

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

3.3 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 has been reviewed as part of preparation of the Business Rates estimates for 2019/20. Response from businesses to the new Check, Challenge, and Appeal process remains slower than expected. Officers expect that use of the process will increase over the course of the rating list period.

3.4 The MTFs and budget proposals have been updated to include this business rate estimates for 2019/20.

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.

3.6 The budget for 2019/20 includes key data from the business rates estimates for 2019/20 (NNDR1):

	<b>2019/20</b> <b>£</b>
Estimate of business rates (including £71,325 from solar farms)	13,172,653
Tariff to government	(11,301,146)
Section 31 Grants – reflecting impact of central government decisions on local government financing	2,137,939
Estimated Levy payable to Government	(£935,228)
<b>Net retained business rates</b>	<b>3,074,218</b>
Collection fund Surplus (Deficit) forecast to end of 2018/19	(129,504)
Use of Business Rates Smoothing Reserve to offset collection fund deficit (if required)	129,504
<b>Net overall income from Retained Business Rates</b>	<b>3,074,218</b>

3.7 The table above has been updated, since the Overview and Scrutiny Committee version of this report, to reflect the final business rate figures for 2019/20.

#### 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, MHCLG is proposing to a maximum council tax increase of 3% or £5 for 2019/20. The MTFs assumes a freeze in Council Tax for 2019/20 and increases of 1.99% per annum, each year thereafter. These proposals are not expected to trigger a referendum.

#### 5. Collection Fund

5.1 The MTFs assumes a surplus on the Collection Fund of £100,000 each year. For 2019/20, the actual collection fund surplus is broadly in line with the estimate at £96,878.

<b>Savings target reflecting central gov. funding changes</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Increased savings target	0	1,000	500	500	2,000

8.3 Assuming that all of these savings are deliverable, the MTFs forecasts that the Council will still need to use a significant amount of the General Fund in order to balance the budget in 2019/20, 2020/21 and 2021/22. To avoid the requirement to use General Fund Working Balance, the savings in 2021/22 and 2022/23 would need to be delivered in 2020/21. The forecast use of/(contribution to) General Fund balance is set out in the table below:

<b>Forecast use of/(contribution to) General Fund</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Increased savings target	270	862	439	(8)	1,563

8.4 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 achieved from 2013;
- the outcome of the local government Fairer Funding Review; and
- the outcome of a future Spending Review.

8.5 The Council will need to prioritise work on contingency plans to deliver saving from 2020/21 early in the 2019/20 financial year.

## 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:

<b>Summary of Changes to Net Budget Requirement</b>	<b>£</b>
<b>Net Budget Requirement 2018/19</b>	<b>11,254,341</b>
Inflationary pressure - expenditure budgets	460,000
Unavoidable budget pressures – expenditure (net increase)	3,000
Unavoidable budget pressures – income	(246,148)
Savings	(314,153)
<b>Net Budget Requirement 2019/20</b>	<b>11,157,040</b>

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

	<b>£</b>	<b>£</b>
<b>Net Budget Requirement 2019/20</b>		<b>11,157,040</b>
Revenue Support Grant		0
Net Business Rates Income	3,074,218	

Council Tax payers @£126.40 Band D		5,268,736	
Collection Fund Surplus		96,878	
New Homes Bonus		1,845,000	
Rural Services Delivery Grant		602,434	
<b>Total Funding</b>			<b>10,887,266</b>
<b>Budget Deficit</b>			<b>269,774</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 shortfall of £269,774. It is proposed that this deficit is funded through the General Fund Balance.

9.5 The detailed revenue estimates for the Council are attached at **Appendix 'B'**.

#### 10. Revenue Reserves

10.1 As at 31<sup>st</sup> March 2018, the Council held £4.8m in General Fund Working Balances and £7.5m in earmarked reserves. Of the earmarked reserves, £3.3m 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 Council Priority projects which include:

- The transformation programme being delivered by Publica;
- Implementation decked car parking in Cirencester and the associated redevelopment of the Old Memorial Hospital site;
- The review and implementation of revised waste and recycling services;
- Funding increased costs of waste and recycling service pending the acquisition of new vehicles;
- Implementation of the Local Plan and the associated introduction of Community Infrastructure Levy;
- Contributing towards the costs of improvements to the Corinium Museum;
- Developing a Masterplan for Cirencester town centre;
- Funding costs associated with the Council's commitment to freeze leisure prices, reduce building control fees and enhance environmental services.

