

STROUD DISTRICT COUNCIL
COUNCIL

**AGENDA
ITEM NO**

20 FEBRUARY 2020

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| Report Title | THE GENERAL FUND BUDGET 2020/21, CAPITAL PROGRAMME, MEDIUM TERM FINANCIAL PLAN AND COUNCIL TAX CHARGES |
| 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 2020/21. |
| Decision(s) | <p>Strategy and Resources Committee RECOMMENDED to Council (and subject to the Government's final settlement announcements):</p> <ol style="list-style-type: none"> 1. To approve the updated Medium Term Financial Plan as set out in Appendices A-E; 2. To increase the council tax by £5 p.a. to £212.52 at Band D, an increase of less than 10p per week for the services provided by Stroud District Council; 3. To note the uncertainty around the impact of changes to local government funding in 2021/22; 4. To approve the Capital Programme, as set out in Appendix E; 5. To approve the planned changes to the reserves as set out in Section 4 of the report and Appendix F; 6. To approve the fees and charges policy and list of Council fees and charges as set out in Appendices G and H. <p>In addition to the recommendations from the Strategy and Resources Committee, Council RESOLVES:-</p> <ol style="list-style-type: none"> 7. To approve the Council Tax Charges for the District as set out in Appendix I. |
| 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 2020/21 to 2023/24.</p> <p>Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk Tel: 01453 754115</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> |

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| Legal Implications | <p>It is a legal requirement for the Council to set a balanced budget. There is no legal definition of a balanced budget and this is a matter for the professional judgement of the Chief Financial Officer (S151). Any other legal implications are set out in the body of the report.</p> <p>Patrick Arran, Interim Head of Legal Services & Monitoring Officer Email: patrick.arran@stroud.gov.uk Tel: 01453 754369</p> |
| Report Authors | <p>Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk Tel: 01453 754115</p> |
| Options | <p>The Council must set a balanced budget in time to start collecting council tax and rents by 1st April.</p> |
| Performance Management Follow Up | <p>Budget Monitoring reporting during 2019/20.</p> |
| Background Papers / Appendices | <p>MHCLG Provisional Finance Settlement; Service Committee Revenue Estimates Appendix A - Medium Term Financial Plan Appendix B - Identified savings and pressures over the life of the plan Appendix C - Summary of the total revenue expenditure budget for 2019/20 Appendix D - Revenue estimates for each committee Appendix E - Planned capital programme for the General Fund Appendix F - Impact of the Medium Term Financial Plan on the General Fund Reserves Appendix G - New fees and charges policy Appendix H – Stroud District Council Fees and Charges 2020-21 (81 pages) Appendix I – Council Tax Charges for the District (to follow week commencing 17 February 2020)</p> |

1. Introduction and Background

- 1.1 Council approved the Budget Strategy to 2024 at its meeting on 17 October 2019. 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 2020/21 – 2024/25. Each section of the report is laid out to focus on a specific area of the budget.
- 1.3 The Medium Term Financial Plan should be read as a companion document to the Council's most recent Corporate Delivery Plan (CDP). Throughout the budget setting process the priorities within the CDP have been considered in full and resources allocated to ensure the deliverability of CDP projects.
- 1.4 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.

1.5 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

1.4 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. Each figure represents a change to the base budget.

1.6 Appendix C sets a summary of the total revenue expenditure budget for 2019/20.

1.7 Appendix D 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.

1.8 S&R Estimates have not previously been considered by this committee and are therefore included in full in Appendix D. All changes to S&R budgets are included within the overall corporate budgets covered within this report.

1.7 Appendix E shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.

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

1.9 Appendix G is the new fees and charges policy setting out how the Council considers fees and charges with the new list of charges being shown at Appendix H.

1.10 Appendix I shows the Council Tax charges for all parishes across the District.

2. ESTIMATES OF MAJOR FUNDING SOURCES

2.1 The provisional settlement for 2020/21, was announced on December 20th 2019. This settlement was based upon the one year spending review announced by central Government in September 2019 and is the first settlement after the end of the previous four year settlement period. The significant features impacting Stroud within the Settlement were;

- Confirmation of the removal of negative RSG
- The New Homes bonus allocation for 2020/21 being set at £1.331 million
- The Council Tax referendum limit being confirmed at £5 for district Councils
- The reforms to business rates baselines being deferred until 2021/22 with an increase of 1.6% in our baseline for 2021/22.

