

STROUD DISTRICT COUNCIL**AGENDA
ITEM NO****COUNCIL****24 JANUARY 2018****6ciii**

Strategy and Resources Committee – 17 January 2019 – Agenda Item 8c

Report Title	THE GENERAL FUND BUDGET 2019/20, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN
Purpose of Report	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2019/20.
Decision(s)	The Committee RECOMMENDS to Council (and subject to the Government's final settlement announcements): a) to approve the updated Medium Term Financial Plan as set out in Appendices A-C; b) to increase the council tax by 2.99% to £207.52 at Band D, an increase of less than 12p per week for the services provided by Stroud District Council; c) to note the uncertainty around the impact of changes to local government funding in 2020/21; d) to approve the Capital Programme, as set out in Appendix D; e) to approve the planned changes to the reserves as set out in Section 4 of the report and Appendix E.
Consultation and Feedback	<ul style="list-style-type: none">• Budget holders on budgets and savings• Residents and businesses phone survey• Member workshops
Financial Implications and Risk Assessment	<p>The whole report is of a financial nature as it sets out the Council's Revenue and Capital Budgets for the period 2019/20 to 2022/23.</p> <p>Andrew Cummings Head of Finance and Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p> <p>There are a number of risks to the Council's future financial position and the material risks are outlined in the body of this report. The budget monitoring process will report material changes in the Council's financial position to members.</p>

Legal Implications	This report forms part of the formal budget setting process along with other reports on this Agenda. The Council is under legal obligation to set a budget. Financial advice and guidance is included in these reports for Members' reliance in decision-making. Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk
Report Authors	Andrew Cummings – Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk
Options	The Council must set a balanced budget in time to start collecting council tax by 1 st April.
Performance Management Follow Up	Budget Monitoring reporting during 2019/20.
Background Papers/ Appendices	MHCLG Provisional Finance Settlement; HRA Budget and MTFP, Service Committee Revenue Estimates Appendices A - E

1. Introduction and Background

- 1.1 Strategy and Resources Committee approved the Budget Strategy 2018-22 at its meeting on 04 October 2018. 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 for the period 2019/20 – 2023/24. Each section of the report is laid out to focus on a specific area of the budget.
- 1.3 The report is structured as follows;
 - Section 2 – Estimates of Major Funding Sources
 - Section 3 – Estimates made on costs / revenue
 - Section 4 – The Medium Term Financial Position and planned use of reserves
 - Section 5 – Capital Programme
 - Section 6 – Statement of Chief Financial Officer and Long Term Risks
- 1.4 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.
- 1.5 Appendix B shows all the identified savings and pressures over the life of the plan.
- 1.6 Appendix C sets a summary of the total revenue expenditure budget for 2019/20. The detail behind the Committee expenditure budgets is included within the service estimates report taken to each Service Committee.
- 1.7 Appendix D shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.

1.8 Appendix E shows the impact of the Medium Term Financial on the General Fund Reserves.

2. ESTIMATES OF MAJOR FUNDING SOURCES

2.1 The provisional settlement for 2019/20, announced on 13th December 2018, has confirmed the final year of the multi-year settlement. The significant features impacting Stroud within the Settlement were

- Confirmation of the removal of negative RSG
- The New Homes bonus allocation for 2019/20 being set at £1.726 million
- The Council Tax referendum limit being confirmed at 3%
- Notification that the Business Rates Pilot will not continue into 2019/20.

COUNCIL TAX

2.2 Council Tax remains the most stable element of funding available to the Council. The tax base has grown by 1.71% in the past year against an assumption of 1.5% in the Budget Strategy. This budget proposes, in line with the agreed Budget Strategy, that tax is increased by 2.99%. This is an increase of £6.02 (12p per week) for a Band D Council Tax payer within the district and takes the Band D charge from £201.50 to £207.52. The additional funding raised by an increase in Council Tax continues to benefit the authority in every year of the MTFP.

2.3 The government has not made any proposals for the referendum limit in years after 2019/20. The Council Tax forecasts in the MTFP assume the limit will revert to the previous £5 a year for District Councils. Any change to that limit will be updated in future budget reports. The tax base has also been assumed to grow at an annual average of 1.5% in line with the average growth of the last few years.

2.4 The Council Tax collection performance has again been strong resulting in an estimated surplus of Council Tax collected this year. The Council's share of this is included as a one-off benefit to the General Fund of £186k in 2019/20.

BUSINESS RATES

2.5 The provisional settlement confirmed that there will not be a Gloucestershire Business Rates Pilot for 2019/20.

2.6 The Gloucestershire authorities have therefore agreed to revert to the pooling arrangements which existed before the 2018/19 pilot. This scheme increases the business rates retained locally by reducing the levy that is payable to Central Government on business rates collected above the centrally set baseline. The existing MTFP includes an assumption of a minimum of £100k income from the pool and this is retained for this new plan.

