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The following report is to be considered by the Cabinet at its Meeting on 15<sup>th</sup> February 2018, for onward recommendation to the Council.

It should be noted that the Cabinet report was produced in advance of the announcement of the Final Local Government Finance Settlement, details of which will be reported to the Cabinet Meeting.

The recommendations of the Cabinet will be circulated to all Members after the Cabinet Meeting (along with an updated report, if necessary).

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**AGENDA ITEM (8)**

**DRAFT MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22, CAPITAL AND REVENUE BUDGETS 2018/19**

<b>Accountable Member</b>	Councillor Mark Annett Leader of the Council
<b>Accountable Officer</b>	Jenny Poole Chief Finance Officer 01285 623313 jenny.poole@cotswold.gov.uk

<b>Purpose of Report</b>	<p>To consider an update of the Medium Term Financial Strategy for the period 2018/19 to 2021/22 together with the detailed budget proposals for 2018/19.</p> <p>To consider consultation feedback on the draft budget proposals and to provide comments for Cabinet and Council to consider as part of the budget setting process.</p>
<b>Recommendations</b>	<p>(a) That the Cabinet considers a one-off funding request of £20,000 to provide additional resources to deliver key tasks in the Car Parking Service during 2018/19, such funding to be provided from the Council Priorities Fund and included within the Medium Term Financial Strategy and Budget Papers to be recommended to the Council; <b>CABINET DECISION INCLUDED IN THESE UPDATED PAPERS</b></p> <p>(b) that the Cabinet recommends the following to the Council for approval:</p> <ul style="list-style-type: none"> <li>(i) the Medium Term Financial Strategy for 2018/19 to 2021/22, attached at Appendix 'A'; <b>UPDATE ATTACHED AS PER CABINET RECOMMENDATIONS</b></li> <li>(ii) the Capital Programme for 2018/19 to 2020/21, as detailed in section 11 of this report, and attached</li> </ul>

	<p>at Appendix 'B'; <b>UPDATE ATTACHED AS PER CABINET RECOMMENDATIONS</b></p> <p>(iii) the Net Budget Requirement for 2018/19, detailed at paragraph 9.1 of this report, and the Detailed Budget attached at Appendix 'B';</p> <p>(iv) the Pay Policy Statement for 2018/19, attached at Appendix 'D';</p> <p>(v) the Treasury Management Strategy Statement 2018/19, attached at Appendix 'E' <b>UPDATE ATTACHED AS PER CABINET RECOMMENDATIONS;</b></p> <p>(vi) the Capital Strategy 2018/19, attached at Appendix 'F'; <b>UPDATE ATTACHED AS PER CABINET RECOMMENDATIONS</b></p> <p>(vii) <del>the financial impact of any changes from the Provisional Local Government Finance Settlement will be managed through the General Fund Working Balance for 2018/19. THE IMPACT OF THE FINAL LOCAL GOVERNMENT SETTLEMENT IS INCLUDED IN THESE UPDATED PAPERS</del></p>
<b>Reason(s) for Recommendation(s)</b>	To provide consultation feedback to the Cabinet on the draft MTFS and budget proposals for 2018/19.

<b>Ward(s) Affected</b>	All
<b>Key Decision</b>	Yes
<b>Recommendation to Council</b>	Yes

<b>Financial Implications</b>	Subject of the report.
<b>Legal and Human Rights Implications</b>	None directly arising from this report
<b>Environmental and Sustainability Implications</b>	None directly arising from this report
<b>Human Resource Implications</b>	None directly arising from this report
<b>Key Risks</b>	See Appendix A5

<b>Related Decisions</b>	<p>Budget 2017/18 - Council - 21<sup>st</sup> February 2017</p> <p>2020 Vision Programme - Council - 27<sup>th</sup> September 2016</p> <p>Four-Year Funding Settlement - Council - 27<sup>th</sup> September 2016</p>
<b>Background Documents</b>	None
<b>Appendices</b>	<b>Appendices 'A1 - A5'</b> - Draft Medium Term Financial Strategy 2018/19 to 2021/22 and Risk Assessment



	<b>Appendix 'B'</b> - Detailed budget 2018/19 <b>Appendix 'C1'</b> - Budget Consultation Responses <b>Appendix 'C2'</b> - Budget Consultation Response - Fairford Town Council <b>Appendix 'D'</b> - Pay Policy Statement 2018/19 <b>Appendix 'E'</b> - Treasury Management Strategy Statement 2018/19 <b>Appendix 'F'</b> - Capital Strategy 2018/19
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<b>Performance Management Follow Up</b>	Once the budget has been agreed, performance will be reported quarterly to the Overview and Scrutiny Committee and Cabinet.
<b>Options for Joint Working</b>	Preparation of the budget and monitoring financial performance is carried out by officers working within Publica Group (Support) Ltd in the financial services shared service.

