

DRAFT MEDIUM TERM FINANCIAL STRATEGY
Appendix A1 - Scenario A
Using DCLG Illustrative Figures - adjusted for change to NHB impact from 2017/18

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Expenditure base budget	22,876	21,734	21,444	21,529
Inflation - Salaries (1%)	100	95	90	90
- Contracts	110	110	110	110
Total Inflationary Increases	210	205	200	200
Unavoidable budget pressures	367	220	200	200
Savings				
Savings Target	(1,204)	(715)	(315)	(119)
Contribution to/from Reserves - Council Feb 2015	(515)			
Total Expenditure	21,734	21,444	21,529	21,810
Income base budget	(11,611)	(11,548)	(11,481)	(11,413)
Inflation	0	0	0	0
Other Growth - see Unavoidable budget pressures	63	68	68	5
Total Income	(11,548)	(11,481)	(11,413)	(11,408)
Net cost of service	10,186	9,963	10,116	10,402
Funding Analysis - 25% Cut to Gov Funding				
Revenue Support Grant	(856)	(386)	(101)	0
Collection Fund Deficit (Business Rates)	1,155			
Business Rates Smoothing Reserve	(650)	250	250	250
Business Rates Retention Baseline	(1,719)	(1,753)	(1,805)	(1,644)
Business Rates forecast over baseline (inc. s.31 grant)	(935)	(954)	(982)	(1,198)
Renewable Energy Business Rates Retention	(90)	(90)	(90)	(90)
Tariff Adjustment in lieu of negative RSG Levy	448	456	470	484
Rural Services Delivery Grant	(599)	(483)	(372)	(483)
Transitional Grant	(42)	(43)		
New Homes Bonus	(2,500)	(2,056)	(2,056)	(1,973)
Surplus New Homes Bonus	(751)			
Appropriate Surplus New Homes Bonus to Earmarked Reserves	751			
Overall Central Government Funding	(5,789)	(5,059)	(4,685)	(4,655)
Council Tax				
Estimated Council Tax Base	38,418	38,802	39,190	39,582
Band D Council Tax	126.40	128.91	131.48	134.09
Council Tax Yield	(4,856)	(5,002)	(5,153)	(5,308)
	0.00%	1.99%	1.99%	1.99%
Council Tax Freeze Grant				
Collection Fund Surplus - Council Tax	(151)			
Overall Funding Position	(10,796)	(10,062)	(9,838)	(9,962)
Budget (Surplus)/Deficit	(610)	(98)	278	440

DRAFT MEDIUM TERM FINANCIAL STRATEGY
Appendix A1 - Scenario B
Impact of 4 year New Homes Bonus - Local Modelling

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Expenditure base budget	22,876	21,734	21,444	21,529
Inflation - Salaries (1%)	100	95	90	90
- Contracts	110	110	110	110
Total Inflationary Increases	210	205	200	200
Unavoidable budget pressures	367	220	200	200
Savings				
Savings Target	(1,204)	(715)	(315)	(119)
Contribution to/from Reserves - Council Feb 2015	(515)			
Total Expenditure	21,734	21,444	21,529	21,810
Income base budget	(11,611)	(11,548)	(11,481)	(11,413)
Inflation	0	0	0	0
Other Growth - see Unavoidable budget pressures	63	68	68	5
Total Income	(11,548)	(11,481)	(11,413)	(11,408)
Net cost of service	10,186	9,963	10,116	10,402
Funding Analysis - 25% Cut to Gov Funding				
Revenue Support Grant	(856)	(386)	(101)	0
Collection Fund Deficit (Business Rates)	1,155			
Business Rates Smoothing Reserve	(650)	250	250	250
Business Rates Retention Baseline	(1,719)	(1,753)	(1,805)	(1,644)
Business Rates forecast over baseline (inc s.31 grant)	(935)	(954)	(982)	(1,198)
Renewable energy Business Rates Retained	(90)	(90)	(90)	(90)
Tariff Adjustment in lieu of negative RSG				
Levy	448	456	470	484
Rural Services Delivery Grant	(599)	(483)	(372)	(483)
Transitional Grant	(43)	(43)		
New Homes Bonus	(2,500)	(2,513)	(2,575)	(2,597)
Surplus New Homes Bonus	(751)			
Appropriate Surplus New Homes Bonus to Earmarked Reserves	751			
Overall Central Government Funding	(5,789)	(5,517)	(5,204)	(5,278)
Council Tax				
Estimated Council Tax Base	38,418	38,802	39,190	39,582
Band D Council Tax	126.40	128.91	131.48	134.09
Council Tax Yield	(4,856)	(5,002)	(5,153)	(5,308)
	0.00%	1.99%	1.99%	1.99%
Council Tax Freeze Grant				
Collection Fund Surplus - Council Tax	(151)			
Overall Funding Position	(10,796)	(10,519)	(10,357)	(10,586)
Budget (Surplus)/Deficit	(610)	(555)	(241)	(184)

