesbury's case, simply replaces the lost of government funding.

This funding pressure comes on top of the current inflationary pressures (CPI was 5.1% in December) affecting the cost of delivering existing services and the growth required to meet the additional demand of our services.

It is therefore recommended that a £5 per annum increase at Band D level, equivalent to 3.87%, is approved, generating an additional £179,056 of ongoing income to support the Council's core services.

7.2 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 1% for the Adult Social Care (ASC) levy for upper tier authorities.
- ability to add any unused parts of the 3% ASC Precept flexibility available in 2021/22.
- £10 for Police and Crime Commissioners (£15, £10 and £24 in preceding years).
- There are again no thresholds for Town and Parish Councils.

7.3 The proposed increase will be the seventh successive year 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 £134.36 per annum and most likely keep the Council around the sixth 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 £70 short of the average District Council for 2022/23.

7.4 The impact of this proposal on the Borough taxpayers is illustrated in Table 6.

Table 6

Band	No. of properties	Percent of total	Annual Council Tax 21/22	Annual Council Tax 22/23	Annual Increase
A	6,658	15.47%	£86.24	£89.57	£3.33
B	6,729	15.63%	£100.61	£104.50	£3.89
C	12,032	27.95%	£114.99	£119.43	£4.44
D	6,283	14.60%	£129.36	£134.36	£5.00
E	5,566	12.93%	£158.11	£164.22	£6.11
F	3,554	8.26%	£186.85	£194.08	£7.22
G	2,018	4.69%	£215.60	£223.93	£8.33
H	205	0.48%	£258.72	£268.72	£10.00

7.5 The Council's recent record on council tax is shown in table 7 for information.

Table 7

Year	Council Tax £	Increase Pa £	Increase %
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
2021/22	129.36	5.00	4.02
2022/23	134.36	5.00	3.87

7.6 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 2021, albeit at reduced levels, the level of discount awarded through the Local Council Tax Reduction Scheme has remained exceptionally high as the number of working age claimants has grown throughout the pandemic. As a result, the tax base for 2022/23 has been calculated at 35,811.22 an increase of 408.22 band D equivalents or 1.15%.

7.7 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

	2021/22	2022/23	Variance
Balance to be funded by Tax Payers	£4,579,735	£4,811,596	£231,861
Tax base	35,403.02	35,811.22	408.20
Council tax @ Band D	£129.36	£134.36	£5.00

Table 9

Council tax raised through tax base increase	£52,804.75
Council tax raised through charge increase	£179,056.10
Additional council tax raised	£231,860.85

7.8 Table 9 illustrates that the Council will be able to raise a further £231,860 of Council Tax income through tax rate and tax base increases. Within the Government's CSP assessment, it has assumed that the Council will be able to raise an additional £279,394 from these increases. This shortfall of £47,534 in actual Council Tax collectable, due to over estimating the growth of the tax base, means that even with the maximum permissible increase in Council Tax, the Council will not attain the 0% change in CSP laid out by the Government. The actual change in CSP is a 0.47% reduction.

8.0 RISKS

8.1 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 2022/23 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 much reduced impact in 22/23 and will be matched off by Government funding if required.
- 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 levels despite the recent increase. The current base rate is 0.25%. Our Treasury estimates, informed by our advisors, are based upon a number of increases to the base rate over the next twelve months but further increases cannot be ruled out, given potential economic and inflationary pressures. Changes will affect both the level of return from investments but also the cost of borrowing.
- 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 incurred by the contractor.
- As previously indicated, there is currently no agreement with regards to either the 2021 or 2022 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. A pay award reserve exists to support backdated and excess pay awards.
- New budgetary pressures may emerge e.g. the external funding of the Garden Town may not be agreed and delivered.
- Rental levels from our commercial property portfolio remain at risk given the current flux in the economy. It is as a result of this risk that the Council sets aside £225,000 per annum from its current rental stream to meet void costs or the costs of inducements for new tenants.
- Inflation – increased cost as a result of inflation has been factored into expenditure budgets but it cannot be guaranteed that these increased budgets will be sufficient to meet costs as prices continue to rise and supplies are restricted.
- Cost of living – given cost of living increases forecast to impact households, it is possible that forecast income levels will not be achieved as households decide against expenditure in areas such as garden waste collection or planning applications, or simply do not have the funds to meet taxation obligations. As a result, income levels may reduce and arrears may increase.