## Background Information

### 1. General

1.1 The Cabinet considered the draft Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2021/22 and the associated budget proposals for 2018/19 at its Meeting on 16<sup>th</sup> November 2017, and approved the document for consultation purposes.

1.2 The Secretary of State for Communities and Local Government announced the provisional local government settlement for 2018/19 in December 2017. The provisional settlement included the following announcements:-

- an increase to the Rural Services Delivery Grant in 2018/19 for most sparsely populated rural areas;
- provisional allocations for New Homes Bonus for 2018/19 - the possible penalties for planning applications awarded on appeal were not implemented;
- changes to the proposed 2020/21 100% business rates retention scheme - now a proposal for a 75% scheme;
- the selection of Gloucestershire (County Council and all District Councils) as one of ten new 100% Business Rate Retention Pool pilots.

1.3 The latest iteration of the Council's MTFS, attached at **Appendix 'A'**, has been updated to reflect the announcements. Any changes arising from the Final Local Government Finance Settlement will be reported at the Cabinet Meeting. **The Final Local Government Finance Settlement included an additional £119,000 of Rural Services Delivery Grant funding for 2018/19. The impact is included within this updated report; recommendation (vii) is therefore no longer required.**

1.4 In December 2017, The Chartered Institute of Public Finance and Accountancy (CIPFA) published updates to the Prudential Code and The Treasury Management Code of Practice. The change to the Prudential Code introduced a requirement for the Council to produce a Capital Strategy. An early draft of the Council's Capital Strategy was considered by the Council's Audit Committee on 30<sup>th</sup> January 2018. Feedback from that Committee has informed the Capital Strategy and the closely associated Treasury Management Strategy Statement. Indicative provisions have been included in the Capital Strategy, Treasury Management Strategy Statement and MTFS for the implications of investment in car parking in Cirencester.



## 2. National Funding Position

2.1 Since 2010/11, comparable Government funding (i.e. Revenue Support Grant, Retained Business Rates and specific grants which were rolled into this core funding) has fallen from £6.0m to £2.3m per annum; a reduction of £3.7m (62%) per annum.

2.2 The Council has accepted a four-year funding deal offer by the Secretary of State for Communities and Local Government (2016/17 to 2019/20) which established a minimum level of funding from retained Business Rates, Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant. In the provisional local government finance settlement for 2018/19, the value of Rural Services Delivery Grant for 2018/19 has been increased by £111,561 bringing the grant in to line with the award for 2017/18 and 2019/20. A further £119,000 was allocated in the final local government finance settlement.

2.3 During 2017/18, there were changes to the New Homes Bonus (NHB) scheme, including the reduction of the period of award of NHB from six years to five years in 2017/18 and the introduction of baseline growth of 0.4% per annum. With effect from 2018/19, NHB will be further reduced from five years to four years.

2.4 During 2017, the Department for Communities and Local Government (DCLG) consulted on further changes to the scheme to reduce the value of NHB for new homes built as a result of appeals to planning decisions. No further changes to the scheme for 2018/19 were announced in the provisional local government finance settlement for 2018/19. The MTFS has been updated to include the provisional allocation of NHB for 2018/19 (£3,205,113) along with an updated forecast of NHB over the life of the MTFS. Over the life of the MTFS, NHB is forecast to exceed the Council's baseline budget for NHB of £1,845,000. It is proposed that NHB in excess of the baseline budget for 2018/19 and 2019/20 is earmarked as a financial contribution towards the costs of capital investment in car parking provision in Cirencester. In later years, excess NHB is contributed to the Council Priorities Fund earmarked reserve to provide one-off funding for investment in Council priorities.