Appendix A2

Unavoidable Budget Pressures	2016/17	2017/18	2018/19	2019/20
Expenditure				
Increased contributions to GCC Pension Fund - Actuarial Valuation March 2013 & Proj for March 2016	202,000	200,000	200,000	200,000
Increased NI as a result of changes to state pension scheme	165,000			
Apprenticeship Levy 0.5% of pay bill April 2017 £15,000 offset against the levy	0	20,000		
Total Expenditure Budget Pressures	367,000	220,000	200,000	200,000
Income				
Rebalancing the investment income to reflect cash balances	(20,000)	0	0	0
Loss of Rental Income from Brewery Court development and access rights	15,000			
Cuts to Local Council Tax Support Admin Grant	5,000	5,000	5,000	5,000
Universal Credit Admin Subs Cuts up to 75% (£250K) by 2019/20	62,500	62,500	62,500	
Total Income Growth/Budget Pressures	62,500	67,500	67,500	5,000
TOTAL	429,500	287,500	267,500	205,000

Appendix A3

Capital	16/17 £000s	17/18 £000s	18/19 £000s	19/20 £000s
Capital Reserves				
Opening Balance of capital receipts and capital grants				
Expenditure:	(9,216)	(10,264)	(9,404)	(9,147)
Environmental Services Depot	500			
PSHR Capital Grant	921	921	921	921
ICT Capital funding	300	150	150	150
Potential new schemes [currently unapproved - car parks]	352	300	100	150
Provision for financing of Ubico Ltd waste vehicles	630	265	138	15
Funding for flooding and Land Drainage works	422	300		
2020 Vision capital contribution to programme	245	125	125	0
Planning scanning	150			
Community Projects Fund	100			
Income:				
Capital Financed from Revenue	(250)	(250)	(250)	(250)
Earmarked reserves funding Capital	(150)			
DFG Central Government Grant	(400)	(400)	(400)	(400)
Other external grants and contributions (e.g. Flooding EA/GCC contributio	(131)			
Expected capital receipts from asset sales	(3,200)			
Right to Buy and other misc. capital receipts	(150)	(150)	(150)	(150)
Loan repayment from Ubico Ltd for waste vehicles	(387)	(401)	(377)	(340)
Estimated Closing Balance of Capital Receipts	(10,264)	(9,404)	(9,147)	(9,051)

Scenario A - Appendix A4

Revenue Reserves	16/17	17/18	18/19	19/20
	£000s	£000s	£000s	£000s
Council Priorities Fund (and CPF allocations)				
Opening balance 01/4/2015	(2,398)	(1,813)	(1,180)	(810)
Income				
Contribution from revenue toward the impact of austerity measures	(751)			
Expenditure				
Change programme costs [agreed in Feb12 Budget strategy]	25			
Environmental Services - individual member budgets	68	68	68	68
Building Control (10% reduction in fees)	32	32	32	32
Schools one-off payments - re. Tetbury and Fairford LCs	267			
Leisure and Cultural Services price freeze	85	42		
Local Plan Development and Examination	80	40		
HLF - Bid for the corinimum Museum	16	16	18	
HLF - Bid for the Old Prison			50	
Alterations to Commercial space/Trinity Road	70	55		
Funding for flood works - allocations 14/15, 15/16, 16/17	100			
Revenue contribution to 2020 Vision Programme	593	380	202	10
Closing balance	(1,813)	(1,180)	(810)	(700)
Other Earmarked Reserves (excluding CPF)				
Opening balance	(1,379)	(495)	(675)	(920)
Income				
Contribution from General Fund to Business Rates Smoothing		(250)	(250)	(250)
Expenditure				
Building Maintenance	30			
Waste Depot future service growth	20			
Cotswold DMO (Tourism)	47			
Homelessness (Gloucestershire and CDC pots)	65	70	5	5
Business Rates Smoothing Reserve	650			
Other expenditure funded from reserves	72			
Closing balance	(495)	(675)	(920)	(1,165)
Total of Earmarked reserves	(2,308)	(1,855)	(1,730)	(1,865)
General fund working balance				
Opening balance	(2,562)	(3,171)	(3,269)	(2,991)
Revenue budget (surplus)/deficit for the year	(610)	(98)	278	440
Closing balance on the General Fund	(3,171)	(3,269)	(2,991)	(2,552)
Total of Council revenue reserves (GF and Earmarked Reserves)	(5,479)	(5,124)	(4,721)	(4,416)

