

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES COMMITTEE**

**AGENDA  
ITEM NO**

**11 FEBRUARY 2021**

**8**

<b>Report Title</b>	<b>GENERAL FUND BUDGET 2021/22, CAPITAL PROGRAMME AND MEDIUM-TERM FINANCIAL PLAN</b>
<b>Purpose of Report</b>	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2021/22.
<b>Decision(s)</b>	<p><b>The Committee RECOMMENDS to Council:</b></p> <ul style="list-style-type: none"> <li>a. To approve the updated Medium-Term Financial Plan as set out in Appendices A-E</li> <li>b. To increase the council tax by £5 to £217.52 at Band D, an increase of less than 10p per week for the services provided by Stroud District Council;</li> <li>c. To note the uncertainty around the impact of changes to future local government funding</li> <li>d. To approve the Capital Programme, as set out in Appendix F</li> <li>e. To approve the planned changes to the reserves as set out in Section 4 of the report and Appendix G</li> <li>f. To approve the fees and charges policy and list of Council fees and charges as set out in Appendices H and I</li> </ul>
<b>Consultation and Feedback</b>	<ul style="list-style-type: none"> <li>• Budget holders on budgets and savings</li> <li>• Residents and businesses phone survey</li> <li>• Member workshops</li> </ul>
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<b>Options</b>	To review assumptions made in funding. To challenge long term cost projections.
<b>Background Papers</b>	MHCLG Provisional Finance Settlement; Service Committee Revenue Estimates
<b>Appendices</b>	<ul style="list-style-type: none"> <li>A – Medium Term Financial Plan</li> <li>B – Changes in Budget</li> <li>C – Recovery Budget Additions</li> <li>D – Budget Summary</li> <li>E – Committee Budgets</li> <li>F – Capital Programme</li> <li>G – Reserves</li> <li>H – Fees and Charges Policy</li> <li>I – Fees and Charges 2021/22</li> </ul>

<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	No	Yes

## 1. INTRODUCTION / BACKGROUND

- 1.1 Council approved the Budget Strategy to 2025 at its meeting on 22 October 2020. This agreed the framework for the budget setting process in advance of the detailed budget work being undertaken by the authority.
- 1.2 The following report sets out the details of the Authority's Medium-Term Financial Plan (MTFP) for the period 2021/22 – 2024/25. Each section of the report is laid out to focus on a specific area of the budget.
- 1.3 The MTFP for the General Fund and the Housing Revenue Account (HRA) have been prepared in tandem and should be regarded as the overall financial strategy for the Council. The information is delivered within two separate reports for the purposes of clarity of decision making only.
- 1.4 The report is structured as follows;
- Estimates of Major Funding Sources
  - Estimates made on costs / revenue
  - The Medium-Term Financial Position and planned use of reserves
  - Capital Programme
  - Statement of Chief Financial Officer and Long-Term Risks
- 1.5 Appendix A sets out the summary of the Council's Medium-Term Financial Plan. It shows adjustments to the plan as well as the estimates of major funding sources and movement on reserves.
- 1.6 Appendix B shows all the identified savings and pressures over the life of the plan. Each figure represents a change to the base budget.
- 1.7 Appendix C is a summary of the additional items included within the budget, including those related to Covid recovery workstreams. This appendix also shows the sources of funding allocated.
- 1.8 Appendix D sets a summary of the total revenue expenditure budget for 2019/20.
- 1.9 Appendix E shows the revenue estimates for each committee, with those for Strategy and Resources Committee being shown in detail. The detail behind the other Committee expenditure budgets are included within the service estimates report taken to each Service Committee.

- 1.10 Appendix F shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.
- 1.11 Appendix G shows the impact of the Medium-Term Financial Plan on the General Fund Reserves.
- 1.12 Appendix H is the fees and charges policy setting out how the Council considers fees and charges with the new list of charges being shown at Appendix I.