COUNCIL TAX

- 2.2 Council Tax remains the most stable element of funding available to the Council. The tax base has grown by 1.72% in the past year against an assumption of 1.5% in the Budget Strategy. This is consistent with the growth of 1.71% achieved in the prior year. This budget proposes, in line with the agreed Budget Strategy, that tax is increased by £5 for the Band D Council Tax which takes the charge from £207.52 to £212.52. The additional funding raised by an increase in Council Tax continues to benefit the authority in every year of the MTFP. With no additional information available for years after 2020/21 it is assumed that the limit will remain at £5 for all future years of the plan.
- 2.3 Each year the Council budget includes an adjustment for a Council Tax surplus or deficit based upon amounts collected against the estimates made when the previous years' budget was set. For 2019/20 tax collected is currently expected to be very close to levels estimated and only a small adjustment to recoup an estimated deficit, shown in Appendix A as "collection fund deficit" of £11k is included in the 2020/21 budget.

BUSINESS RATES

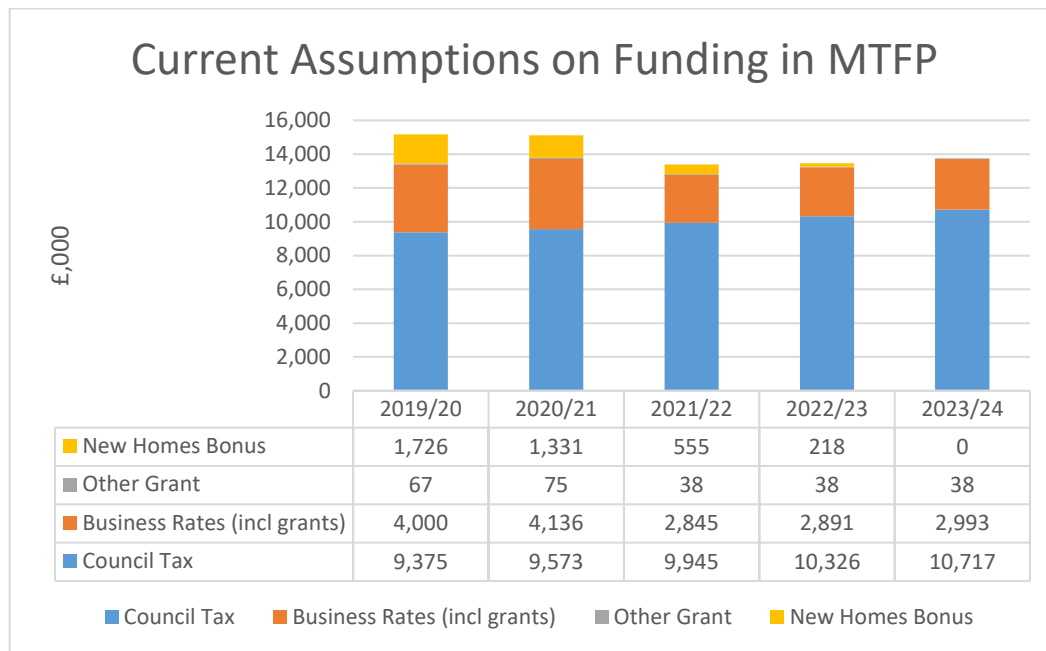
- 2.4 The amount of business rates included in the MTFP is made up of the baseline amount which central government determines we can retain which is £2.47 million in 2020/21 (£2.43m in 19/20) plus growth above that level which we are permitted to retain. For 2020/21 this can be accurately estimated and is included within the plan. The business rates retention system contains a number of individual elements and these are combined into one net figure within the MTFP.
- 2.5 It is anticipated that in 2021 central government will reset the business rates system and redistribute business rates growth across the country. It is therefore likely that this Council will lose the majority of the growth that is included within the current MTFP. The exact extent of this is very difficult to estimate but the figures within the MTFP have been calculated as the best figure at the current time. Although the exact amount is unknown a significant loss is almost certain.
- 2.6 This budget report has been written before the formal process of notifying Central Government of expected business rates income at the end of January 2020 which may cause some non-material variation to budgeted amounts. Any variation during 2020/21 against expected business rates income will be added or deducted from the Business Rates Reserve.
- 2.7 The Gloucestershire Business Rates Pool will continue to generate some additional funds until the baseline reset (see para 2.5). As in previous years an estimate of £100k is included within the baseline figures.