## 3. Retained Business Rates and the Gloucestershire Pool Pilot

3.1 The Secretary of State for Communities and Local Government announced the provisional local government settlement for 2018/19 in December 2017. The provisional settlement included the announcement of the selection of Gloucestershire (County Council and all District Councils) as one of ten new 100% Business Rate Retention Pool pilots. The proposal to DCLG set out the commitment to share additional funding resulting from the 100% pool pilot as follows:

- **20% to the Strategic Economic Development Fund** –already established under the 50% business rates pool arrangements and managed by the Gloucestershire Economic Growth Joint Committee comprising of all 7 Gloucestershire Councils and the GFirst Local Enterprise Partnership;
- **30% to the six District Councils** for financial resilience (stability and sustainability) and growth initiatives specific to each individual area;
- **50% to the County Council.**

3.2 It is estimated that the business rates yield to the Council will increase by £439,535 through being part of the pool pilot. In line with the proposals set out above, this benefit will be collated with the other Gloucestershire Districts in order that the pool benefit can be shared with the County Council and the Strategic Economic Development Fund. The budget proposals set aside the gain of £439,535 in to the Council's Business Rate Smoothing Reserve to provide for the distribution at the end of the financial year once the business rates outturn position is known. As the Rural Services Delivery Grant (which increased by £119,000 in the final local government finance settlement) will be funded through retained business rates there is an impact upon the value of funding set aside to the Business Rates Smoothing Reserve. The set aside funding has been reduced to £379,225.



reflecting a larger share of business rates income being retained by the Council.

3.3 In April 2017, a new Rating List came into effect together with a new Check, Challenge and Appeal process, replacing the former appeals process.

3.4 A significant level of risk remains due to the volume of outstanding Business Rates appeals against the 2010 list, which are being processed by the Valuation Office. Where appeals are successful, refunds of Business Rates are generally repayable back to the 2010/11 financial year, which reduces the Business Rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision will be reviewed as part of preparation of the Business Rates estimates for 2018/19 which takes place during January 2018. Response from businesses to the new Check, Challenge, and Appeal process has been slower than expected. Officers expect that use of the process will increase over the course of the rating list period.

3.5 The MTFs assumes the Council will be compensated (through Section 31 grant) for the impact on Business Rates which relate to any nationally announced discounts or reliefs to businesses (such as those previously announced in the Chancellor's Autumn Statements and Budget 2017).

3.6 The 2018/19 budget includes key data from the business rates estimates (NNDR 1):- **THIS TABLE HAS BEEN UPDATED TO REFLECT THE IMPACT OF THE INCREASE TO RURAL SERVICES DELIVERY GRANT ANNOUNCED IN THE FINAL LOCAL GOVERNMENT SETTLEMENT.**

	2018/19 £
Estimate of business rates (including £77,789 from solar farms)	16,491,991
Tariff to Government	(13,558,495)
Section 31 Grants - reflecting impact of Government decisions on local government financing	2,000,689
Estimated Levy payable to Government	0
<b>Net retained business rates</b>	<b>4,934,185</b>
Collection fund Surplus (Deficit) forecast to end of 2017/18	(841,569)
Contribution from Business Rates Smoothing Reserve to part fund the deficit (section 31 Grant due in respect of small business rate relief awarded 17/18)	439,535
Contribution to Business Rates Smoothing Reserve - provision for allocation of pool pilot surpluses to Economic Growth Fund and County Council.	(379,225)
<b>Net overall income from Retained Business Rates</b>	<b>4,152,926</b>

#### 4. Council Tax

4.1 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any Council that wishes to raise its Council Tax above the limits that applies to it will have to hold a referendum. The result of the referendum will be binding.

4.2 For this Council, the DCLG is proposing to increase the existing 2% threshold to 3% for 2018/19. Alternatively, the Council could increase Council Tax up to £5 for the year. The MTFS assumes increases in Council Tax of 1.99% per annum, which is below the threshold, and is not expected to trigger a referendum. Cabinet are recommending a council tax freeze for 2018/19, the updated papers reflect this change.

## 5. Collection Fund

The strategy assumes a surplus on the Collection Fund of £100,000 each year. For 2018/19, the actual collection fund surplus is higher at £170,585.

## 6. Financial Planning Assumptions

6.1 The financial planning assumptions used in the MTFS reflect current economic circumstances. The following assumptions have been applied to the Council's base budget for 2017/18:-

- provision for a pay award inflation/impact on Publica contract sum of 2% per annum;
- provision for inflation on service contracts (including Publica) in accordance with the point above, underlying agreement or experience of cost increases of £240,000 for each of the next four years;
- interest rates will remain low over the life of the Strategy, reflecting the Bank of England base rate; however, the Council will diversify its cash holdings to increase investment yield whilst maintaining the priorities of security and liquidity over yield;
- no inflation on Council set fees and charges until 2020/21; the Council may need to increase fees and charges at this point depending on the outcome of the next Government Spending Review; an assumption of income growth of £50,000 for 2020/21 and 2021/22 has been included in the MTFS;
- growth in the Council Tax base of 1.2% per annum;
- NHB income of a minimum of £1.845m per annum with effect from 2018/19; any NHB received in excess of this will be available to fund projects which support delivery of the Council's priorities. For 2018/19 and 2019/20, the excess NHB is being allocated to the car parking investment in Cirencester;
- Council Tax increase of 1.99% per annum; Cabinet are recommending a council tax freeze for 2018/19.
- the Collection Fund will generate income over and above the Council Tax estimates. For 2018/19, this generates additional Council Tax income of £170,000. For each year thereafter, the Strategy assumes the Council's share of the surplus will be £100,000 per annum;
- Estimates for levels of Retained Business Rate from 2020/21 assume the implementation of the 75% scheme but exclude (due to lack of published information) the impact of any associated Business Rate Baseline reset or changes from the outcome of the Fairer Funding Review.