## 2. ESTIMATES OF FUNDING SOURCES

- 2.1 The provisional settlement for 2020/21, was announced on December 17<sup>th</sup> 2020. This settlement was based upon the one-year spending review announced by Central Government in November 2020. The originally planned multi-year spending review had to be replaced by a single year as a result of the pandemic. The significant features impacting Stroud within the Settlement were;
- A £5 limit on the annual increase of Band D Council Tax
  - “Negative RSG” continues to be funded by Central Government
  - Business Rates growth is not to be “reset” in 2021
  - Further grant support related to the Covid pandemic
  - An additional year of New Homes Bonus grant meaning a smaller reduction
  - A new “Lower Tier Services” grant, funded from savings nationally within NHB
- 2.2 At the time of writing the settlement is still provisional and not yet finalised. Figures within the MTFP will be updated at the point of the final settlement if necessary.
- 2.3 It has previously been reported that the reset and national redistribution of Business Rate Growth, currently worth approximately £1.4m p.a., is the major risk within the Medium-Term Financial Plan. Central Government has always planned to carry out this reset at the same time as a wider review of Local Government funding (the “Fair Funding Review”). The provisional settlement brought confirmation that neither of these changes will happen in 2021/22. There is a stated desire to work with the sector to bring about these changes but as yet it is very unclear at what point these changes will take place.

### **Covid Related Grants**

- 2.4 As part of the Provisional Settlement there were a number of Covid-related grants announced for local authorities. There are three which relate directly to Stroud and these are included within the Medium-Term Financial Plan.
- 2.5 A fifth tranche of the General Covid Pressures Grant (SDC allocation £470k). This is unringfenced money to support local authorities with the impact of the pandemic. Central Government has indicated that Councils should expect this to be the last tranche of this money to be forthcoming.
- 2.6 The Sales, Fees and Charges Compensation Scheme has been extended for a further quarter until the end of June. This scheme reimburses local authorities for 75% of income losses resulting from the pandemic, after an initial 5% deductible. This had originally been expected to come to end in March 2021. An estimate of an SDC allocation of £334k has been included in the Covid Related grants section of the MTFP.

- 2.7 An additional grant was announced as part of the settlement intended to compensate authorities for the anticipated increasing costs of the Local Council Tax support scheme. The “Local Council Tax Support Grant” is awarded in recognition of the increased costs of providing local council tax support and other help to economically vulnerable households following the pandemic. It is not additional funding for recipients of the support, as was the case with the Hardship Fund in 2020/21. The indicative allocation for SDC is £174k and this is included in the MTFP.
- 2.8 As part of the settlement two measures were introduced to protect local authorities from the fall in tax receipts from both Council Tax and Business Rates in 2020/21. Firstly, a requirement was introduced to spread any deficits arising from shortfalls in collection over three years rather than the usual one. This is reflected in the Collection Fund deficit line of the MTFP. This changes the timing pattern of tax income but has no impact on overall levels of income received.
- 2.9 More significantly a grant to compensate authorities for 75% of lost income for both taxes was introduced. The consultation on this 75% scheme has only recently closed and final details of the scheme are not known at the time of writing. Taxation losses for Stroud District are not expected to be material, although the level of write offs considered at the end of the financial year will have a large influence upon this. At this current time an estimate of the net impact of deficits and the 75% grant has been included within the MTFP. This will be updated, and any movement reflected through the business rates reserve as the position becomes clearer.

### **New Homes Bonus**

- 2.10 The reduction in New Homes Bonus will continue into 2021/22, albeit less sharply than anticipated. This is a result of Central Government rewarding an additional year of housing growth than they had originally planned. This takes the New Homes Bonus grant for 2021/22 to £880k (£1.3m in 2020/21).
- 2.11 It is clear that nationally the Government intends to remove New Homes Bonus and therefore it is still phased out within the next two years of the MTFP. A consultation is expected in 2021 on a new system for rewarding housing growth. There is no further information about what such a replacement may be and therefore no income is included within the MTFP.
- 2.12 As a partial replacement there is now a new grant to for District Councils and others carrying out lower tier services. This lower tier services grant is to help cover the cost of providing these services and is funded nationally by reductions in New Homes Bonus. The allocation for Stroud is £105k and is expected to be for one year only. It is included within “Other Grants” in the MTFP.