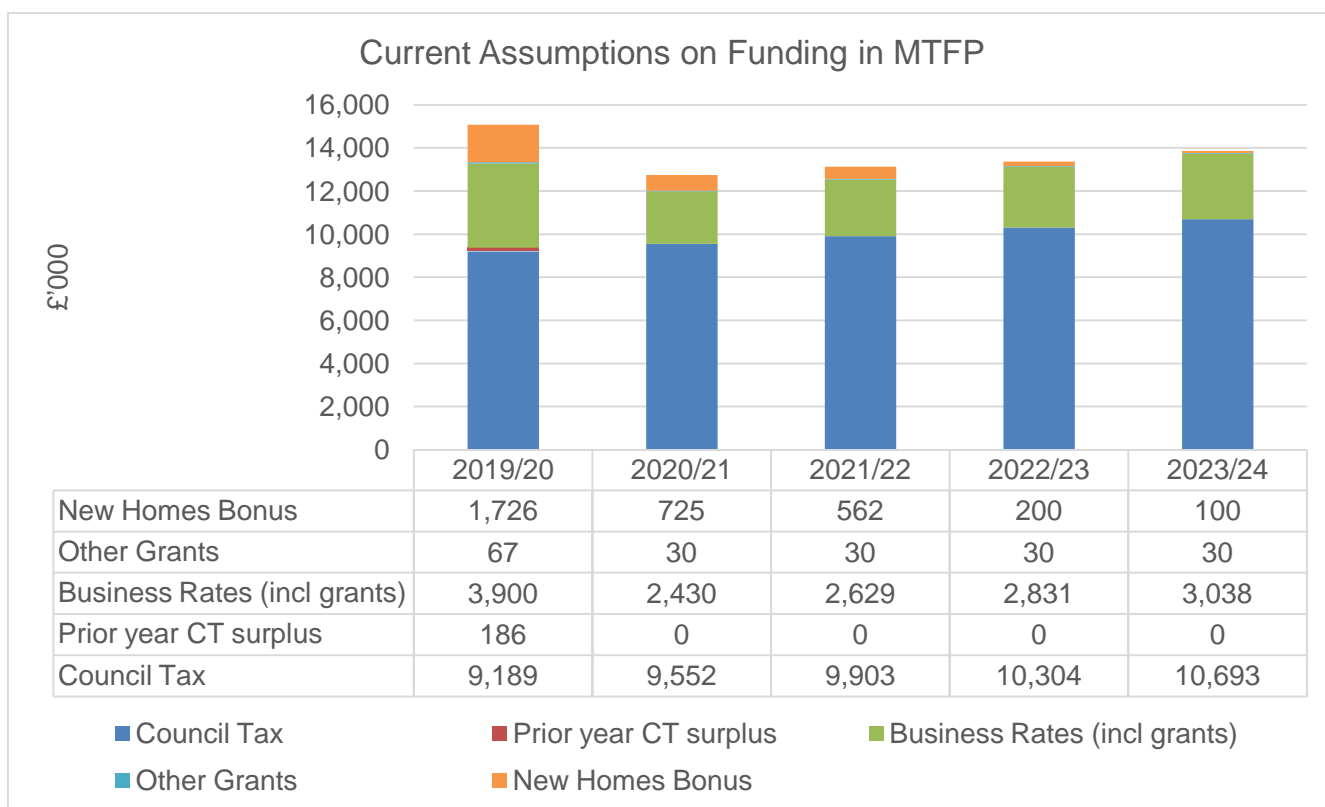
2.7 Business rates income in future years of the plan is likely to be adversely affected by any decision the government makes around that baseline. The authority currently benefits by collecting more business rates than the government expects which is then retained. It is expected in 2020/21 that the government will reset our baseline to a level closer to actual business rates collected thereby significantly reducing retention. An assumption has been made as to the level of reduction and the actual level will become known during 2019.

- 2.8 The business rates that the authority can include within its medium term financial plan represents its assessed funding need (known as the “Settlement Funding Assessment” or “SFA) plus growth above the baseline. For 2019/20 this can be accurately estimated and is included within the plan.
- 2.9 This budget is produced before the formal process of notifying Central Government of expected business rates income in January 2019 (a process known as NNDR1). Any variation during 2019/20 against expected business rates income will be added or deducted from the Business Rates Reserve.

NEW HOMES BONUS

- 2.10 The provisional settlement gave certainty to the amount of New Homes Bonus that is to be received by the authority in 2019/20 at £1.726 million (£1.583 million was assumed in the budget strategy). This is a result of actual property growth in Stroud being confirmed at 0.65% and the National Baseline, above which growth is rewarded, remaining at 0.4%.
- 2.11 The uncertainty around this funding in future years continues. National funding for New Homes Bonus is only confirmed up until 2019/20 with the government due to confirm in 2019 what the future of the system is. It has been assumed that the scheme will not continue in its current form but gradually reduce with payments only being made for housing growth achieved in prior years. Therefore the increase in funding for 2019/20 over the previously predicted amount will be placed into General Fund reserves to mitigate against future reductions.