## 7. Unavoidable Budget Pressures

7.1 The MTFS includes a provision for pay award inflation of 2% per annum, which is broadly in line with current national negotiations.



7.2 Utilities contracts include an allowance for inflation. Budgets will be inflated according to contract terms.

7.3 Provision is included for inflation related to the contract with Ubico Ltd for environmental services provision. However, there are many factors which will impact on the cost of service provision, such as: increasing numbers of households in the District and the cost of consumables (especially fuel costs) which complicate budget forecasts. A residual risk of costs exceeding the budget provision remains. This will be monitored as part of contract and budget monitoring processes during 2018/19.

7.4 Current and former Council employees (i.e. employees that transferred to Publica in November 2017) are members of the Gloucestershire Local Government Pension Scheme (LGPS). Every three years, the assets and liabilities of the LGPS are valued by an Actuary in order to set the contribution rates for the next three financial years. The last valuation was carried out in March 2016 and set the Council's contribution rates for 2017/18-2019/20. The MTFS contains provision for increased contributions of £195,000 in each of the next two years, in line with the actuary valuation. It is possible that the next valuation, to be carried out as at 31<sup>st</sup> March 2019, may require a further increase in contributions. This poses a risk to the MTFS in the future, and will be kept under review.

7.5 The Head of Gloucestershire Joint Waste Team (GJWT) was originally shared with Somerset. It has been decided that the GJWT requires a full-time Head. A funding request for £10,000 per annum has been made to each partner Council.

7.6 There are additional costs associated with the provision of car parking in Cirencester. A provision of £25,000 has been included in the budget with effect from 2018/19.

7.7 The MTFS has been updated to include provisional estimates for the capital cost of investment in car parking in Cirencester of £15m and the associated financing from application of NHB (£2.5m), use of capital receipts (£5m) and borrowing (£7.5m). Cabinet recommend that £260,000 of revenue funding is made available to fund the new car park, reducing the borrowing requirement. The report has been updated to reflect this recommendation. Provision has been included for the revenue impact of the investment i.e. provision for the repayment of the borrowing and associated external interest costs and loss of investment interest. The figures are indicative, pending the production of a detailed financial business case. The MTFS assumes the revenue impact, over the medium term, will be cost neutral due to increased car parking income as a result of the increased provision of car parking spaces. This assumption will need to be challenged in the detailed business case for the car parking provision. The MTFS will be updated during 2018/19 once the detailed business case has been considered and the Council's decisions have been taken. There is a small risk of the provision for financing costs of £25,000 in 2018/19 being exceeded should the project progress at a faster pace and therefore incur more capital expenditure in 2018/19 than envisaged, when drafting the MTFS.

7.8 The Universal Credit benefits system is now in place for new claimants. While local council tax support claims will continue to be administered by local authorities, housing benefit claims will become part of the Universal Credit system, as it is gradually rolled out (over a number of years) in phases to all benefit claimants. It is currently expected that housing benefit claims for pensioners and individuals in care will remain with local authorities for processing. For this Council, that amounts to approximately 52% of the housing benefits caseload. In addition, local authority Officers will be supporting claimants with their Universal Credit claims.

7.9 Officers have predicted that Department of Work and Pensions (DWP) housing benefit administration grant funding will fall over the period to 2019/20. It is unlikely that Officers will transfer across to the DWP. The 2020 Vision includes savings from extending joint working and efficiency gains. A provision for grant reduction is included in the draft MTFS.

7.10 Investment interest rates have reduced and will probably remain very low in the medium term, until there is more economic certainty following Brexit. Returns from traditional fixed term cash



deposits are minimal, so growth will need to be from alternative investment sources such as equities and bonds, which are also volatile in the current market, or investment in property assets. The Audit Committee considered options for diversifying the Council's investment portfolio, in line with the Treasury Management Strategy and emerging Capital Strategy, at its Meeting on 30<sup>th</sup> January 2018. The MTFS has been updated to include a target for additional income from the Council's investment portfolio of £100,000 in 2018/19.