### **Business Rates**

- 2.13 The apportionment system for Business Rates between the District Council, County Council and Central Government is to continue into 2021/22 much as it has done in recent years. As reported in paragraph 2.3 the anticipated reset of growth is not happening in 2021. This means that a much higher level of Business Rate income can be included within the MTFP as growth will be retained within Stroud District and not redistributed elsewhere. The MTFP as laid out allocates £0.5 million of this growth to the Business Rates reset reserve.

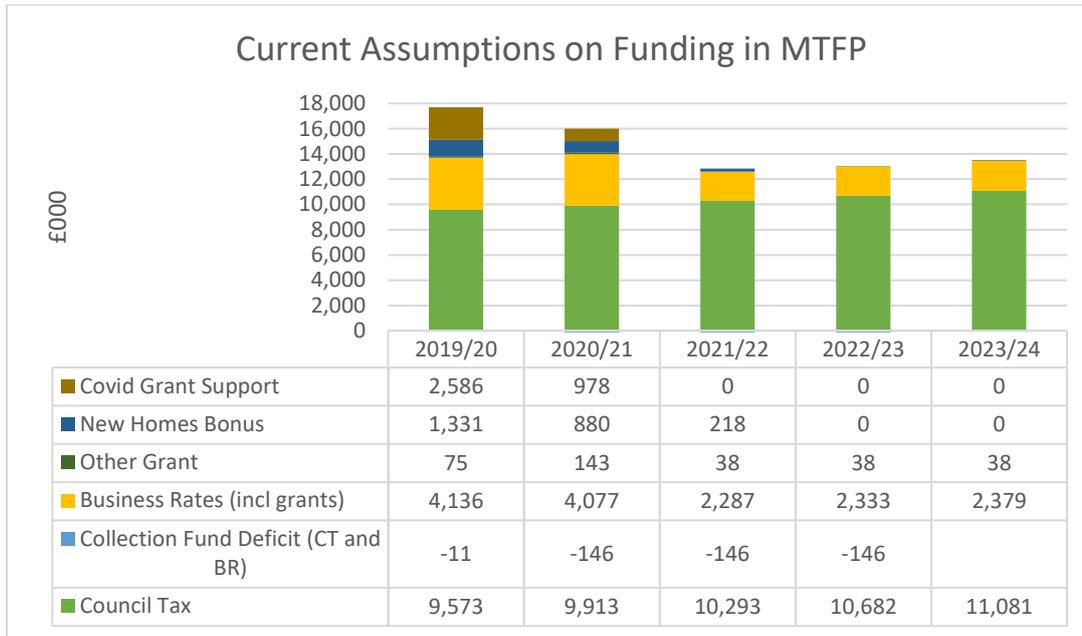
- 2.14 It likely that the pandemic will have an impact on the level of Business Rates collected in 2021/22. The exact amount is difficult to determine at this current stage as many businesses had 100% reliefs in 2020 and the furlough scheme is still operating. The assumption is for a no growth and an overall small amount in retained rates. A collection fund deficit is included and smoothed over three years as covered in Paragraph 2.8. The 75% tax compensation scheme at Paragraph 2.9 will also mitigate the impact. Should Business Rates retained vary significantly from those in the MTFP the mitigating action will be to change the allocation to the reset reserve. It should be noted that it is also possible that levels retained will be higher than anticipated if current estimates are eventually too cautious.
- 2.15 The multiplier rate, used to determine inflationary rates increases for businesses, has been frozen by the Government for 2021/22. Under normal circumstances this would have been a rise of 0.55% and authorities will be compensated for the lost income through a grant.
- 2.16 During 2020/21 there have been considerable business rates relief for businesses including a full year holiday for retail premises. This was reimbursed to local authorities by Central Government. No new reliefs for 2021/22 were announced as part of the settlement but the Government did say it would look at plans “in the New Year”. Any further reliefs awarded should again be expected to be reimbursed to the Council.
- 2.17 Central Government is currently carrying out a fundamental review of how Business Rates operates as a system of taxation and results are expected in 2021. This may result in fundamental changes to the system of local business taxation. If there are large scale changes to the system, then this will inevitably impact upon local authorities as the billing authorities. The budgetary changes it will bring are less clear as any revised system will need to continue to provide funding for the sector. No anticipated changes are included within the MTFP, but the outcomes of the review will be reported as necessary in future budget reports.
- 2.18 The Gloucestershire Business Rates Pool will continue to operate for the 2021/22 year. This is likely to provide some additional return to the Council by reducing the rates levy returned to Central Government. As in previous years an expected gain of £100k is included within the base budget and any excess will be taken to reserves or used to help manage the overall outturn position of the Council.