Table 1 – Current Funding Assumptions included in the MTFP



The Local Government Finance Outlook

2.12 There is a great deal of uncertainty around the Local Government finance environment post 2019/20, which is the last year of the previously agreed four year settlement. There are three main factors which are likely to impact upon the funding position of the Council in the following years.

- The Fair Funding Review
- Business Rates Baseline Reset
- The future of New Homes Bonus

2.13 The Fair Funding Review is a process being undertaken by Central Government to determine the correct allocation of funding across the local government sector. This process will consider a number of factors such as the overall funding envelope, the funding balance required between different types of local government services and factors which affect the cost of services. The impact of this review will be on base level of Business Rates that the authority is permitted to retain which is highly likely to be reduced by the result of this review. There will not be a return to a system of Central Government grant. A technical consultation was released alongside the provisional settlement and the Council will make a response to the consultation.

2.14 As part of the business rate retention system the Council has benefited in recent years by collecting more rates in the area than the Government was expecting when the system was set up in 2013. The majority of this additional funding goes into the Council's baseline budget. In 2020/21 the Government is expected to reset the Council's baselines for expected collection of business rates. This would have the effect of returning more business rates to Central Government reducing the amount to be retained by the District Council. The provisional settlement confirmed the

intention by Central Government to fully reset the baseline and reclaim all growth. This reduces expected business rates to be retained from £3.9 million in 2019/20 to £2.4 million in 2020/21.

- 2.15 Paragraph 2.11 sets out the current uncertainty regarding New Homes Bonus with nothing known about the future of the grant after 2019/20. The current assumption within this MTFP is that New Homes Bonus will reduce to zero over the life of the plan but there will be some small amount of legacy funding available in the years after 2019/20 as part of the transition towards the removal of the grant.
- 2.16 Overall the situation for 2020/21 is one of almost unprecedented uncertainty with a number of different funding mechanisms being revised. The funding estimates for years for 2020/21 onwards have been effectively been prepared on a mid-case scenario taking neither the most pessimistic nor the most optimistic forecasts. It remains highly likely that actual figures will be within a margin either side of these estimates and members will be updated as to the actual position at the earliest possible opportunity.

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 2019/20 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 Provision has been made for staff to receive a 2% pay award in each year of the plan. This has added £196k to service budgets in 2019/20. An allowance of £190k has been added in each future year of the plan. Reducing staffing levels as a result of the Work Force plan may reduce the inflationary impact of future pay awards.
- 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 a level of approximately 2.5%. The detailed budget work has resulted in an inflationary allowance of £232k in 2019/20. The MTFP allows for further increases of £200k p.a. for the life of the plan which is likely to be sufficient.
- 3.5 The upcoming financial year represents the final year of the triennial valuation of the pension scheme so contributions are known with certainty for 2019/20. Future year’s contributions will be determined by the actuarial valuation to take place at 31st March 2019. It is not possible to accurately determine the impact of the valuation at this stage although. A general increase of £150k p.a. is currently deemed to be sufficient and has been included (reduced from £200k at the Budget Strategy). Officers will work closely with the pension fund and the actuary during the valuation process to try to ensure that contribution levels are set to protect both the long term sustainability of the pension fund and Council finances.

Additional Budget allocations – Existing Pressures

- 3.6 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.
- 3.7 The Multi-Service contract which commenced in July 2016, and subsequent adjustments to services, have been a considerable strain on the Council's financial position over the following couple of years. In July 2018 the external auditors reported that they had considered the overspends in this area as part of their review of the Council's Value for Money position. They reported that "On balance we have concluded that we should report an unqualified VFM opinion. However, the issues are not yet fully resolved and there is work for the Council to do to. We would expect to see significant progress over the next three to six months"
- 3.8 The resolution of the contract budget has therefore been a priority during the 2019/20 budget setting process. Officers have met with Ubico on multiple occasions throughout the last three months to work towards agreement on a contract sum. This resulted in receiving confirmation from Ubico on November 21st 2018 that we have a draft contract sum which was agreeable to both parties. This should be regarded as a significant step forward. Although the process has improved, and the Council now works with Ubico on a partnership basis, opportunities for continuous improvement are also being sought and discussions about the budgeting process for future years have already begun.
- 3.9 Budgets agreed by the Council in previous years have not included sufficient sums to cover the contract costs, in part due to non-allowance for inflation. This budget recommends that Council move to a position where the contract is fully funded. To do otherwise is a significant risk to medium term stability with unfunded expenditure continuing on an annual basis. The net sum required to be added to the Council's budget is £352k. This adjustment will put the service on a sound budgetary footing for the first time.
- 3.10 The MTFP for 2017/18 approved additional income to be generated by raising planning fees. There was no provision for using any of that funding for investment within the service. Pressures on the service mean that funding for at least one additional post (£45k) is required and provision for this has been included within this budget.
- 3.11 The Council has previously agreed capital sums of £1.8 million to be invested in the IT infrastructure. This has resulted in additional pressures on the team and budget monitoring during 2018/19 has consistently shown an over spend on salaries. As the investment plan is an on ongoing programme an allowance of £75k has been added to the salaries budget for future years.
- 3.12 During 2018/19 the Council has strengthened its Communications team who are working together under a Corporate Communications Manager. This strengthening has resulted in an additional budgetary provision of £40k.