NEW HOMES BONUS

- 2.8 The provisional settlement gave certainty to the amount of New Homes Bonus that is to be received by the authority in 2019/20 at £1.33 million (£793k was assumed in the budget strategy). This is a result of the government awarding an additional year of growth in 2020/21 which was not known at the time of the Budget Strategy. The past year has seen strong housing growth in the district resulting in the payment for this year being an additional £538k (£218k in the previous year). However, unlike the previous New Homes Bonus awards this funding is for one year only and does not generate payments in future years.

2.9 The settlement also seems to confirm that New Homes Bonus is to be phased out with funding to have ceased completely by 2023/24. This was the approach set out by this Council in the Budget Strategy from October 2019 and so this announcement brings no changes to our financial plans. The Government has promised a future consultation around a new housing incentive scheme at some point later this year. No details of this are known but it extremely unlikely it will deliver funding to District Councils in the same magnitude as the New Homes Bonus and therefore no funding is assumed within this MTFP.

Table 1 – Current Funding Assumptions included in the MTFP



The Local Government Finance Outlook

2.10 When agreeing the budget in January 2019 Council noted the uncertainty around the local government funding position as major reviews and changes were about to take place. Announcements during 2019 have confirmed that the following reviews have been deferred and are now expected to be implemented in 2020/21.

- The Fair Funding Review
- Business Rates Baseline Reset
- Multi-year spending review

2.11 A review of New Homes Bonus was also expected but as discussed in paragraph 2.09 it is now known that the grant is to be phased out.

2.12 The Fair Funding Review is the review being carried out to determine a more transparent system for the allocation of local government funds across the Country. It is considering how to apportion funds between local government services and appropriate methodologies for distribution based upon different sizes of authority and cost factors relating to local areas. The result for Stroud will be a new figure for how much business rates we are permitted to retain. Originally planned for implementation in 2020 the impact of the review will now not be known until later in the year for implementation in 2021. It is important to note that although the results are not known it is almost certain to result in a very significant redistribution of funds towards upper tier authorities with significant demand led pressures such as Adults Social Care and

Childrens Services receiving increases in funding at the expenses of lower tier services carried out by District Councils.

- 2.13 The fair funding review will determine what proportion of overall local government funding will go to each authority. It does not consider the total quantum available to local government. That will be determined by the multi-year spending review due to be completed across central government. Again, the results of this will not be known until later in 2020.
- 2.14 As discussed in paragraph 2.5 the Government also plans to remove business rates growth from authorities in 2021 and redistribute that nationally. The MTFP assumes that nearly all growth will be lost. Again the results of this process are very difficult to be sure of at this stage and more information will be reported to members when the results of the reviews are known.
- 2.15 As with 2019/20, the situation for 2020/21 is one of huge uncertainty with a number of different funding mechanisms being revised. Funding estimates within the MTFP for retained business rates have been prepared on a mid-case scenario which is believed to be prudent but not a worst case scenario. The final funding position is likely to differ, perhaps significantly, when the actual position is known. However, it is almost certain that the overall impact will be a net reduction in funding for this Council. It is therefore again recommended that the high level of uncertainty is noted when considering 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 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 Although details of the local government pay award are not yet nationally agreed provision has been made for staff to receive a 2.5% pay award in each year of the plan. This has added £256k to service budgets in 2019/20. An allowance of £260k has been added in each future year of the plan.
- 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 1.7% which has added £143k 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 £200k p.a. in all future years of the plan.
- 3.5 In relation to the multi-services contract with Ubico the Council has followed the same partnership budgeting approach that was successful for the 2019/20 year. This has resulted in agreement as to the budget set at £6.096 million (£5.873 million in 2019/20) This increase includes £55k related to the additional recycling round begun in 2019/20 and £46k for the cost of the Garden Waste service increasing to five days a week (this latter cost will be covered by subscriber fees).