### **Council Tax**

- 2.19 The local government finance settlement confirms that District Councils are again permitted to increased Council Tax by £5 a year for each Band D Property. In line with the Budget Strategy approved by Council in October this increase has been applied to the Medium-Term Financial Plan in all years. This will make the Band D Council Tax for the District Council £217.52 a year.
- 2.20 As anticipated in the Budget Strategy the growth in the taxbase is lower than it has been in previous years. This growth for 2021/22 is 1.17% which contrasts with growth of 1.7% in each of the last two financial years. In large part this is due to an increase in the levels of Local Council Tax Support (LCTS) being claimed. When setting the tax base an estimate is made as to the equivalent Band D properties claiming LCTS and this assumption has increased by 7% for the upcoming financial year.

- 2.21 Town and Parish Council taxbases will also be impacted in growth changes as a result of LCTS changes and this will be included in their budget setting processes.
- 2.22 The fall in Council Tax income in year will create a deficit on the Council’s “Collection Fund” which represents the account used to collect taxation and pay major preceptors. The impact of this deficit will be spread over three years as dictated by Central Government support for the pandemic response.
- 2.23 The table below sets out the expected funding over the period of the MTFP.

**Table 1 – Sources of Funding within the MTFP**



### 3. ADJUSTMENTS TO REVENUE BUDGETS IN FUTURE YEARS

- 3.1 The following section sets out the most significant changes which have been made in the 2021/22 budget. For the purposes of this report additional allocations of budget, or reductions in income targets are referred to as “pressures”. An increase in income targets or reduction in expenditure budgets are referred to as “savings”.

#### Recurring Budget Changes

- 3.2 There are a number of inflationary factors which will cause pressures on the MTFP in every year of the plan. These are included as annual adjustments.
- 3.3 At the time of writing there are no details known about the national negotiations on local government pay. Nationally the Chancellor has indicated there will be a pay freeze for large parts of the public sector. Although this has no direct impact on local government (it is outside the scope of the Chancellor’s control due to the pay rates being contractual and set by the Joint Committee under the Green Book) that position will inevitably set the backdrop for negotiations. In the MTFP an increase of 1% has been allowed for, a cost of £134k, as this is thought to be reasonable and in line taken by other authorities. Increases of 2% have

been allowed for in future years. All points on the Stroud District Council payscale will remain above the Real Living Wage.

- 3.4 Payments made under contractual arrangements will also be subject to inflation. The Council's budget strategy sets out that an inflationary allowance will be made for these contracts at the level of CPI each September. This percentage for the 2020/21 year was set at 0.5% which has added £65k to budgets in 2020/21. This level of inflation is lower than has been the case in previous years and the MTFP includes an allowance of 150k for 2022/23 and then £200k p.a. for all future years of the plan.
- 3.5 The Council's largest contract within the General Fund is the multi-services contract with Ubico. The Council has resulted in agreement as to the budget for existing services at £6.229 million (£6.096 million in 20/21) The largest element of the increase was for capital charges levied upon Ubico by the Council which represent zero net cost to the Council (as the income is also recognised elsewhere). Within Appendix B the General Fund changes related to Ubico are a pressure of £38k for inflation and a saving of £73k for income and other efficiencies.
- 3.6 During the 2020/21 year it has also been agreed to transfer the maintenance of Stratford Park to Ubico. Once this work is included the final contract sum for 2021/22 becomes £6.379 million.
- 3.7 The upcoming financial year represents the second of three years in which the actuary to the Gloucestershire Pension Fund has recommended a decrease to the fund. This is reflected in the MTFP. This change is a result of the high levels of funding within the scheme at the last full valuation and has no impact on pension benefits of current and former employees.
- 3.8 As with last the budget process has included a fundamental review of fees and charges across the organisation and the compiling of a comprehensive document including all of the Council's charges. This is included at Appendix I. As anticipated in the Budget Strategy the pandemic impact results in a lower level of increase in fee income for 2021/21 at £66k, increasing to £100k for all future years of the plan.
- 3.9 Included at Appendix H is a fees and charges policy document. This document is intended to set out in a clear and simple fashion the Council's options when it comes to levying fees and charges for services. It also details the governance processes around setting the levels of fees and charges.