Additional Budget allocations – New Pressures

- 3.13 As part of the ongoing budget discussions referenced at paragraph 3.9, Ubico have indicated that the recycling service is operating at close to maximum capacity as a result of the growth in the number of properties within the district. Therefore an additional round is required. An additional recycling round is estimated to cost approximately £150k p.a. As the round will begin part way through 2019/20, an allowance of £95k has been included in that year with an additional £55k in the following year. The Council must be prepared for future increases in rounds in the waste and recycling service and therefore an indicative increase of £150k has also been included in 2022/23.
- 3.14 The cost of providing temporary accommodation for households faced with homelessness has continued to be above the Council's budgeted level of provision. The Council must meet its statutory obligations to prevent homelessness and an additional £50k has been added as an allocation for this service. In addition, Housing Committee in December 2018 approved a project to consider the Council's provision for temporary accommodation and budgets will be reviewed in the light of the outcomes of that project.
- 3.15 The Revenues and Benefits service has historically been supported by a number of grants from central government. The level of grants is expected to reduce in 2019/20 and an appropriate budget adjustment of £89k has been made.
- 3.16 An allocation of £60k has been included to scope out future work, and carry out some initial actions, within the district aimed at reducing carbon emissions. A motion from Environment Committee on December 13th 2018 asked Strategy and Resources Committee "to consider setting aside funds via the normal budgeting process in order to fund the scoping and delivery of the Stroud Carbon Neutral 2030 Commitment". This allocation represents a commitment to deliver on that motion and will allow the Council to consider how it can best work across the community to deliver our environmental commitments. Where any initial spend occurs during the 2018/19 year this will be funded from reserves which will be restored with a portion of the £60k in 2019/20.
- 3.17 The outcomes of the scoping work may include identification of external funding sources and will allow the Council to prepare a business case to support any future budget allocations towards this priority. Where the scoping work identifies work to be carried out in 2019/20 there are reserves available to fund projects, including the Business Rates Pilot reserve, subject to the approval of Strategy and Resources Committee. Future budget setting processes will also consider allocations of further additional money in later years.
- 3.18 The progress of the Work Force plan has allowed the Council to allocate a budget to fund the team working on the project. This cost pressure is created as a number of staff previously had a majority of costs charged to the Housing Revenue Account and now predominantly within the General Fund. An allocation of £100k has been included in the budget which is estimated to last for at least a further three years as this team continues to work on transformation projects.

Budget Savings – Already Achieved

- 3.19 The comprehensive review of budgets within the Council has revealed a number of areas where savings can be made by adjusting either expenditure or income budgets to reflect savings which are already achieved. The majority of these savings were included within the Budget Strategy, although as anticipated the final numbers may differ from the expectation at that stage.
- 3.20 The Minimum Revenue Provision (MRP) represents the cost to the General Fund of borrowing to support the Capital Programme. Review of this budget has indicated that it is higher than the provision the Council is required to make. A saving of £310k has therefore been included. This budget is then adjusted in future years to ensure the MRP for the current Capital Programme can be funded from the General Fund budget. Any future capital schemes to be funded from borrowing will demonstrate how they can meet any MRP cost within their business case.
- 3.21 The work force plan has reviewed a number of areas throughout 2018/19 and has delivered savings of £491k. In addition, a saving of £95k has been made on the pension contribution on deleted posts. In accordance with previous budget strategies this sum is to be placed in a reserve in 2019/20 to mitigate against the risk of the pension valuation referred to at paragraph 3.5. If the pension fund valuation determines this reserve is not required the saving will be released and scored against future WFP targets.
- 3.22 The Council has recently completed a highly successful re-tendering of its insurance policies. This has resulted in both considerable revenue savings (£55k to the General Fund) and a reduction of excess levels, protecting the Council against risk in future years.
- 3.23 Decisions previously made at Community Services and Licensing Committee have resulted in the joint use sports centres returning to be operated by schools. The saving created by this decision has been reviewed and included at £50k in the 2019/20 budget.
- 3.24 The Pulse leisure centre has significantly over achieved against budgeted growth and income levels. The result of this continued success is that an increase in income targets can be used to benefit the General Fund as a whole. The level of increase agreed with the service manager is £284k.
- 3.25 In line with the budget strategy there is no longer a specific General Fund contingency as over and underspends are managed within the overall context of the General Fund position and reserves. This results in a saving of £66k against current budgets.