- 3.6 The upcoming financial year will see the level of contribution that the Council is required to make to the Local Government Pension scheme change. This is based upon a full scheme valuation carried out by the actuary at March 31st 2019.
- 3.7 In simple terms the authority makes two payments into the pension fund. An annual lump sum to cover the cost of past pension deficits and a percentage of the existing payroll to reflect future benefits. The actuary makes an assessment as to whether the level of funding is appropriate to meet liabilities. The previous assessment in 2016 ruled that the Council had 74% of the assets it needs to meet liabilities. The 2019 valuation has increased that figure to 99%. Effectively this means that the deficit lump sum payment is not required to the same level as the deficit has now been recouped. The actuary has therefore programmed in a phased reduction to take it to a long term sustainable level. This is included in the MTFP and the General Fund portion of the saving in 2020/21 is £194k.
- 3.8 At the same time the annual percentage of payroll the Council is required to pay has increased from 18% to 19.7%. The pension saving included within the MTFP at Appendix A is net of the two adjustments.
- 3.9 It is important to clarify that these changes reflect only the Council's contribution to the fund. There is no impact on the level of staff benefits.
- 3.10 This year 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 H. This detailed process has resulted in a one off increase in income targets related to fees and charges of £126k (£50k was assumed in the budget strategy). An allowance of £75k growth has been included for each future year in the plan. The compiling of a list of fees and charges gives certainty and transparency around the Council's charges.
- 3.11 Included at Appendix G 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

- 3.12 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.
- 3.13 The Council has been aware for some time of the risk that income will be reduced from the County Council for incentivising of food waste collection. Stroud is the highest performer within Gloucestershire and therefore has the most to lose from the County Council's proposal to both standardise arrangements and make a saving for their authority on the scheme. The final details of the scheme have now been agreed by the County Council and the impact on Stroud, based on last year's collection figures is estimated at £181k p.a. This is now included within the MTFP. The Budget Strategy had already included an assumption of £200k p.a.
- 3.14 The budgets across the authority relating to maintenance, particularly in relation to property have remained static for a number of years. There has not been even a general inflationary allowance. This is against a background of building costs having risen faster than inflation in the general economy. In recognition of the fact that our assets are a key component of how

we deliver our services a number of adjustments have been made. For general property it has been calculated that £106k needs to be added to maintenance budgets and this is included in full in the MTFP.

- 3.15 Further adjustments have been made to the maintenance budgets for play areas to ensure that these are sufficient to continue to keep equipment in an appropriate condition. An allowance of £15k p.a. has been included for this. A contribution towards maintenance of play areas within the HRA of £30k p.a. is also included. This is because although a play area may be on HRA land they are not exclusively a tenant service.
- 3.16 An increase in budget of £76k for Housing Advice and Temporary Accommodation is included. This is made up of a £21k increase for the cost of bed and breakfast provision and a £55k increase to further strengthen the staffing within the team, including an accommodation officer. Provision of temporary accommodation for families has been utilising HRA properties in 2019/20 which ensures accommodation is within district and more affordable for the Council.
- 3.17 The Council had previously been in receipt of £10k p.a. from the College as a payment for car parking spaces at Stratford Park. This arrangement will come to an end in during 2020 so the income budget has been removed pending renegotiation of the arrangement.
- 3.18 Income received by the Council relating to land searches has fallen in recent years meaning that income now falls short of budgeted expectations. The income within the budget has now been reduced by £40k p.a.
- 3.19 The Council previously had a central savings target of £50k related to “spend consolidation”. This was targeted at projects where co-ordination across the Council could reduce costs such as postage. A number of projects are underway and are likely to deliver savings of at least that amount. In the interim period the savings target is removed and will be replaced by actual savings when they are achieved.
- 3.20 The Minimum Revenue Provision (MRP) represents the cost to the General Fund of borrowing to support the Capital Programme. This is kept under regular review to ensure that there are sufficient revenue funds to allow for the repayment of the capital programme. This year’s review has determined that additional funds are required and this is included within the MTFP. The amounts involved are 54k in 2020/21 and £130k in 2021/22. These additions ensure that the Council’s capital programme as set out in appendix E are affordable within the General Fund budget. The Treasury Management Strategy also anticipates that there will be some additional borrowing during the Medium Term so an allowance is also included for additional external interest in the later years of the plan.