10.3 At the end of the MTFs period, assuming that the Council is able to deliver the savings required as a result of reductions to central government funding, the Council plans to hold around £2.8m in General Fund Working Balance and £3.2m in earmarked reserves. The movement in General Fund Working Balance and Earmarked Reserves is shown in **Appendix 'A4'**.

#### 11. Capital

11.1 As at 31<sup>st</sup> March 2018, the Council held £12.4m of capital receipts and capital grants, which are available to fund capital projects. The Council is currently progressing with the project to provide increase car parking provision in Cirencester. A report will be considered by the Council in due course which will include the financial implications. The MTFs provides for investment of £15 million and will be updated as further information becomes available. The detailed Capital Programme is shown in **Appendix 'A3'** together with details of expected capital receipts and financing of the Capital Programme.

11.2 The forecast capital expenditure and financing is set out in the table below:

**DRAFT MEDIUM TERM FINANCIAL STRATEGY**

**Appendix A1**

	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2026/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
<b>Expenditure base budget</b>	23,264	23,413	23,558	23,346	23,190	23,556	23,822	24,193	24,513	24,829
Inflation - Salaries Retained Staff (2%)	14	14	14	14	14	14	14	14	14	14
Inflation - Publica (2%)	195	170	170	170	170	170	170	170	170	170
- Contracts	251	140	140	140	140	140	140	140	140	140
<b>Total Inflationary Increases</b>	<b>460</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>324</b>
Unavoidable budget pressures	3	1,150	7	42	42	42	147	196	42	42
<b>Savings</b>										
Savings Target	(314)	(329)	(43)	(22)	0	0	0	0	0	0
New Savings requiring delivery/contingency plan		(1,000)	(500)	(500)	0	(100)	(100)	(200)	(50)	(50)
<b>Total Expenditure</b>	<b>23,413</b>	<b>23,558</b>	<b>23,346</b>	<b>23,190</b>	<b>23,556</b>	<b>23,822</b>	<b>24,193</b>	<b>24,513</b>	<b>24,829</b>	<b>25,145</b>
<b>Income base budget</b>	(12,010)	(12,256)	(12,880)	(12,862)	(12,918)	(12,970)	(13,024)	(13,078)	(13,134)	(13,189)
Inflation	0	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Other Growth - see Unavoidable budget pressures	(246)	(574)	68	(5)	(2)	(4)	(4)	(5)	(5)	(6)
<b>Total Income</b>	<b>(12,256)</b>	<b>(12,880)</b>	<b>(12,862)</b>	<b>(12,918)</b>	<b>(12,970)</b>	<b>(13,024)</b>	<b>(13,078)</b>	<b>(13,134)</b>	<b>(13,189)</b>	<b>(13,245)</b>
<b>Net cost of service</b>	<b>11,157</b>	<b>10,677</b>	<b>10,483</b>	<b>10,272</b>	<b>10,586</b>	<b>10,797</b>	<b>11,114</b>	<b>11,379</b>	<b>11,640</b>	<b>11,900</b>
<b>Central Government Funding</b>										
Revenue Support Grant	0									
Collection Fund (Surplus)/Deficit (Business Rates)	130									
Business Rates Smoothing Reserve s. 31 Grant re SBR/reliefs	(130)									
Business Rates Retention Baseline	0	(1,806)	(1,842)	(1,879)	(1,917)	(1,955)	(1,994)	(2,034)	(2,075)	(2,116)
Retained Growth Above Baseline (10%)	0	(900)	(918)	(936)	(955)	(974)	(994)	(1,014)	(1,034)	(1,054)
NNDR Income (NNDR1)	(13,101)									
Tariff	11,301									
Small Bus Rate Relief and Section 31 Grant	(2,138)									
Renewable Energy Business Rates Retention Levy	(71)	(71)	(71)	(71)	(71)	(71)	(71)	(71)	(71)	(71)
Business Rates Income Estimate	935	0	0	0	0	0	0	0	0	0
Rural Services Delivery Grant	(3,074)	(2,777)	(2,831)	(2,887)	(2,943)	(3,000)	(3,059)	(3,119)	(3,180)	(3,242)
New Homes Bonus	(602)	0	0	0	0	0	0	0	0	0
Surplus New Homes Bonus	(1,845)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Appropriate Surplus New Homes Bonus to Earmarked Reserves	(1,410)	(1,509)	(1,313)	(525)	(342)	(398)	(455)	(515)	(576)	(793)
<b>Overall Central Government Funding</b>	<b>(5,522)</b>	<b>(4,277)</b>	<b>(4,331)</b>	<b>(4,387)</b>	<b>(4,443)</b>	<b>(4,500)</b>	<b>(4,559)</b>	<b>(4,619)</b>	<b>(4,680)</b>	<b>(4,742)</b>
<b>Council Tax</b>										
Estimated Council Tax Base	41,683.0	42,183.2	42,689.4	43,201.7	43,720.1	44,244.8	44,775.7	45,313.0	45,856.8	46,407.1
Band D Council Tax	126.40	128.92	131.48	134.10	136.77	139.49	142.26	145.09	147.98	150.93
<b>Council Tax Yield</b>	<b>(5,269)</b>	<b>(5,438)</b>	<b>(5,613)</b>	<b>(5,793)</b>	<b>(5,979)</b>	<b>(6,172)</b>	<b>(6,370)</b>	<b>(6,575)</b>	<b>(6,786)</b>	<b>(7,004)</b>
<b>Collection Fund Surplus - Council Tax</b>	<b>0.00%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>
	(97)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>Overall Funding Position</b>	<b>(10,887)</b>	<b>(9,815)</b>	<b>(10,044)</b>	<b>(10,280)</b>	<b>(10,522)</b>	<b>(10,772)</b>	<b>(11,029)</b>	<b>(11,293)</b>	<b>(11,566)</b>	<b>(11,846)</b>
<b>Budget (Surplus)/Deficit</b>	<b>270</b>	<b>862</b>	<b>439</b>	<b>(8)</b>	<b>64</b>	<b>25</b>	<b>85</b>	<b>86</b>	<b>74</b>	<b>54</b>