Budget Savings – To be achieved

- 3.26 In addition to those savings which have been achieved there are also a number of savings targets to be achieved in future years. These represent those areas where the Council has identified means by which to make savings but the actions required to complete them have not yet been carried out. The progress on achieving these savings in future years will be included in future budget monitoring reports.

- 3.27 The Work Force Plan future phases are included as a saving to be achieved. Savings targets under this plan are expressed as a financial figure (£350k by 2020/21 and £150k by 2021/22). The target for savings has been kept in line with previous targets and budget strategies but will be kept under constant review as the plan progresses.
- 3.28 The Council has previously agreed to transfer ownership of the subscription rooms in Stroud. Work to complete this transfer continues to progress and is expected to complete by 31st March 2019. There is no budget saving to the Council in the first year as the Council will continue to financially support the operation of the Sub Rooms but a saving of £226k is expected from 2020/21 onwards if the transfer proceeds as anticipated.
- 3.29 The Budget Strategy set out the intentions of the Council to begin working towards closing the gap between revenue and expenditure by increasing the level of income from its Treasury management investments. This will require the Council to widen the types of investment that it employs, including the use of pooled property funds, and take to a more challenging approach to its risk appetite. Future risk evaluation must include an analysis of the risk of under achieving investment income when compared to the effects of inflation. At this stage the budget includes an additional £100k of investment income for each year of the plan.
- 3.30 Community Services and Licensing Committee made a decision on December 6th 2018 to cease the central tourist information service which no longer had suitable accommodation after the transfer of the Subscription Rooms. As a part of this decision, grants will be made available in the first year post service cessation to market towns to allow them to improve their offering of tourist information. The financial impact is that a saving of £67k has been included for 2019/20 with a further saving of £14k in 2020/21 after those grants have ceased to be payable.
- 3.31 The authority does not currently have a document setting out Fees and Charges and policies relating to these charges. This will be reviewed in 2019 with the results of the review coming back to Committee for approval.

4. The Medium Term Financial Position and Use of Reserves

- 4.1 The proposed budget is in line with the Council's legal requirement to set a balanced budget. The forecast position is a surplus of £630k in 2019/20 before any movement in reserves.
- 4.2 The medium term financial position is more challenging and the MTFP shows expected deficit levels in future years. To reach a balanced position in each of the future years the Council must identify and implement additional savings. This will protect the balances of the Council and allow their use on priority projects. The level of additional savings required over the period of the MTFP is £1.359 million and the required timing of those savings is shown in the following table.

Table 2 – Additional Savings Required

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Additional Savings Required	703	250	405	1,359

- 4.3 The financial management of the Council in previous years has created an earmarked reserve specifically to be used to fund any in-year deficit on the General Fund position. As reported in the Budget Strategy the balance in the reserve was £6.017 million at the end of 2018/19. The estimated surplus position for 2019/20 will be placed into this reserve to protect the Council against anticipated reductions in funding in future years.
- 4.4 The Council has a work force plan reserve to meet the costs, principally relating to redundancy, arising from the work force plan. When originally established this reserve was at a level of £400k. The most recent forecast suggests the year-end balance at the end of 2018/19 will be £526k. This net increase in the reserve after a significant portion of the work force plan is a strong financial position for the Council. It is anticipated that the balance of this reserve will be used in the future years of the plan.
- 4.5 The current General Fund working balance representing the Council's base reserve before any consideration of earmarked reserves remains at £2.169 million. This is approximately 15% of the revenue budget in each year of the financial plan. This budget does not propose a revision of that sum although it will be kept under review by the S151 Officer in future years.
- 4.6 The Council has previously established a reserve to mitigate against the potential impact of reduced business rates income. The expected balance of this reserve at the end of 2018/19 is £1.28 million. This MTFP assumes an additional £400k will be placed in this reserve in 19/20. With the reduction of business rates expected in future years this reserve will then be used for the purpose in which is intended. There is £1.5 million of this reserve being released into the budget over the life of the plan. Where business rates growth occurs in future years the opportunity will be taken to add to this reserve where appropriate.
- 4.7 The Council has a Waste and Recycling reserve to help mitigate cost overruns on the Ubico contract, with an estimated balance of £300k at the end of 2018/19. With the correction of the budget this reserve is not likely to be required for this purpose. It is proposed to release it back to the General Fund in two £150k blocks in each year where a new round is required for the full year (2020/21 and 2022/23).
- 4.8 The full detail of the Council's earmarked reserves is shown at Appendix E.
- 4.9 The table below shows the estimated usage of the Council's reserves over the Medium Term Plan. All budgeted usage is in line with the original purposes for which money was reserved.