### **Additional Budget allocations – Pressures on existing services**

- 3.10 Budgets across the authority have been subject to wholesale review throughout the budget setting process. This has identified a number of service areas where additional budget is required to cover existing services. The significant changes are set out in the following paragraphs.
- 3.11 In the current financial year the Bank of England has reduced base interest rates to 0.1% from 0.75%. This represents an 85% fall in the target income that can be achieved through the Council's general investments. Mitigating actions include maximising the amount held in pooled funds, which have a higher return, and funding borrowing within the capital programme from our own cash resources. However, there is still a downturn of £205k expected in the net interest position in 2021/22 with no improvement expected across the term of the MTFP.

3.12 An additional budget of £153k has been made for the provision of temporary accommodation for those facing homelessness. Costs in this area have increased considerably, partly as a result of the pandemic, and more budgetary provision is required. At this time the provision of this accommodation has been added into the Council's base budget rather than being regarded as a one-year Covid related item. This will be reviewed throughout the upcoming year.

### **Additional Budget allocations – Covid Pressures**

3.13 As in 2020/21 the Covid pandemic is likely to have significant impact upon both costs and income in 2021/22. At the time of writing, with infection rates high but a vaccination programme underway, it is very difficult to assess the exact level of this impact. Lost income will continue to have the biggest impact on the Council, and this has been estimated for the upcoming year. Lost income is likely to be highest in the first quarter when the 75% compensation scheme is still running. There will also be additional costs, most significantly through in increased costs from Ubico.

3.14 The impact of the pandemic is currently anticipated to be a total of £1.54 million and detail is shown in the table below. This is shown as a single item on the face of the MTFP. At this point adjustments have only been made for 2021/22 but it is likely there will be impacts into the medium term. These will also be assessed throughout the upcoming year.

**Table 2 – Estimated Covid Impact in 2021/22**

<b>Covid - loss of income</b>	<b>£000</b>
The Pulse	520
Planning	286
Car parking	354
Property rent	145
Building Control	48
Museum	40
Revs and Bens Enforcement	50
Health & Wellbeing	14
Licensing	12
<b>Total Income</b>	<b>1,470</b>
<b>Covid - additional exp</b>	
Ubico	60
The Pulse	10
<b>Total Expenditure</b>	<b>70</b>
<b>Total</b>	<b>1,540</b>

### **Additional Budget allocations – New Items**

3.15 This year a number of new items have been included within the Medium-Term financial plan. These relate to either existing priorities or key recovery workstreams arising from the pandemic.

3.16 The impact of these additional recovery items is totalled by Committee at Appendix B.

3.17 One new item for an existing scheme is £372k for the Canal Project. This is included in the revenue budget as it relates to items previously considered as capital. It is still part of the overall Canal funding already agreed and does not represent additional money required for the project. It is funded by the Capital Reserve as shown at Appendix A.

3.18 As a result of the number of new recovery projects being included, a separate Appendix C has been produced listing the details of these projects and the budget allocations. Many of the items also attract HRA funding as they involve work across Council priorities. The table below summarises the funding across the General Fund and HRA. In total the additions represent an investment of over £1.1 million in Council priorities across the life of the MTFP. These allocations are time limited and do not create an ongoing draw on the base budget.