Additional Budget allocations – New Growth Items

- 3.21 As part of the budget development process there have been a number of growth items included within the budget for 2020/21 either to respond to new demands or to boost the Council’s capacity in certain areas. These are detailed below.
- 3.22 The Canal Project will make the bid for the next stage of HLF funding during the 2020/21 year. From the point at which the bid is submitted until a decision is made all of the salary costs for the canal team fall upon the Council. It is not possible to meet these costs from the sums originally set aside for the Canal without creating budget risks for the project itself. In light of that situation, and for transparency of project costs, it is necessary to include an additional revenue budget in 2020/21 only. This has been included at £161k.

- 3.23 The Council's Corporate Delivery Plan has a continued focus on regeneration projects as it looks to build upon the conclusion of the LGA Peer Review that it could be an exemplar leader of place. As part of this work it has been identified that there are a number of brownfield sites across the District which will need a long term approach and additional resource to tackle. In recognition of this the 2020/21 budget includes a one off sum of £100k to begin consideration of these sites and the approach to be taken. After this initial stage has been completed then further funds can be considered as required in future budget setting rounds.
- 3.24 It is also important that the Council considers the building of communities as well as physical infrastructure. Existing projects in the Health and Wellbeing team have begun considering how the Council can support others through community building activities. In order to support this activity a one off sum of £50k has been set aside. When the Strategic Director of Communities begins in post this will be an initial resource for them to consider options for work in this area and again further resource may be made available in future budget rounds if required.
- 3.25 During the 2019/20 year the Senior Leadership Team was restructured. It was estimated in the budget strategy that this strengthening of management capacity would amount to £30k p.a. in the General Fund. This estimate has now been confirmed and included within the budget.
- 3.26 The Peer Review report also recommended a strengthening of the work that the Council already does around policy and governance. Consultation is currently underway with staff about the best ways of achieving this. An allowance of £35k p.a. additional budget has been included as the current estimate of additional budget required, primarily to cover a new role for an Information governance officer to take a leading role on issues relating to effective management of information and ensuring appropriate transparency.
- 3.27 At its meeting on January 23rd 2020 the Community Services and Licensing Committee are to consider a report regarding the review of leisure provision across the District and the extension of the contract at Stratford Park leisure centre. As part of that report it is proposed that the living wage as determined by the living wage foundation is introduced at the leisure centre. This report is written before the date of this committee and whilst no assumptions are made about the decision the Committee might make, the MTFP includes an additional allowance of £80k p.a. for an increase in the contract cost. This is the maximum possible impact of introducing this increase in the wage structure. If the committee has chosen not to make that change then the cost will be removed from the MTFP.

Budget Savings

- 3.28 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 achieved. These savings can be realised as a result of past actions and decisions and are not aspirational saving targets to be realised in the future.
- 3.29 The review of budgets relating to MRP and the capital programme has demonstrated that the Council has an overprovision for repayment of the borrowing undertaken in order to build the facility at the Pulse. This budget of £35k can be removed as it is also included within the Corporate MRP total.
- 3.30 As part of their budget meeting in December 2019 the Housing Committee considered an adjustment to the level of support charges provided by the General Fund. This resulted in a total saving to the General Fund of £354k p.a. The biggest single contribution was identified as under charging of services (£120k) with also additional charges from Property Services for work on the new build programme. The Service 2020 repairs in-sourcing project has also

resulted in additional charges from the General Fund to the HRA which are included within the budget for that project.

- 3.31 Progress in marketing the business units at Littlecombe means that the full income budget can now be added to the MTFP. This represents an additional saving of £73k p.a. Where a unit has been sold rather than let the capital receipts are used to repay the borrowing incurred on construction, delivering the saving to the General Fund through saved MRP and interest rather than rental income.
- 3.32 The Council has previously approved a more ambitious treasury management strategy with regards to property funds and multi-asset funds. The first investments in funds of this nature have now been made giving a clearer picture of prudent returns expected. At this stage an additional £162k p.a. has been added to the MTFP.
- 3.33 As discussed in the Budget Strategy there is no longer a savings target for a work force plan based solely on headcount. A saving is realisable in 2019/20 from the pension elements of previous re-organisational savings. These had not previously been counted against the MTFP as a mitigation against possible pension cost increases at the next actuarial valuation. As discussed earlier in this report this is no longer a risk and therefore the saving of £117k can now be counted against the MTFP.
- 3.34 Small savings have been realised through additional income generation by securing a new tenant for part of Ebley Mill (£19k p.a.) and income raised through street naming (£15k p.a.)
- 3.35 The final savings relating to the transfer of the Subscription Rooms (£226k) and the Tourist Information Centre (£14k) become fully realised in 2020/21 and these are therefore adjusted within the budget.