Table 3 – Summary of Reserves

	Budgeted Usage					Estimated 22/23 £000
	Estimated 18/19	19/20	20/21	21/22	22/23	
	£000	£000	£000	£000	£000	
Capital	4,310	(850)	(1,272)	(400)	0	1,788
Business Rates Pilot	500	(500)				0
Business Rates Safety Net	1,281	400	(800)	(500)	(200)	181
Waste and Recycling	300		(150)		(150)	0
Work Force Plan	526	(150)	(150)	(150)	(76)	0
Other Reserves	1,767					1,767
Equalisation	6,091	230	(703)	(953)	(1,359)	3,306
General Fund Balance	2,169					2,169
Total GF Reserves	16,944	(870)	(3,075)	(2,003)	(1,785)	9,211

5. CAPITAL PROGRAMME 2019/20 to 2022/23

- 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.
- 5.2 The authority is introducing a Capital Strategy for schemes commencing after April 2019. This will rationalise the process of adding projects to the capital programme and monitoring the outcomes. It will also set out the Council's appetite for capital schemes designed solely to generate a Commercial return. At this point there are no schemes of that nature in the capital programme.
- 5.3 The proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix D. The following paragraphs set out those capital schemes which have been significantly altered in this year's capital programme. With the exception of the HRA new build scheme there are no major projects which have been added to the Capital Programme for the first time.

Table 4 - Summary General Fund Capital Programme 2019/20 to 2023/24

	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total (£'000)
Capital Financing						
Community Services & Licensing	200	0	0	0	0	200
Environment	1,566	22,108	355	217	2,830	27,076
Housing General Fund	1,530	330	330	330	330	2,850
Strategy & Resources	720	800	2,017	2,000	0	5,537
Total Funding	4,016	23,238	2,702	2,547	3,160	35,662

- 5.4 The £2 million Housing Initiatives Capital Budget, to be funded by borrowing, had previously been included within the capital programme as an indication of general fund support for affordable housing. The lifting of the HRA debt cap and the subsequent inclusion of additional borrowing to support a substantial new build programme within the HRA has achieved many of the aims of the General Fund capital budget so it is now removed from the programme.
- 5.5 However, it must be stressed that the need to support housing priorities remains and work is continuing. Housing Committee approved in December a piece of work to consider options for the provision of temporary accommodation to prevent homelessness. The outcomes of this work, should they require capital investment, will be presented to Strategy and Resources committee, with a business case having been completed, for inclusion in the capital programme in future.
- 5.6 The next phase of the Canal work (1B delivery) has been included as an indicative amount only and further profiling work will be required. Within this budget there is no further Council contribution in excess of the £3 million already agreed.
- 5.7 An increase on the budget has been included to allow for the purchase of vehicles and equipment for use on the Ubico contract. A project has been undertaken with Ubico to correctly identify the equipment required over the medium term and a budget has been produced accordingly. Although this requires additional investment in the capital programme this will prevent the additional costs which would be incurred by using vehicles behind the end of their useful life. It has allowed for a saving within the contract sum by reducing the allocation required for expensive hire vehicles.

Capital Financing

- 5.8 The planned resources to fund the Capital Programme over the Medium Term are also shown at Appendix D.
- 5.9 The capital programme includes expectation of borrowing over the medium term of £11.122 million. 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. 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.
- 5.10 A significant proportion (£4.251 million) of the General Fund capital programme is to be financed from the Capital Reserve. The Capital Reserve balance is therefore estimated to £1.788 million by the end of the 2022/23.
- 5.11 The Council has maintained a policy in recent years of borrowing against from its own cash resources rather than borrowing externally. Historically low interest rates make this economically advantageous. However, with the Council looking to increase investment returns, and the increased levels of borrowing within the capital programme, this position will be kept under review. Where external borrowing is undertaken to finance the capital programme it will be within the guidelines set by Council in the Treasury Management Strategy and forecasts for interest costs will be updated as necessary.

5.12 The Council's Treasury Management Strategy Statement (TMSS), due to be considered by Audit and Standards Committee in January, sets out the approach taken on borrowing from a Treasury Management perspective.

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 decision at the Council's budget and rent setting, and the council tax setting meetings.

6.2 The process of compiling the estimates involves finance staff and budget holders working together to produce a mutually agreed position. The authority's strong track record of delivering services within budget is evidence of the success of such a process.

6.3 I am therefore satisfied that the estimates contained within this report are robust.

6.4 The Council's General Fund balance of £2.169 million is sufficient for an authority with a budget of our size and there is no planned fluctuation in the balance over this medium term plan which is a further demonstration of financial strength.