## Appendix A4

Revenue Reserves	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Council Priorities Fund (and CPF allocations)</b>										
Opening balance	(1,450)	(66)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)
Income										
Surplus NHB	(1,410)	(1,509)	(1,313)	(525)	(342)	(398)	(455)	(515)	(576)	(793)
<b>Expenditure</b>										
Environmental Services - enhanced street cleansing	68									
Building Control (10% reduction in fees)	32									
Funding capital expenditure Decked Car Park	880									
NHB Funding of priority projects		1,346	1,163	365	342	398	455	515	576	793
Revenue contribution to 2020 Vision Programme	148									
Waste Service Contract Pressure Funding	238									
Waste Options Review and Implementation	180									
Local Plan Interim resource while service redesign/impact upon future workload is assessed during 2019/20	44									
CIL/S.106 Implementation Project Resource	25									
Corinium Museum Funding HLF Project	303									
Gloucestershire Wildlife Trust Contributions	3	3								
Cirencester Town Centre Masterplan	90									
Member Training - Cabinet June 18	10									
Funding OMH Demolition and Redevelopment	700									
Feasibility of additional decked car parking in Cirencester	75	25								
Revenue Impact of additional decked car park funded from NHB		160	160	160						
<b>Closing balance</b>	<b>(66)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>	<b>(41)</b>
<b>Other Earmarked Reserves (excluding GPF)</b>										
Opening balance	(4,066)	(3,536)	(3,136)	(3,136)	(3,136)	(3,136)	(3,136)	(3,136)	(3,136)	(3,136)
Income										
Flexible Housing Support Fund	(51)									
Contribution to Business Rates Smoothing Reserve - Outturn 2017/18										
<b>Expenditure</b>										
Flexible Housing Support Fund - Publica Contract Variation	51									
Community Led Housing Grant - community led housing officer post (Publica contract variation)	39	39								
Community Led Housing Grant - other expenditure - JP Assumed phasing	361	361								
Other expenditure funded from reserves										
Business Rates Smoothing Reserve - to fund collection fund deficit	130									
<b>Closing balance</b>	<b>(3,536)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>	<b>(3,136)</b>
<b>Total of Earmarked reserves</b>	<b>(3,602)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>	<b>(3,177)</b>
<b>General fund working balance</b>										
Opening balance	(4,786)	(4,516)	(3,655)	(3,216)	(3,224)	(3,160)	(3,135)	(3,050)	(2,964)	(2,890)
Revenue budget (surplus)/deficit for the year	270	862	439	(8)	64	25	85	86	74	54
<b>Closing balance on the General Fund</b>	<b>(4,516)</b>	<b>(3,655)</b>	<b>(3,216)</b>	<b>(3,224)</b>	<b>(3,160)</b>	<b>(3,135)</b>	<b>(3,050)</b>	<b>(2,964)</b>	<b>(2,890)</b>	<b>(2,836)</b>
<b>Total of Council revenue reserves (GF and Earmarked Reserves)</b>	<b>(8,119)</b>	<b>(6,832)</b>	<b>(6,393)</b>	<b>(6,401)</b>	<b>(6,338)</b>	<b>(6,312)</b>	<b>(6,227)</b>	<b>(6,142)</b>	<b>(6,068)</b>	<b>(6,014)</b>