7.11 The Council has a number of projects to deliver in the car parking service during 2018/19, including, a significant project to provide additional car parking in Cirencester and potentially the installation of additional electric vehicle charging points. The Head of Environmental Services has requested some additional resource, for one year, in the service area to support delivery of these projects. The resource will be shared with West Oxfordshire District Council which has similar priority projects in its car parking services in 2018/19. The one-off funding request is for £20,000 to be funded via the Council Priorities Fund. **The report has been updated to reflect the Cabinet decision to fund the additional resource from the Council Priorities Fund.**

## 8. Savings Targets

8.1 The MTFS savings targets reflect deliverable savings. The plans to deliver these savings are set out in the following table:-

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Leisure and Museum Contract	53	(76)	35	18	30
Transformational Change Programme – Delivered through Publica	147	458	156	25	786
Reduced LCTS Grant to Town/Parish Councils/Meetings	32	31			63
<b>Total</b>	<b>232</b>	<b>413</b>	<b>191</b>	<b>43</b>	<b>879</b>

8.2 The MTFS forecasts that the Council will need to use the General Fund Working Balance in order to balance the budget with effect from 2019/20. To avoid the requirement to use General Fund Working Balance, the savings targets would need to increase as follows: **The table has been updated to reflect the impact of Cabinet recommendations.**

<b>Increases to savings target required to balance budget</b>	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Increased savings target	0	240	293	7	540

8.3 A clearer picture of the level of savings required will emerge once the government provides further detail on the 2020/21 implications of:-

- the move to 75% Business Rates Retention;
- Business Rates Baseline Reset - potential loss of growth from 2013;
- the outcome of the local government Fairer Funding Review; and



- the outcome of a future Spending Review.

## 9. Net Budget Requirement

9.1 A summary of the impact upon the Council's net budget requirement for 2018/19 is set out below:- The tables below have been updated to reflect Cabinet recommendations.

Summary of Changes to Net Budget Requirement	£
<b>Net Budget Requirement 2017/18</b>	<b>10,485,093</b>
Inflationary pressure - expenditure budgets	290,000
Unavoidable budget pressures - expenditure	744,000
Unavoidable budget pressures - income	(32,500)
Savings	(232,252)
<b>Net Budget Requirement 2018/19</b>	<b>11,254,341</b>

9.2 The Council's net budget requirement will be funded as follows:-

	£	£
<b>Net Budget Requirement 2018/19</b>		<b>11,254,341</b>
Revenue Support Grant	0	
<b>Net Business Rates Income</b>	<b>4,152,926</b>	
Council Tax payers @ £126.40 Band D	<b>5,093,641</b>	
Collection Fund Surplus	<b>170,585</b>	
New Homes Bonus	<b>1,845,000</b>	
Rural Services Delivery Grant	0	
<b>Total Funding</b>		<b>11,262,152</b>
<b>Budget Surplus</b>		<b>7,811</b>

9.3 The proposed budget strategy would give rise to a Council Tax of £126.40 per Band D equivalent property (a council tax freeze).

9.4 The proposed budget assumes a budget surplus of £7,811. It is proposed that this surplus is used to increase the General Fund Working Balance to provide for later years of the strategy where changes from the transition to 75% business rates retention will impact and the Council's budget position is far less certain.

9.5 The detailed revenue estimates for the Council are attached at **Appendix 'B'**. This appendix has been updated to reflect Cabinet recommendations. The Budgets for 2018/19 reflect the change of employee costs from Cotswold District Council to Publica. In addition, greater transparency has



been introduced by showing the full cost of support services and not allocating costs across front-line service areas.

## 10. Revenue Reserves

10.1 As at 31<sup>st</sup> March 2017, the Council held £4.3m in General Fund Working Balances and £5.5m in earmarked reserves. Of the earmarked reserves, £2.0m is held in the Council Priorities Fund Reserve, which is available to support delivery of the Council's priorities and can, therefore, be used to enable the Council to undergo the significant change required to deliver the savings targets.

10.2 The Council Priorities Fund is being used to finance transformational change (the 2020 Vision Programme), one-off costs associated with the development and examination of the Local Plan and the associated introduction of Community Infrastructure Levy, costs associated with the Council's commitment to freeze leisure prices, reduced building control fees, enhance environmental services, contribute towards the costs of improvements to the Corinium Museum, and develop a strategy for the future provision of car parking in Cirencester.