**Table 3 – Additional Items across the General Fund and HRA**

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>	90	621	161	20	<b>892</b>
<b>HRA</b>	0	92	110	57	<b>259</b>
<b>Total</b>	<b>90</b>	<b>713</b>	<b>271</b>	<b>77</b>	<b>1,146</b>

### **Budget Savings**

3.19 The review of budgets across the Council also includes those areas where savings can be made on existing budget allocations. These are then removed from the MTFP to free up resources for other services or to improve the overall Council financial position.

3.20 There were three one off areas of investment in 2020/21 representing costs related to the Canal Bid, Brownfield regeneration and Community Building. All three of these are removed from the base budget in 2021/22 as originally agreed. The canal costs were incurred as part of the successful bidding process. The budgets for brownfield regeneration and community building have been passed into the recovery process and are included within the action plans for that programme and the allocations at Appendix C.

3.21 As agreed in the Budget Strategy it is now appropriate to begin including savings targets in relation to the modernisation programme and the MTFP now includes a target of £1m to be achieved over the next four years. Closing the gap between expected income and expenditure remains a fundamental component of the modernisation programme.

3.22 As detailed in paragraph 3.5 the budgeting process for Ubico has included consideration of a number of areas of efficiency within the contract operation. These total £73k and are included in the savings list at Appendix B.

3.23 The Minimum Revenue Provision (MRP) related to capital expenditure, effectively the principal repayment on borrowing, is kept under review each year. Borrowing is likely to be lower than expected in 2020/21 and therefore an MRP saving of £82k is included for 2021/22. This cost then increases throughout the MTFP as more capital schemes are completed.

## **4. The Medium-Term Financial Plan and Use of Reserves**

### **Use of Reserves**

- 4.1 The proposed budget is in line with the Council's legal requirement to set a balanced budget.
- 4.2 The Council continues to use an equalisation reserve to manage fluctuations of balances between financial years. In the medium term this gives the Council the ability to make savings over a number of years rather than making any short-term adjustments to services.
- 4.3 During 2020/21 the Council has had a successful policy to manage additional expenditure or lost income arising from the pandemic through this equalisation reserve. This will be continued into 2021/22 and throughout the MTFP if it is required. This policy allows the Council to work effectively throughout the pandemic, providing res without immediate risk to long term financial stability.
- 4.4 The significant fall in income anticipated through a business rates growth reset in 2022/23 means that will be the point at which additional savings are required. On current estimates there will be an annual deficit of £1.9 million before reserves movements.
- 4.5 The General Fund working balance remains at £2.169 million throughout the life of the MTFP. This is considered to be more than adequate for the current position but is kept under constant review.
- 4.6 Many of the recovery items included within the MTFP, and covered in Section 3, are funded through the use of specific reserves which have previously been earmarked for these purposes. The MTFP at Appendix A shows the use of each of these reserves clearly.
- 4.7 The capital reserve is used to fund elements of the canal project which the Council is funding in the early stages of the scheme. This is included within the Council's financial contribution already agreed by members.
- 4.8 The Business Rates Pilot reserve is used to fund the £35k administrative support for the Council acting as a hub for the Kickstart programme. This is a DWP initiative to help bring the unemployed back to work and the Council will work with local employers to provide placements. This scheme is in line with the original principles for the allocation of this funding.
- 4.9 The climate change reserve is being drawn down for a number of elements supporting the 2030 Strategy. This includes the net annual cost of the water sourced heat pump at Ebley Mill (previously agreed by Council) and further resources for the community engagement around the Strategy.
- 4.10 The Council has a Business Rates reserve to mitigate against the impact of the reset of Business Rates Growth reset currently anticipated. As the reset has been delayed by a further year it is proposed to transfer £500k into this reserve in 2021/22. The drawdown of the reserve then begins in the following year, should the reset have taken place.
- 4.11 The table below shows the current forecast of General Fund equalisation Reserve over the life of the draft MTFP.