Scenario B Appendix A4

Revenue Reserves				
	16/17 £000s	17/18 £000s	18/19 £000s	19/20 £000s
Council Priorities Fund (and CPF allocations)				
Opening balance	(2,398)	(1,813)	(1,180)	(810)
Income				
Contribution from revenue toward the impact of austerity measures	(751)			
Expenditure				
Change programme costs [agreed in Feb12 Budget strategy]	25			
Environmental Services - individual member budgets	68	68	68	68
Building Control (10% reduction in fees)	32	32	32	32
Schools one-off payments - re. Tetbury and Fairford LCCs	267			
Leisure and Cultural Services price freeze	85	42		
Local Plan Development and Examination	80	40		
HLF - Bid for the corinimum Museum	16	16	18	
HLF - Bid for the Old Prison			50	
Alterations to Commercial space/Trinity Road	70	55		
Funding for flood works - allocations 14/15, 15/16, 16/17	100			
Revenue contribution to 2020 Vision Programme	593	380	202	10
Closing balance	(1,813)	(1,180)	(810)	(700)
Other Earmarked Reserves (excluding CPF)				
Opening balance	(1,379)	(495)	(675)	(920)
Income				
Contribution from General Fund to Business Rates Smoothing		(250)	(250)	(250)
Expenditure				
Building Maintenance	30			
Waste Depot future service growth	20			
Cotswold DMO (Tourism)	47			
Homelessness	65	70	5	5
Business Rates Smoothing Reserve	650			
Other expenditure funded from reserves	72			
Closing balance	(495)	(675)	(920)	(1,165)
Total of Earmarked reserves	(2,308)	(1,855)	(1,730)	(1,865)
General fund working balance				
Opening balance	(2,562)	(3,172)	(3,727)	(3,968)
Revenue budget (surplus)/deficit for the year	(610)	(555)	(241)	(184)
Closing balance on the General Fund	(3,172)	(3,727)	(3,968)	(4,152)
Total of Council revenue reserves (GF and Earmarked Reserves)	(5,480)	(5,582)	(5,698)	(6,017)

Budget Risks	Likelihood	Impact	Score	Internal/ External	Risk Mitigation
1 Impact of changes to New Homes Bonus Scheme increases Council savings targets over the medium term	4	4	16	External	MTFS reflects illustrative figures provided by DCLG. Respond to the government consultation document. Review final central government decisions and model financial impact. Once final scheme is announced, consider any mitigating action e.g. Local Plan progress, minimise risk of planning applications being successful upon appeal, determine the level of deadweight growth and adjust anticipated income from New Homes Bonus accordingly.
2 Movement to 100% Business Rates Retention has a negative financial impact - additional responsibilities cost more than the increase in retained business rates	5	3	15	External	MTFS assumes a cash neutral position as the government plans to have completed its austerity measures by the time this comes into effect. Continue to monitor government details as they are announced and respond to consultation.
3 Successful business rates appeals impact upon locally retained business rates.	3	5	15	External	A provision for successful business rates appeals has been created in 2014/15 accounts and appeal provision has been updated based upon Dec 2015 data on outstanding appeals, known success rates etc. Regular updates on business rates appeals available from VAO. Regular liaison with VAO regarding national trends, local matters.
4 Impact of business rates reset in 2020	5	3	15	External	Monitor DCLG communications. Update to MTFS in autumn 2016 will include modelling of potential implication
5 Local Land Charge Register transfer to Land Registry impacts upon income from land charges.	4	3	12	External	Project established to implement the changes. Project includes collection of costs associated with the project with the aim of recovering costs via the New Burdens doctrine. Monitor government communications on the change and reflect within updates to MTFS as appropriate. Respond to any consultation and lobby to protect Council's position. Local Government Association and Local Land Charges Institute working with local authorities during the transition