6.5 The level of earmarked reserves for the General Fund is estimated to be £14.775 million at the end of 2018/19. This is a very healthy level for an authority of this size. The Medium Term Financial Plan proposed in this report would see some of these reserves utilised for their originally intended purpose with an estimated position of £7.042 million at the end of 2022/23. The budgeted level of reserves for 2022/23 can still be considered to be adequate.

6.6 As discussed earlier in the report there remains a considerable risk to the authority with regards to the uncertainty about finding levels post 2019/20 with the fair funding review and the impact on business rates baselines. The MTFP contained within this report includes assumptions on the possible impact of these changes but future financial plans will need to be updated when more certainty is known.

6.7 There are other risks in the longer term which may have an impact upon the plan in future years. This include possible changes to levels of income relating to recycling, the levels of Local Council Tax Support provided to residents and non-achievement of existing savings. This risks will be monitored and considered in future budget setting processes if necessary.

6.8 The overall summary of the MTFP is of a widening gap between expenditure and resources. This is a result of inflationary led cost pressures and an overall anticipated reduction in funding. To ensure financial sustainability in the longer term the authority must look to close that gap through a combination of income generation and changes in expenditure.

6.9 The proposed MTFP includes a number of savings to be achieved over the medium term. The achievement of these savings will be reported back to members through the budget monitoring process. Where savings are not achieved there will be a

requirement to identify alternative savings process to mitigate the impact of non-achievement.

6.10 I am therefore satisfied that the current and planned level of reserves in this MTFP is adequate.

Draft MTFP 2019/20 to 2022/23					
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Budget					
Opening Budget	14,514	14,514	14,438	14,390	14,577
<u>Recurring Changes</u>					
Pay Increases		196	190	190	190
Pensions Increases		203	150	150	150
Contract Increases		224	200	200	200
Revised Budget	14,514	15,137	14,978	14,930	15,117
Proposed Budget Adjustments		(699)	(588)	(353)	(43)
Revised Budget	14,514	14,438	14,390	14,577	15,074
Funding					
Council Tax	8,773	9,189	9,552	9,903	10,304
Prior year CT surplus	169	186	0	0	0
Business Rates (incl grants)	4,452	3,900	2,430	2,629	2,831
Other Grant	20	67	30	30	30
New Homes Bonus	2,174	1,726	725	562	200
Total Funding	15,588	15,068	12,737	13,124	13,365
Surplus / (Deficit) before Reserves Movements	1,074	630	(1,653)	(1,453)	(1,709)
Reserves Movements					
Business Rates Reserve	1,000	400	(800)	(500)	(200)
Waste and Recycling Reserve			(150)		(150)
Estimated Surplus / (Deficit)	74	230	(703)	(953)	(1,359)
GF equalisation reserve					
Opening	6,017	6,091	6,321	5,618	4,665
Change	74	230	(703)	(953)	(1,359)
Closing	6,091	6,321	5,618	4,665	3,306

Appendix B

MTFS Changes

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Pressures				
Historic Budget Adjustments				
Ubico inflation catch up	352			
Corporate Change Team	100		(100)	
Planning Salaries	45			
Reshaping comms team	40			
Old Town Hall Income	33			
Community Safety Income	32			
	602	0	(100)	0
New Pressures				
Additional Recycling Round	95	55		150
IT Salaries	75			
Temporary accommodation to prevent homelessness	50			
Carbon reduction scoping	60	(60)		
Revs and Bens Grant Reduction	89			
HRA Share of Increased investment income	6			
Drainage Board Levy	7	7	7	7
	382	2	7	157
Total Pressure	984	2	(93)	157

Savings				
Achieved				
MRP	(310)	60	100	
Workforce Plan	(491)			
General Fund Contingency	(66)			
Pension Prepayment - One Year Saving	(154)	154		
Insurance Premium	(55)			
Homelessness Grant	(69)	69		
Joint Use Sports Centres	(50)			
Pulse Income	(284)			
	(1,479)	283	100	0
To be achieved				
Workforce Plan - Future Phases		(350)	(150)	
Sub Rooms transfer		(226)		
TIC Closure	(67)	(14)		
Littlecombe Business Units Income	13	(73)		
Car Parks - Inflation on existing charges	(50)	(50)	(50)	(50)
Kingshill House - Asset Transfer		(10)	(10)	
Increased Investment Income	(100)	(100)	(100)	(100)
Future Fees and Charges Growth		(50)	(50)	(50)
	(204)	(873)	(360)	(200)
Total Saving	(1,683)	(590)	(260)	(200)
Net Changes	(699)	(588)	(353)	(43)