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

9.0 REVENUE RESERVES

9.1 As at 31 March 2021, the Council had earmarked reserves totalling £16.19m. This is a significant increase on the previous year and reflects planned contributions to reserves, the release of a business rates collection fund surplus and the receipt of external grants for both covid related and non-covid related activities. The release of a business rates collection fund surplus in particular has allowed the creation of a £2.78m MTFS reserve which is set aside to support the Council budget whilst funding reform is reviewed and delivered.

Other reserves exist to manage risk to the authority, such as the business rates reserve and the commercial property 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 latest financial outturn projection for 2021/22 suggests that the budget is on track to be delivered in line with original estimates. This means, on current projections, there will be no surplus at year end to increase reserves but neither will there be a deficit requiring further reserve contributions. The Council is also a member of the Gloucestershire Business Rates Pool and the latest estimate of the Pool's position suggests that Tewkesbury will be due a business rates windfall of over £500,000 at year end which can support increased reserve provision.

9.4 The Council's reserves are in their strongest position for sometime and allow for the delivery of a number of specific service actions as well as guarding against significant financial impact from planned funding reviews. 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 July to approve the reserves of the Council for 2022/23.

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 years and currently totals £13.57m over the next five years. The reduction in the size of the programme is largely as a result of the cessation of the acquisition phase of the commercial property portfolio. The portfolio, currently valued at £60m, is of an appropriate size and risk for our Council. Recent changes to the regulatory framework have also made it clear that the purchase of assets solely for the yield they attract is not an appropriate activity for a local authority.

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 £8.1m and is funded entirely from external grants. Also included in the programme is the re-provision of a large proportion of the vehicle fleet expected to total £4m 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. The programme also now includes a number of activities associated with the carbon reduction programme such as the solar car park canopy at the council offices, the replacement heating system for the Council Offices and rollout of a number of electric vehicle charging units.

10.4 Further additions to the capital programme can be made at any time of the year following Council approval. Members must be mindful of the revenue consequences, both negative and positive, of any decision to commit further capital expenditure.

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 2022/23 has been prepared has been set out very clearly in this report and in previous MTFs reports. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound assumptions. 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.

11.3 The grant settlement for 2022/23 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. The forecast impact of the withdrawal of New Homes Bonus, without confirmation of a replacement scheme or transitional funding, leaves the Council facing a £1.6m cliff edge in 2023/24. In addition to this, the potential reset of the business rates retention system in 2023/24 is likely to result in significant reductions in retained

business rates which will cause further significant financial challenges in the coming years. Potential changes to the funding distribution model, should the Fair Funding Review be concluded, also appear to have a negative impact on Shire Districts.

11.4 Given these financial uncertainties and challenges, it is imperative that our income streams are secure, our services continue to make efficiency improvements and we have adequate reserves to provide a contingency and to effect change if necessary. I am pleased to say that in all three regards the Council is now well placed.

11.5 The Council's income from fees and charges is generally in good health, despite the impact of the pandemic. The majority retain a good customer base and inflationary increases continue to be applied on an annual basis to the fee charged. As a result, our fees and charges as a percentage of service expenditure is relatively high when compared to other district councils. The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Index for 2021, shown below, highlights this together with other indicators of financial risk, the vast majority of which show the Council to be well placed in comparison to other Councils.