**Table 4 – Forecast level of General Fund equalisation reserve**

	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
<b>Estimated Surplus / (Deficit)</b>	(250)	(1,073)	(1,343)	(469)
<b>GF equalisation reserve</b>				
Opening	6,777	6,527	5,454	4,111
Change	(250)	(1,073)	(1,343)	(469)
Closing	<b>6,527</b>	<b>5,454</b>	<b>4,111</b>	<b>3,642</b>

## 5. CAPITAL PROGRAMME 2021/22 to 2024/25

- 5.1 This section sets out the authority's Capital Programme for the Medium-Term including descriptions of any major changes to capital schemes or financing requirements. The capital programme is developed and monitored in line with the organisation's agreed capital strategy.
- 5.2 The proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix F. The following paragraphs set out those capital schemes which have been significantly altered in this year's capital programme.

**Table 5 – Capital Programme**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Committee</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Services and Licensing	117	30	170	-	-	-
Environment	5,107	7,870	5,142	3,564	30	30
Housing (General Fund)	2,888	1,995	345	345	345	345
Strategy and Resources	2,436	553	42	3,665	-	-
<b>TOTAL General Fund</b>	<b>10,548</b>	<b>10,448</b>	<b>5,699</b>	<b>7,574</b>	<b>375</b>	<b>375</b>
Housing Revenue Account	12,136	23,359	14,861	7,288	5,458	-
<b>TOTAL Capital Programme</b>	<b>22,684</b>	<b>33,807</b>	<b>20,560</b>	<b>14,862</b>	<b>5,833</b>	<b>375</b>

- 5.3 At the request of the Environment Committee an additional investment in cycling infrastructure is included within the budget. This is a sum of £200k included for 2021/22 and funded from the capital reserve.

- 5.4 The significant investment in water sourced heat pumps at both Ebley and Brimscombe Mills, previously agreed by Council, is now included within the programme.
- 5.5 The Green Homes Scheme for which the Council has successfully bid for two tranches of grant funding is included across the capital programmes for 2020/21 and 2021/22. This is a £2 million scheme to reduce carbon emissions in park homes.
- 5.6 The Council has also been successful in bidding for additional funding to continue the Rural Suds programme. This is a combination of capital and revenue funding with £30k p.a. having been added to the Capital Programme.
- 5.7 These three environmental schemes represent a significant investment in the Council's environmental commitment totalling £3.6 million over the life of the MTFP in capital works. This is in addition to funds within the HRA Programme.
- 5.8 The rolling fleet replacement for the Ubico contract has also be considered as part of the budget setting process. Updated figures for capital allocations are now included within the capital programme. This takes into consideration expected growth required in the number of rounds over the medium term. Keeping the fleet effectively renewed is a vital part of ensuring that revenue costs arising though vehicles maintenance and hire charges are minimised.
- 5.9 At its meeting of December 2020 the Environment Committee agreed an allocation of £40k from the Community Infrastructure Levy to fund the provision of in-cab technology for Ubico. This will allow them to move away from paper-based systems. This capital project required additional match funding. An allocation of the remaining balance of the Waste and Recycling Reserve of £80k has been included for this purpose.
- 5.10 The provision of New Housing remains a key Council priority. The capital programme for the Housing Revenue Account includes a budgeted allocation of over £31 million over the Medium Term for the development of new homes.
- 5.11 The timing of capital programmes across financial years is often subject to variation and scheduling here is set at current best estimates. Variations to timing will be reported as required in future updates to the capital programme proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix E. The following paragraphs set out those capital schemes which have been significantly altered in this year's capital programme.

### **Capital Financing**

- 5.12 The planned resources to fund the Capital Programme over the Medium Term are also shown at Appendix F.
- 5.13 The capital programme includes expectation of borrowing over the medium term of £10.5 million for the General Fund and £20.8 million for the HRA. The revenue provision for these schemes is included within the current Medium-Term Financial Plan as part of the budget for the Minimum Revenue Provision and Interest. In order to mitigate the impact of low interest rates any borrowing will be undertaken from Council cash resources wherever possible. Any future schemes where borrowing is identified as a potential financing source must demonstrate that they make service efficiencies or generate income at least equal to the annual revenue costs of the borrowing. This is in line with the principles of the Capital Strategy.