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 £382k in 2020/21 before any movement in reserves.
- 4.2 As discussed earlier in the report the position in the Medium Term is much less certain. The current forecast within the MTFP suggest a reduction in New Homes Bonus (£776k) and Business Rates (£1.29m) between 2020/21 and 2021/22. The exact reductions will not be known until much later in 2020. The Council has deliberately built up reserves in order to provide time for transition once the new funding environment is known and this strategy is continued within this MTFP.
- 4.3 The table below shows the additional revenue savings or income streams required over the life of the MTFP.

Table 2 – Additional Savings Required

| | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|-----------------------------|-----------------|-----------------|-----------------|---------------|
| Additional Savings Required | 628 | 336 | 417 | 1,381 |

- 4.4 The recently agreed Budget Strategy included a review of the Council's earmarked reserves to ensure they are correctly allocated. The results of that decision are used as the starting point for reserve levels within this MTFP.

- 4.5 As set out in the Budget Strategy the Council has an equalisation reserve to ensure that sudden reductions of funding do not have an immediate impact on service levels. It remains appropriate to use this reserve to give time to make the strategic decisions about new funding levels.
- 4.6 It is clear that one of the biggest risks to the financial position of the Authority is the resetting of Business Rates baselines and the loss of business rates growth that will cause. There is currently a strategy of putting some of the growth in a reserve each year before the reset with the reserve then gradually released after the reset to mitigate the position. With the baseline reset being delayed by a year an additional £600k is to be placed in the reserve in 2020/21 with withdrawals beginning the following year.
- 4.7 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.
- 4.8 The Council has a Waste and Recycling reserve to help mitigate any significant cost increases relating to waste and recycling. This currently has a balance of £600k. The planned uses in the medium term are a withdrawal of £181k in 2020/21 to reflect the first year of lost food waste income and £150k in 2022/23 for the first year of a planned new round resulting from property growth. The balance on the reserve will be held towards the cost of new rounds which may be introduced in the future.
- 4.9 Building Control income is ring fenced for investment in the service and where surpluses have been generated they are held in the building control reserve. The service will be using some of this money in 2020/21 and therefore a sum of £159k is released from the reserve to cover the expenditure.
- 4.10 Community Services and Licensing Committee, at their meeting in November 2019, recommended that the Culture, Arts and Leisure Reserve is ringfenced towards a strategic review of Stratford Park and leisure provision across the District. This MTFP assigns that reserve in full to that purpose.
- 4.11 The capital reserve is money held by the Council for use on capital projects. Although held for capital expenditure the money is revenue in nature and is therefore not restricted in its usage. The planned usage of the reserve is set out in the capital programme at Appendix E.
- 4.12 The full detail of the Council's earmarked reserves and budgeted usage is shown at Appendix F. It should be recognised that the nature of reserves is that they are often used for unbudgeted expenditure and therefore additional usage and top ups to reserves will happen throughout the MTFP period. The S151 Officer reports the balance on reserves as necessary to the Strategy and Resources Committee.

5. CAPITAL PROGRAMME 2020/21 to 2023/24

- 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 E. The following paragraphs set out those capital schemes which have been significantly altered in this year's capital programme.

Table 3 - Summary General Fund Capital Programme 2020/21 to 2024/25

| | 2020/21 (£'000) | 2021/22 (£'000) | 2022/23 (£'000) | 2023/24 (£'000) | 2024/25 (£'000) | Total (£'000) |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Capital Financing | | | | | | |
| Community Services & Licensing | 147 | 170 | 0 | 0 | 0 | 317 |
| Environment | 4,379 | 10,413 | 3,899 | 3,899 | 3,968 | 22,659 |
| Housing General Fund | 2,030 | 330 | 330 | 330 | 330 | 3,350 |
| Strategy & Resources | 666 | 500 | 3,651 | 0 | 0 | 4,817 |
| Total Funding | 7,222 | 11,413 | 7,880 | 4,298 | 330 | 31,143 |