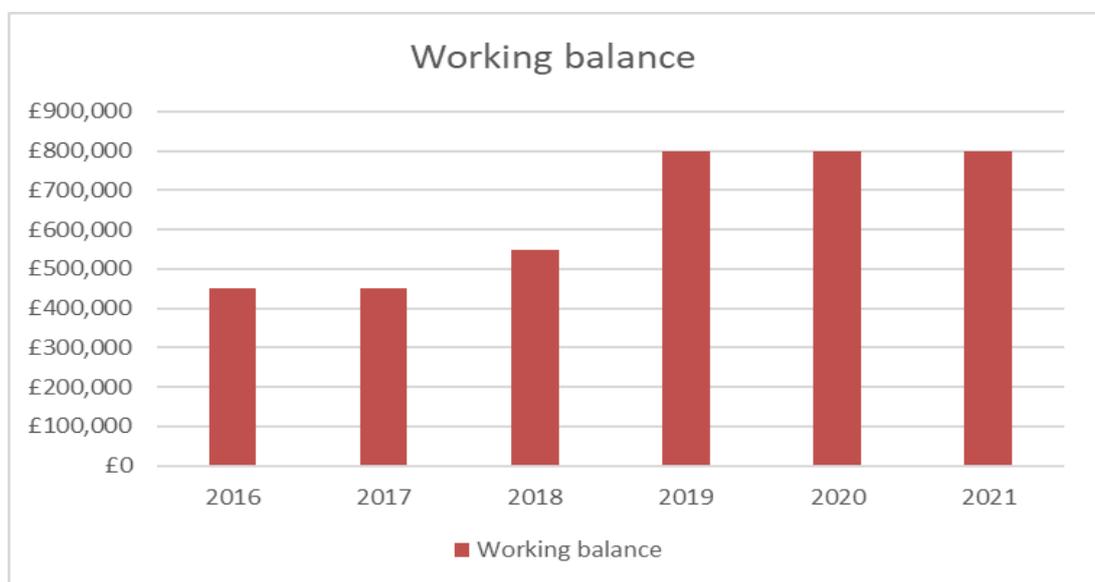
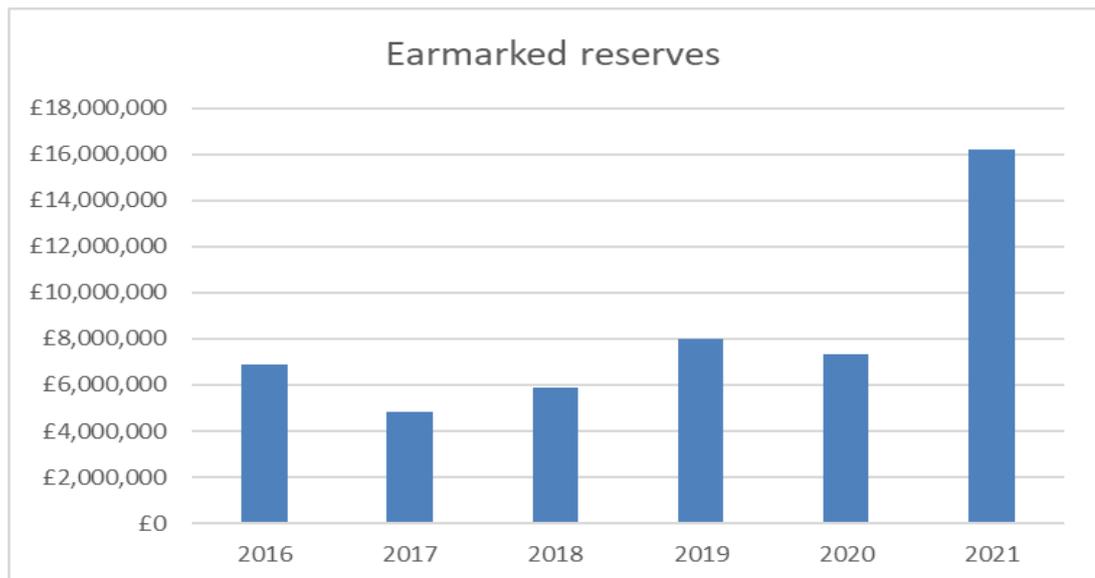
11.6 A potential threat to fees and charges is the Government's intention to make garden waste free of charge to the customer. For 2022/23, Tewkesbury Borough expects to charge its garden waste customers £1.035m and therefore if the Government does move forward with its intention, the Council will expect to see compensation in full and on an ongoing basis.