10.3 At the end of the MTFS period, the Council plans to hold around £4.3m in General Fund Working Balances and £3.6m in earmarked reserves. The level of General Fund Working Balances will depend on the impact of the introduction of 75% Retained Business Rates, the impact of the Business Rates Baseline Reset, the outcome of the Fairer Funding Review and potentially the next Government Spending Review. Details are not available at the time of writing this report. The movement in General Fund Working Balances and Earmarked Reserves is attached at **Appendix 'A4'**. The Appendix has been updated to reflect Cabinet recommendations.

## 11. Capital

11.1 As at 31<sup>st</sup> March 2017, the Council held £12.6m of capital receipts and capital grants, which are available to fund capital projects. The Council is currently assessing options for the delivery of facilities to provide for the future car parking needs in Cirencester. Once this work is complete, a report will be considered by the Council including the financial implications. The MTFS provides for a capital investment of £15m, which will be updated once the Council has approved the capital scheme in line with a detailed business case. The Council is acting as the Accountable Body for an investment project in the Corinium Museum. Although the project is largely funded via a grant from the Heritage Lottery Fund and other external funders, the gross capital investment is included within the summary Capital Programme as set out below:- The table has been updated to reflect Cabinet recommendation on inclusion of £300,000 for electric vehicle charging points.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Investment in car park Cirencester	7,500	7,500		
Works on Corinium Museum (funded from external funding)	1,316			
Disabled Facilities Grants / Decent Homes Grants	700	700	700	700
IT - Corporate	200	200	200	200
IT - Service Specific	15	250	15	
Recycling receptacles - growth in properties and replacements	55	55	55	55
Replacement waste and	156	381	1,410	



environmental services vehicles				
Investment in car parks	100	150		
Provision for capital investment to support 2020 Vision	100			
Replacement Leisure Equipment			250	
Electric Vehicle Charging Points	300			
<b>Total</b>	<b>10,442</b>	<b>9,236</b>	<b>2,630</b>	<b>955</b>

11.2 The Council anticipates generating capital receipts and receiving capital grants as follows:-

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Corinium Museum Heritage Lottery Fund Grant and external funding	1,266			
Disabled Facilities Grant	650	650	650	650
Right to Buy Receipts/other capital receipts	150	150	150	150
Ubico Ltd contribution to vehicle assets	450	382	422	422
<b>Total</b>	<b>2,516</b>	<b>1,182</b>	<b>1,222</b>	<b>1,222</b>

11.3 It is proposed that the £15 million investment in Cirencester car parking will be funded £7.24 million through borrowing, £2.5 million through use of New Homes Bonus, £5 million through use of Capital Receipts and £260,000 through a revenue contribution in 2018/19. The impact of the Capital Programme and the funding arrangements are set out in the Capital Strategy, attached at **Appendix F** and Treasury Management Strategy Statement, attached at **Appendix E**. These draft documents were considered by the Audit Committee on 30<sup>th</sup> January 2018. The Appendices have been updated to reflect the change in financing the car park.

11.4 The expected balance of capital receipts over the life of the MTFS is set out below:-

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Balance of capital receipts</b>	<b>7,025</b>	<b>4,361</b>	<b>3,202</b>	<b>3,719</b>

## 12. Risks

A risk assessment of the proposed MTFS and budget proposals for 2018/19 is attached at **Appendix 'A5'**.

## 13. Consultation

13.1 Residents, businesses and other stakeholders, such as Town and Parish Councils, within the District responded to the Council's recent budget consultation via an online survey, emails and letters



to the Council. Detailed feedback is attached at **Appendix 'C'**.

## 13.2 Online Survey Responses

13.2.1 The survey received 34 responses. Graphical illustrations of responses to each question are attached at **Appendix 'C1'**. The online survey was completed by the following mix of residents and businesses:

ANSWER CHOICES	RESPONSES	
Resident	94.12%	32
Business	2.94%	1
Both	2.94%	1
<b>Total Respondents: 34</b>		

13.2.2 The response to the Council's plans to increase Council Tax by up to 1.99% was as follows:-

ANSWER CHOICES	RESPONSES	
Strongly support	0.00%	0
Support	32.35%	11
Don't mind	17.65%	6
Disagree	17.65%	6
Strongly disagree	32.35%	11
<b>TOTAL</b>		<b>34</b>

13.2.3 The response to the Council's plans to freeze car parking charges was as follows:-

ANSWER CHOICES	RESPONSES	
Strongly support	32.35%	11
Support	17.65%	6
Don't mind	14.71%	5
Disagree	20.59%	7
Strongly disagree	14.71%	5
<b>TOTAL</b>		<b>34</b>