## Appendix B

**SUMMARY REVENUE EXPENDITURE 2017/18 & 2018/19**

By Service Area	2018/19	2019/20
	Budget	Estimate
	£	£
Environmental Services	3,352,138	3,631,973
Leisure & Communities	1,498,944	1,627,274
Planning & Strategic Housing	1,236,412	1,177,666
Democratic Services	982,952	970,093
Corporate Services	1,478,968	1,412,641
Environmental & Regulatory Services (ERS)	397,856	427,863
Business Support Services - Finance, HR, Procurement	940,990	950,147
Business Support Services - ICT, Business Improvement	1,801,324	1,797,517
Land, Legal & Property	673,590	677,154
Revenues & Housing Support	443,430	261,128
2020 Partnership and transformation	398,635	182,677
Savings targets, vacancy factor and other contingency for utilities & income	(144,364)	(49,935)
<b>Total Cost of Service</b>	<b>13,060,876</b>	<b>13,066,197</b>
<b>Plus</b>		
Capital charges reversals	(1,775,280)	(1,740,580)
Capital expenditure funded from revenue	250,000	250,000
New homes bonus - surplus income	(1,360,000)	(1,409,793)
Movement to/(from) Reserves	1,078,746	991,217
<b>Net Budget Requirement</b>	<b>11,254,342</b>	<b>11,157,041</b>
<hr/>		
By subjective	2017/18	2018/19
	Budget	Estimate
	£	£
Employees	2,867,023	3,110,236
Premises-Related Expenditure	1,343,670	1,391,942
Transport-Related Expenditure	30,679	59,044
Supplies & Services	2,699,506	2,614,152
Housing Benefit Payments	18,043,183	17,017,485
Major Contract Payments	14,356,582	14,558,083
Revenue Grants	34,000	85,000
Support Services	0	0
Depreciation and Impairment Losses	1,775,280	1,740,580
<b>Total Cost</b>	<b>41,149,924</b>	<b>40,576,522</b>
Recharges	0	0
Income	(28,089,048)	(27,510,326)
<b>Total Cost of Service</b>	<b>13,060,876</b>	<b>13,066,196</b>
<b>Plus</b>		
Reversal of capital charges	(1,775,280)	(1,740,580)
Capital expenditure funded from revenue	250,000	250,000

*Budget for 2018/19 - Employee costs reduced due to contract with Publica, Major contract costs increased  
Budget 2018/19 overhead costs not allocated to services to increase transparency*

## SUMMARY REVENUE EXPENDITURE 2017/18 & 2018/19

By Service Area	2018/19 Budget £	2019/20 Estimate £
<b>Financing:</b>		
Business Rates Retention / Net Income	(2,855,707)	(1,800,182)
Renewable Business Rates	(77,789)	(71,325)
Collection Fund (surplus)/deficit - Business Rates	841,569	129,504
Business Rates S31 Grant	(2,000,689)	(2,137,939)
Business Rates Levy	0	935,228
Business Rates Smoothing Reserve	(60,310)	(129,504)
NNDR net income	<u>(4,152,926)</u>	<u>(3,074,218)</u>
Revenue Support Grant (RSG)	0	0
Rural Services Delivery Grant	0	(602,434)
Transitional Grant	0	0
New Homes Bonus	(1,845,000)	(1,845,000)
Collection Fund Surplus - Council Tax	(170,585)	(96,878)
Budget Surplus [transfer (from)/to reserves]	<u>7,811</u>	<u>(269,774)</u>
	<u>5,093,642</u>	<u>5,268,736</u>
Council Tax Base	40,297.79	41,683.00
Band D Council Tax	126.40	126.40

*Budget for 2018/19 - Employee costs reduced due to contract with Publica, Major contract costs increased  
Budget 2018/19 overhead costs not allocated to services to increase transparency*