- 5.3 The largest capital schemes in the General Fund are the next phase of canal restoration and the re-development of Brimscombe Port. The final value of these schemes are not known at this stage but the capital programme sets out the resources that the Council is committing to these projects along with estimates of the contributions from other sources.
- 5.4 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.
- 5.5 The capital budget relating to vehicles for the Ubico contract has again been set after detailed consultation with Ubico regarding the fleet requirements. The programme includes sufficient capacity to allow the maintenance of an up to date efficient fleet with large scale replacements when required.
- 5.6 There are no schemes within the current capital programme which are solely for the generation of an investment return.

Capital Financing

- 5.7 The planned resources to fund the Capital Programme over the Medium Term are also shown at Appendix E.
- 5.8 The capital programme includes expectation of borrowing over the medium term of £11.184 million for the General Fund and £16.93 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. 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.
- 5.9 A significant proportion (£3.298 million) of the General Fund capital programme is to be financed from the Capital Reserve. The Capital Reserve balance is currently estimated to be £2.119 million at the end of the 2023/24.
- 5.10 The Council has maintained a policy in recent years of borrowing from its own cash reserves rather than borrowing externally. Historically low interest rates have made this economically advantageous. This position will now be under review as a result of the levels of borrowing in the capital programme and the increased returns we are earning from our

investment. The MTFP now includes some provision for additional interest costs as set out in para 3.20.

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. 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 In preparing this budget, officers from finance have worked with colleagues across the organisation to produce agreed budget requirements. These requirements take into consideration past trends, known service changes and Corporate Delivery Plan priorities. The authority's strong track record of delivering services within budget is evidence of the success of such a process.
- 6.3 The authority has a strong record of delivering financial outturns within agreed budgets. The overall scrutiny of budget levels throughout this budget setting round should further strengthen the ability to deliver within budget.
- 6.4 Throughout 2019 an agreed process of member and officer consultation was followed with four main budget setting workshops which included consideration of the Corporate Delivery Plan. This process has also been reviewed by Internal Audit during 2019 who have made no recommendations for improvement.
- 6.5 Where estimates relate to individual services committees those committees have the opportunity to scrutinise them before this budget report is produced.
- 6.6 Taking all of these factors into account I am satisfied that the estimates included within the Medium Term Financial Plan are robust.
- 6.7 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.
- 6.8 At this stage in the financial year the level of earmarked reserves for the General Fund is estimated to be £16.137 million at the end of 2019/20. This can be regarded as 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, as set out in the reserves review, with an estimated position of £8.680 million at the end of 2023/24. The budgeted level of reserves for 2023/24 can still be considered to be adequate.
- 6.9 As part of this round of budget setting a number of risk factors relating to the agreed plans in prior years have been removed or realised. Most notably these are the risk of an adverse result in the triennial pensions valuation, the impending threat in a reduction in the food waste income received and an aspirational saving relating to the work force plan which was previously being implemented. Although both the removal of the work force plan saving and the realisation of the food waste income risk are detrimental to the MTFP there is a benefit to be gained from the increased certainty that the realisation creates.

- 6.10 The uncertainty around the funding in the Medium Term is undoubtedly the single largest risk to the authority's financial position. The phasing out of New Homes Bonus is already known and the possibility for the loss of Business Rates Growth at the same time as the fair funding review creates the very real possibility of a highly damaging funding loss which may be only partly mitigated by Central Government transitional arrangements. The Authority has created an equalisation reserve and a business rates safety net reserve for exactly these scenarios. They will give the Authority time to make savings decisions in a measured fashion whilst hopefully minimised the impact on service delivery.
- 6.11 The existence of those reserves is only a solution in the medium term and if the results of those reviews are as expected it will be imperative that the Council takes steps to increase its income and, if necessary, decrease its costs to reduce the budget gap and the reliance on reserves.
- 6.12 As information becomes available for officers to calculate the impact of those reviews this will be reported back to members at the earliest opportunity.
- 6.13 The Council has strengthened its budget monitoring process in 2019/20 with the introduction of Quarter 2 monitoring. This gives an additional opportunity to report fluctuations in the estimated financial position of the Council.
- 6.14 I am therefore satisfied that the current and planned level of reserves in this MTFP is adequate.