13.2.4 The response to the Council's plans to freeze garden waste charges was as follows:-



ANSWER CHOICES	RESPONSES	
Strongly support	47.06%	16
Support	23.53%	8
Don't mind	20.59%	7
Disagree	5.88%	2
Strongly disagree	2.94%	1
<b>TOTAL</b>		<b>34</b>

13.2.5 The response to the Council's plans to maintain current service standards was as follows:-

ANSWER CHOICES	RESPONSES	
Agree	67.65%	23
Disagree	32.35%	11
<b>TOTAL</b>		<b>34</b>

13.2.6 The response to the Council's plans to maintain grants to voluntary sector was as follows:-

ANSWER CHOICES	RESPONSES	
Agree	61.76%	21
Disagree	38.24%	13
<b>TOTAL</b>		<b>34</b>

13.2.7 The response to the Council's plans for the use of New Homes Bonus grant was as follows:-

ANSWER CHOICES	RESPONSES	
Strongly support	14.71%	5
Support	41.18%	14
Don't mind	26.47%	9
Disagree	2.94%	1
Strongly disagree	14.71%	5
<b>TOTAL</b>		<b>34</b>

13.2.8 The response to proposed changes to Local Council Tax Support Grant allocations to Town and Parish Councils was as follows:-

ANSWER CHOICES	RESPONSES	
Strongly support	14.71%	5
Support	20.59%	7
Don't mind	35.29%	12
Disagree	23.53%	8
Strongly disagree	5.88%	2
<b>TOTAL</b>		<b>34</b>

### 13.3 Other Comments on Budget Proposals, E-Mails and Letters, Overview and Scrutiny Committee

13.3.1 The Council received detailed comments from some of the contributors to the online survey as well as one letter from a resident and a letter from Fairford Town Council. The details are attached at **Appendix 'C2'**.

13.3.2 The Council's Overview and Scrutiny Committee considered the budget proposals and the consultation feedback on 6<sup>th</sup> February 2018. Any comments from the Committee will be reported at the Cabinet Meeting.

### 13.4 Liberal Democrat Group Budget Proposals

The Liberal Democrat Group has submitted the following 2018/19 budget proposals for consideration by the Cabinet:- The Cabinet considered the proposals in detail but determined not to support the recommendations. The impact of these proposals is not therefore included in this report.

- up to £50,000 in support of the national Changing Places initiative, to install two bespoke changing facility units for the disabled (ideally one in the north and one in the south of the District);
- £100,000 one-off sum to undertake a scoping exercise to look at how we can increase social housing provision in the Cotswolds.

### 13.4 Cabinet Recommendations

The Cabinet are proposing the following changes to the MTFS and budget 2018/19. The impact of the following proposals have been included in the updated report:

- 2018/19 additional resources of £60,000 for work on the Cirencester Strategic Plan;
- 2018/19 additional resources of £75,000 for implementing the Community Infrastructure Levy;
- 2018/19 additional resources of £60,000 for the planning services to manage workload;
- 2018/19 introduction of a Ward Member Grant for Youth Facilities of £34,000 (£1,000 per Member);
- Setting aside £260,000 from revenue budget surplus to contribute towards the funding of the decked car park in Cirencester;
- Freezing council tax at £126.40 per Band D property.

### 14. Chief Finance Officer's Opinion

14.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer to make a report to the Council on the robustness of the budget estimates and the adequacy of the Council reserves. The Council must have regard to this report when making its decisions about budgets and Council Tax for the forthcoming year.



## **14.2 Robustness of Budget Estimates**

14.2.1 This report set out the implications of the Local Government Finance Settlement on the level of Government funding available to fund Council services. For the period to 2020/21, the Council has entered into an agreement with the Government which sets out minimum levels of funding for certain funding streams (Revenue Support Grant and Rural Services Delivery Grant). For the period post 2020/21, the future is far less certain as a number of significant changes will come into effect:-

- the Government will implement the outcome of the Local Government Fairer Funding Review;
- the new 75% Business Rates Retention system will come into effect;
- the Business Rate baseline will be reset and there is the potential for the Council to lose its share of the financial benefit from growth in business rates in the District since 2013;
- the Government will have completed a new Spending Review to establish its spending priorities post 2020;

14.2.2 The Council's budget estimates have been prepared by appropriately qualified and experienced staff in consultation with Heads of Service and other budget managers. Budgets have been through a process of scrutiny by the Overview and Scrutiny Committee.