Budget Risks	Likelihood	Impact	Score	Internal/ External	Risk Mitigation
6 The Council is part of the Gloucestershire Business Rates Pool. This increases both the risks and rewards available from the business rates scheme.	3	4	12	External	The pool has been re-constituted in 2016/17 to exclude Tewkesbury Borough Council because of the risk associated with the Virgin Meadia listing. Each Council has made provision for outstanding business rates appeals. Financial modelling indicates that the pool will provide a significant benefit across the County. However, there are risks of future unforeseen business rates appeals which would be borne by the Councils due to the increased level of safety net associated with the pool.
7 Impact of unforeseen legislative changes on financial resources	4	4	16	External	Pool can be collapsed on an annual basis in the autumn of each financial year. Viability of pool assessed during the autumn of each financial year. Horizon scanning. Preparation of Local Plan is top task.
8 The impact of devolution on the Council's resources	3	3	9	External	Strategic Director representation on the devolution project team. Cabinet member involvement in governance arrangements. Gloucestershire Chief Finance Officer support to project. Effective Programme governance via Joint Committee.
9 Failure of 2020 Vision to deliver savings	3	3	9	Internal	Review of business case to enable Councils to take decision to move to company structure - Summer 2016. Business case based upon efficiency gains achieved through previous sharing of management and services.
10 Increases to LGPS contributions resulting from tri-ennial review of GCC pension fund exceed provision for growth in MTFS	3	3	9	External	Growth in MTFS based upon past experience of pension fund contribution increases. Regular liaison with actuary through Gloucestershire County Council Pension fund data on active members cleansed 2020 Vision business case will include modelling on impact upon LGPS contributions.

Budget Risks	Likelihood	Impact	Score	Internal/ External	Risk Mitigation
11 Transfer of responsibility for housing benefit fraud to Department for Works and Pensions may impact upon identification of and recovery of fraudulent housing benefit claims leading to adjustment to budget	4	2	8	External	Budget monitoring. Counter fraud pilot project established to identify potential fraudulent activity across the Council.
12 Unavoidable budget pressures exceed provision	3	2	6	Internal	This will be monitored as part of the annual update to the MTFP and as part of regular budget monitoring
13 Housing and Planning Bill potential impact upon capital right to buy receipts	3	2	6	External	Monitor situation, update MTFP as appropriate.
14 Unable to achieve budgeted salary underspend	2	3	6	Internal	Budgetary control processes Budget reducing to reflect more sharing and therefore less capacity to be able to continue with business without filling vacant posts as quickly possible.
15 Unable to meet savings targets	3	2	6	Internal	MTFS and budget process 2020 Vision governance
16 Failure to meet income budgets	2	2	4	Internal	Budgetary control processes Appropriate marketing of services and consideration of effective charging levels
17 Legal challenge leading to financial implications	2	3	6	Internal	Effective engagement with key stakeholders over key decisions. Controls over preparation and authorisation of Member/Officer decision making reports Role of Monitoring Officer
18 Level of pay inflation exceeds provision in the MTFP	2	2	4	External	Government has announced intention to cap public sector pay awards at 1% per annum for next four years. Provision incorporated within MTFP, however, this has not been agreed with the Unions. Improving economic conditions has lead to a lower cost of the scheme in recent years.
19 Demand for Local Council Tax Support increases reducing the value of the council tax base	3	2	6	External	Housing growth in the District will help to offset the impact of any increases in LCTS. Robust processes for collection of council tax debt in place, collection fund has produced surpluses for the past few years and future surplus may be available to offset future costs arising from the LCTS.

Budget Risks	Likelihood	Impact	Score	Internal/ External	Risk Mitigation
20 Expenditure Risk	2	3	6	External	<p>The MTFS contains provision for inflationary increases on contracts such as the environmental services contract with Ubico Ltd.</p> <p>There are areas of expenditure that the Council has no direct control over, either the take up or the cost of the service. The only areas of concern relate to Ubico Ltd employee costs (due to increasing market hourly rates) fuel costs (given the recent collapse of fuel prices this is unlikely to lead to near term pressures) and Local Council Tax Support (which is currently reducing).</p> <p>MTFS sets out operational income and expenditure, inflationary pressure, unavoidable growth and savings for a four year period. Links through to earmarked reserves to fund one-off or cyclical costs. CFO estimate of minimum level of General Fund Working Balance. Capital expenditure plans linked to capital reserves, revenue implications etc.</p>
21 Council is unable to achieve a balanced budget	2	4	8	Internal	<p>Central government will permit £5 council tax increase per annum, if necessary to support balanced budget.</p> <p>2020 Partnership transformational change programme to deliver savings.</p> <p>Level of general fund working balance provides timeframe to deliver change programme. Council Priorities fund available to fund one-off costs associated with transformational change.</p>