5.14 A significant proportion (£2.203 million) of the General Fund capital programme is to be financed from the Capital Reserve. The Capital Reserve balance is currently estimated to be £1.61 million at the end of 2024/25.

## **6. STATEMENT OF THE CHIEF FINANCIAL OFFICER**

6.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered and the council tax is set, on the robustness of the budget estimates and the adequacy of the financial reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and rent setting meetings. Although this report focuses on the General Fund, the practices of budget setting have been adopted across both the General Fund and the Housing Revenue Account and my comments here around the estimates and reserve levels should be taken as relating to both.

6.2 This year's budget process, more than any other, features considerable risk and uncertainty. The impacts of the Covid Pandemic are extremely difficult to forecast, not least because the path of the pandemic is so unknown. Pandemic response is by its very nature reactive and change quickly. The estimates included within the Medium-Term Financial Plan have been based upon the best information of writing, but they are subject to change at short notice.

6.3 The policy of using the equalisation reserve to manage the impacts of the pandemic response is an effective measure to safeguard the financial health of the authority. In 2020/21 the Council has been able to make a number of funding commitments to support the local community and this reserve allows those decisions to be made quickly. The Central Government support which has been received means that the overall impact on reserves has been well managed and therefore the policy can continue.

6.4 The financial impact of the pandemic has also impacted on the business rates reset reserve. The budget for 2020/21 included a planned transfer to this reserve of £600k which will not take place. However, the delay of the reset for at least one further year effectively offsets this change and a transfer of £500k is now planned for 2021/22. If the business rates received in 2021/22 is higher or lower than anticipated this reserve transfer will be increased or decreased accordingly.

6.5 Aside from the pandemic the fair funding review for local government remains the significant risk on the horizon. The Council currently benefits from a high level of business rates growth within the system and a higher baseline level of funding than would otherwise have been the case if Central Government had not eliminated negative RSG. If those plans had proceeded as were anticipated the Council would have been left with a baseline for business rates of around £1.8 million rather than the £4 million we currently have in the budget for 2021/22.

6.6 The MTFP from 2022/23 onwards reduces the level of Business Rates included as some estimate of a potential reduction but this is on a best estimates basis. The reset and review have now been delayed twice and there is no guarantee that there won't be a further delay.

6.7 The one year delay of the reset, and fair funding review, has a positive impact upon the MTFP in 2021/22 but perpetuates the problem that beyond the upcoming financial year the Council has very little certainty around its financial position.

- 6.8 2021/22 is a year of significant investment in recovery projects. This is appropriate in pandemic response and the Council's position is strengthened by being able to fund this work by reserves it had earmarked for these specific purposes. This minimises the risk to the overall Council position.
- 6.9 The uncertainty over the Medium-Term Position means that the majority of that additional investment is for a time limited period. Those allocations can be kept under review and additional budget allocations can be determined as work plans and budget certainty develops. In particular projects relating to the 2030 Strategy will be considered for further funding as the Action Plan develops.
- 6.10 I am satisfied that the estimates within this plan are robust. They have been based upon the best available information at the time of setting the budgets. The budget monitoring and covid reporting processes will be used to monitor expenditure and income throughout the year and adjust estimates where necessary.
- 6.11 The level of reserves included is adequate. There are sufficient sums set aside both for priority projects and also for protecting the Council's position from short term shocks. It remains the case that long-term financial sustainability is dependent on identifying additional savings or revenue streams.

## **7 IMPLICATIONS**

### **7.1 Financial Implications**

The whole report is of a financial nature.

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### **7.2 Legal Implications**

Any legal implications relating to budget setting are set in the body of the report

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### **7.3 Equality Implications**

An EqlA is not required because no changes to service levels are proposed. When utilising budget allocations equality implications will be considered where appropriate.

### **7.4 Environmental Implications**

There are no direct environmental implications to the allocation of resources. The Medium-Term financial plan includes investments in environmental projects

- Funding for additional officers to include retrofitting support in Council and private homes
- Capital investments in Green Homes
- Water sourced heat pumps in two Council properties and Water Sourced heat pumps
- A continuation of the Rural Suds Programme
- Further investment in cycling and walking schemes