Appendix C

General Fund Budget 2019/20	
Committee Budgets	£000
Community Services & Licensing	3,252
Environment	5,462
Housing	540
Strategy & Resources	6,542
Net of Support Services, technical adjustments and HRA income	2,075
Gross Committee Budgets	17,871
Reversal of technical adjustments and HRA income	(4,037)
Net Committee Budgets	13,834
Corporate Budgets	
Minimum Revenue Provision	981
Interest Payable	286
Interest Receivable	(618)
Feed in Tariff	(27)
Carbon reduction scoping	60
Drainage Board Levy	144
Total Corporate Budgets	826
Savings not yet allocated to Committees	
Work Force Plan	(101)
Closure of Tourist Information Centre	(67)
Work Force Plan Pension Saving	96
Spend Consolidation Project	(50)
Business Rates Pooling Income	(100)
Total Unallocated Savings	(222)
Net Revenue Budget (as seen on Appendix A)	14,438

Proposed Capital Programme

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Community Services Capital Schemes							
Stratford Park Lido	-	200	-	-	-	-	200
Community Building Investment	138	-	-	-	-	-	138
Subtotal Community Services	138	200	-	-	-	-	338

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Environment Capital Schemes							
Canal - Phase 1B (Development)	1,474	732	-	-	-	-	2,205
Canal - Phase 1B (Delivery)	-	-	21,195	-	-	-	21,195
MSC - Vehicles	619	684	763	355	217	2,830	5,468
Wallbridge	100	-	-	-	-	-	100
Stroud District Cycling & Walking	100	100	100	-	-	-	300
Market Town Centres	100	50	50	-	-	-	200
Subtotal Environment	2,393	1,566	22,108	355	217	2,830	29,468

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Strategy and Resources Capital Schemes							
Brimscombe Port Redevelopment	311	166	300	1,617	2,000	-	4,394
MSCP Resurfacing	120	-	-	-	-	-	120
ICT Investment Plan	400	500	500	400	-	-	1,800
Ebley Mill Works	109	-	-	-	-	-	109
Littlecombe Business Units	-	54	-	-	-	-	54
Subtotal Strategy & Resources	940	720	800	2,017	2,000	-	6,477

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Housing GF Capital Schemes							
Affordable Housing Capital Programme	149	-	-	-	-	-	149
Mandatory Disabled Facilities Grants	330	330	330	330	330	330	1,980
Warm Homes Fund	500	1,000	-	-	-	-	1,500
CCG Health through Warmth Grants	200	200	-	-	-	-	400
Subtotal Housing General Fund	1,179	1,530	330	330	330	330	4,029

TOTAL General Fund Capital Schemes	4,650	4,016	23,238	2,702	2,547	3,160	40,312
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	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Capital Financing							
Capital Reserve	1,729	850	1,272	400	0	0	4,251
Capital Receipts	149	0	0	0	0	0	149
Borrowing (Excl Canal)	636	904	1,063	1,472	2,217	2,830	9,122
Grant (excl Canal)	1,040	1,530	330	330	330	330	3,890
Revenue Income	0	0	0	500	0	0	500
Borrowing (Canal)	0	0	2,000	0	0	0	2,000
External Canal Funding	1,096	732	18,573	0	0	0	20,400
Total Funding	4,650	4,016	23,238	2,702	2,547	3,160	40,312

HRA Capital Programme

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	Total (£'000)
Major Works	8,124	8,549	4,726	6,843	6,429	34,671
New Homes and Sheltered Modernisation	2,029	6,204	7,359	4,090	2,160	21,842
Total HRA Capital	10,153	14,753	12,085	10,933	8,589	56,513
Revenue Funding	8,687	9,179	5,035	8,231	6,642	37,774
Capital Receipts	1,466	1,491	3,326	1,241	50	7,574
Homes England Grant Funding	0	158	233	75	0	466
Borrowing	0	3,925	3,491	1,386	1,897	10,699
Total Funding	10,153	14,753	12,085	10,933	8,589	56,513

Budgeted Movement on Reserves and Balances

List of Council Reserves	Actual 17/18 £000	Estimated 2018/19 £000	Budgeted 2022/23 £000
Building Control Shared Service	180	180	180
Business Rates Safety Net	781	1,281	181
Business Rates Pilot	0	500	0
Capital	6,039	4,310	1,788
Climate Change	168	168	168
Community Infrastructure Levy	(106)	(106)	(106)
Invest to Save	150	150	150
Homelessness Prevention	95	95	95
Legal Counsel	50	50	50
Merrywalks Car Park	427	0	0
Miscellaneous General Fund	273	273	273
MTFP Equalisation	6,017	6,091	3,306
Neighbourhood Planning Grant	71	71	71
Opportunity Land Purchase	250	250	250
PDG	36	36	36
Pension Fund	120	120	120
Planning Appeal Costs	100	100	100
Revenue Provision Equalisation	250	250	250
The Pulse	130	130	130
Waste and Recycling	600	300	0
Work Force Planning	650	526	0
Total Earmarked Reserves	16,281	14,775	7,042
General Fund Balance	2,169	2,169	2,169
Total Reserves and Balances	18,450	16,944	9,211