14.2.3 The Council has an excellent history of delivering planned efficiency saving. The budget for 2018/19 includes further savings of £0.2m. Plans are already in place to deliver £0.1 m of these savings through the Council's transformation programme which will be delivered through its new service providing company Publica. The balance of the savings will be delivered through the Leisure Contract and abolition of the Local Council Tax Scheme grant. These plans, together with the Council's proven track record on delivering savings, give me confidence that these savings can be delivered.

14.2.4 The Bank of England base rate has recently increased to 0.5%. The Council's treasury advisors are expecting the rate to be maintained at low levels for a further significant period of time. The Council has cash assets which could be diversified into a range of pooled funds which should increase yield whilst satisfying the Council's requirements for security and liquidity in line with the proposed Treasury Management Strategy Statement.

14.2.5 The Council's investment in capital projects, both Council-approved and potential projects, are set out in this report. The Council has capital reserves of around £12m. Due to the scale of the investment required in car parking in Cirencester (potentially £15m), the Council will need to borrow to fund its capital programme. The Council will be considering its Capital Strategy and the closely associated Treasury Management Strategy Statement at the same time as the MTFs and detailed budgets for 2018/19. The financial implications of an investment of this scale have been incorporated within the various documents.

14.2.6 The Council has a robust Risk Management Strategy. Significant financial risks have already been identified, and **Appendix 'A5'** sets out the financial risks and the mitigating action being taken to minimise these risks. A Corporate Risk assessment covering a range of financial and non-financial risks has been carried out and the results form part of the Council's performance management systems and processes. The Corporate Risk register is reviewed regularly by the Overview and Scrutiny Committee and the Cabinet.

14.2.7 The major risks looking forward are in respect of the further changes to central government post 2020/21.

**14.2.8 I can confirm that the budget estimates as presented are both prudent and robust.**

## **14.3 Adequacy of the Council's Reserves**

14.3.1 CIPFA has issued guidance on local authority reserves and balances. It sets out three main purposes for which reserves are held:-

- (i) a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- (ii) a contingency to cushion the impact of unexpected events or emergencies;
- (iii) a means of building up funds to meet known or predicted liabilities, known as earmarked reserves.

14.3.2 The Council held General Fund revenue balances of £4.3m on 1<sup>st</sup> April 2017. There are no plans to utilise this balance for the 2017/18 year or in the plans for 2018/19. I have assessed the risks to the budget and have determined that the minimum reserves position should be £1.2m under the current economic outlook with significant risks remaining to revenue streams and grant levels in future years. £1.2m is the equivalent of 11.1% of the net cost of Council services. The unbudgeted financial risks were assessed as follows:-

• litigation costs (e.g. planning appeals)	£500,000;
• pay award (Council or contractors) in excess of 2%	£200,000;
• Business Rate Pool risk (pool pilot has no detriment cover)	£250,000;
• 2020 Partnership savings delivered later than anticipated	£150,000;
• Emergency Planning	£ 60,000.

14.3.3 It is unlikely that all of these risks will materialise during 2018/19. The Council receives quarterly financial performance information which highlight any unfunded financial liabilities which arising during the year and require additional funding. The Council holds sufficient General Fund Working Balance to fund this level of risk. The annual update of the MTFS enables the Council to incorporate any of these emerging risks within its financial plans.

14.3.4 Section 10 of this report sets out the forecast levels of General Fund working balance. The Council is able to maintain a level of reserve above the minimum position of £1.2m. However, in order to maintain this level of General fund reserve over the longer term, it is likely that the Council will need to find further budgetary savings (around £540,000). These savings can be generated through increasing efficiency gains (although a great deal of work have already taken place in this respect), increasing income from fees and charges, increasing Council Tax income or reviewing service provision, particularly the provision of discretionary services. The Council is in the fortunate position of being able to develop contingency plans while the impact of changes to Government funding posting 2020/21 are clarified.

14.3.5 In addition to the General Fund balance, the Council holds various earmarked reserves which are held to fund costs associated with transformational change or smooth the impact of cyclical cost to the Council Tax payer. These funds will enable the Council to deliver its medium and longer term savings plans.

**14.3.6 I can therefore confirm that over the period of the MTFS, the level of reserves is currently adequate.**

## 15. Pay Policy Statement

15.1 Section 38 of the Localism Act requires local authorities to produce Pay Policy Statements, which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.



15.2 The Pay Policy attached at **Appendix 'D'** includes the following key requirements of the Localism Act 2011:-

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

(END)