11.7 With regards to Council Tax, which is the largest of the funding streams available to the Council, the position is improving but remains low in comparison to other districts and is therefore a higher risk when it comes to financial resilience. The level of Council Tax income is becoming ever more important to local authorities as the government continues to reduce central funding in favour of higher levels of funding from Council Tax payers. Over the last seven years, the percentage of Tewkesbury's Core Spending Power taken from Council Tax has risen from 34.7% to 48.6%. Nationally the figure now stands at 58.9% of CSP. Tewkesbury's percentage is naturally lower given that the tax that is charged is the sixth lowest in England. In addition, the Council's tax base is relatively modest given the rural nature of the Borough and the conversion rate from actual properties into Band D equivalents.

These two issues combine to leave the Council with a relatively modest income stream from Council Tax compared to other authorities which not only means less cash to pay for services but also heightened risk to medium term financial planning due to a smaller proportion of 'certain' funding as opposed to the uncertainties and volatility of other funding streams.

11.8 The formation of the Business Transformation team has enabled a number of services to benefit from their support. A number of service reviews have already been undertaken with more already underway and others planned. Investment in this service area will mean that the Council can improve both the scale and speed of transformation within our services.

11.9 In terms of reserves, the Council has seen these grow over the last five years as illustrated in the tables below. Whilst some of the reserves are held for specific purposes, many are at the discretion of the Council and could be utilised to support areas of need should the council run into financial difficulties. As can be seen, both the earmarked reserves and the working balance have grown over the last five years funded in large part by windfalls of business rates retention, year end surpluses and specific grants.



11.10 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.

- 11.11** The Council's earmarked reserves are set in July 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 at 11.5.
- 11.12** The General Fund balance on its own is low when comparisons are made with other District Councils and 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.
- 11.13** Overall, I am satisfied that the projected levels of reserves and balances held by the Council are adequate for the forthcoming year but we 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 3.87%. 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 21/22	Council Tax 22/23	Increase	Increase	Ongoing income produced	Ongoing savings required
£129.36	£134.36	£5.00	3.87%	£179,056	£0
£129.36	£129.36	£0.00	0.00%	£0	£179,056
£129.36	£130.36	£1.00	0.77%	£35,811	£143,245
£129.36	£130.65	£1.29	1.00%	£46,325	£132,731
£129.36	£131.36	£2.00	1.55%	£71,622	£107,434
£129.36	£131.95	£2.59	2.00%	£92,651	£86,405
£129.36	£132.36	£3.00	2.32%	£107,434	£71,622
£129.36	£133.24	£3.88	3.00%	£138,976	£40,080
£129.36	£133.36	£4.00	3.09%	£143,245	£35,811

- 13.2** A range of options are available within the set threshold. 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 financial challenges facing the council. Whilst lower council tax increases were considered, these did not provide the income required to fund the demand pressures within services. 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 £3.8m projected 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.

16.0 RESOURCE IMPLICATIONS (Human/Property)

16.1 No redundancies are included within the budget proposals for 2022-23 whilst a number of both permanent and one off posts will be added to the establishment.

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 26 January 2021.

Background Papers: Medium Term Financial Strategy.

Contact Officer: Head of Finance & Asset Management
Tel: 01684 272005

Appendices: A - Growth Proposals.
B – 2021-26 Capital Programme.
C – Detailed Estimates 2022/23.