

STROUD DISTRICT COUNCIL

COUNCIL

THURSDAY, 22 FEBRUARY 2024

Report Title	General Fund Budget 2024/25, 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 2024/25.			
Decision(s)	<p>The Council RESOLVES:</p> <ol style="list-style-type: none"> a. To approve the updated Medium-Term Financial Plan as set out in Appendices A-D b. To increase the council tax by 2.99% (£6.85) to £236.02 at Band D, an increase of approximately 13p per week for the services provided by Stroud District Council; c. To note the uncertainty around the impact of changes to future local government funding d. To approve the Capital Programme, as set out in Appendix E e. To approve the planned changes to the reserves as set out in Section 4 of the report and Appendix F f. 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"> g. To approve the Council Tax Charges for the District as set out in Appendix I 			
Consultation and Feedback	<ul style="list-style-type: none"> • Annual consultation with residents and businesses • Budget Holders on budgets and savings • Committees and Council on Council Plan 			
Report Author	Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk			
Options	The Committee may choose to make alternative budget recommendations to Council			
Background Papers	DLUHC Final Finance Settlement; Service Committee Revenue Estimates			
Appendices	A – Medium Term Financial Plan B – Changes in Budget C – Budget Summary D – Committee Budgets E – Capital Programme F – Earmarked Reserves G – Fees and Charges Policy H – Fees and Charges 2024/25 I – Council Tax Setting 24/25			
Implications (further details at end of report)	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 Council approved the budget for 2023/24 and the Medium Term Financial Plan (MTFP) at its meeting on Feb 16th 2023. An update to the MTFP was then agreed by Council as part of the Budget Strategy on October 26th 2023. This MTFP update agreed the framework for the budget setting process, in advance of the detailed budget work being undertaken by officers across the authority.
- 1.2 The following report sets out the details of the Authority's Medium-Term Financial Plan (MTFP) for the period 2023/24 – 2027/28. 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
 - Adjustments to Revenue Budgets
 - The Medium-Term Financial Position and planned use of reserves
 - Capital Programme
 - Statement of Chief Financial Officer
- 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 key 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 sets out a summary of the total revenue expenditure budget for 2024/25.
- 1.8 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 is included within the service estimates report taken to each Service Committee. Committee budgets in this Appendix include those items listed as Corporate or Council Plan items in Appendix C.
- 1.9 Appendix E shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.
- 1.10 Appendix F shows the impact of the Medium-Term Financial Plan on the earmarked reserves within the General Fund.
- 1.11 Appendix G 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 H.

- 1.12 This report is largely as presented to Strategy and Resources Committee but there are three key changes to report to members for the final version of the report to be considered by Council.
- The final settlement has been released resulting in a change in the money received through the funding guarantee grant. There have also been minor changes to the level of retained business rates. The funding level in this report is based on the final settlement.
 - The Local Plan Inspectors have granted a 10 month pause in the process to allow the Council to work on the Joint Action Plan. This has required additional funding to be allocated to the both the Action Plan and the inspection process. This is covered in Paragraphs 3.33 and 3.34 and also in the revised MTFP included at Appendices A and B.
 - Capital allocations for the UK Shared Prosperity Fund are now included in the capital programme for 2023/24 and 2024/25.
- 1.13 The Final Settlement also includes a requirement for Councils to produce Productivity Plans before July 2024. These plans are to set out how Councils are working to improve service performance and reduce wasteful expenditure. Although government has indicated that these should be short, and draw upon work already taking place, they are required to be approved by Members. The Plan for this Council will be considered by Strategy and Resources Committee at a later date.

2. ESTIMATES OF MAJOR FUNDING

- 2.1 The provisional local government financial settlement for 2023/24 was announced on December 18th, 2023 with the final settlement following on February 5th 2024. As was the case in 2022 these were preceded by a local government finance policy statement from earlier in December which set out some of the key principles to be included in the settlement. The major announcements from within these papers impacting on this authority are as follows.
- A confirmation of a 3% Band D increase referendum limit for Council Tax for Shire District authorities for both 2024/25
 - Councils will be funded for the freezing of the business rates multiplier paid by small businesses
 - Central Government continues to have no desire to introduce “Negative Revenue Support Grant (RSG)” which represents a year of cuts from the fourth year of a previous four year settlement agreement
 - The small amount of RSG received in 2023/24 will be increased by CPI (6.62%) for 2024/25
 - An additional year of New Homes Bonus grant has been awarded
 - The continuation of the Funding Guarantee grant to guarantee a minimum 4% increase in core spending power for every Council (this was 3% in the Provisional Settlement)
- 2.2 It is long expected that there will be a review of the local government finance system. The policy statement includes a confirmation that the government remains committed to improving the local government finance landscape in the next Parliament. It also says that now is the time for stability and not fundamental reform such as implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth. This

position is to be welcomed as both of those reforms would likely be negative for this Council but the situation is currently that there is no detail on how local government will be funded after the 2024/25 year.

- 2.3 The outcome of any review of local government funding is being increasingly difficult to estimate with any form of certainty. The most recent consultations on how such a process may work were from 2019, and it is clear that it will be for the government after the next General Election to decide when and how any reform of funding takes place.
- 2.4 The reason for the anticipated negative impact upon Stroud of any reform is that this Council benefits from a strong taxbase for both Council Tax and Business Rates, but has lower spending demands than other authorities, particularly those with social care responsibilities. Therefore, the MTFP still includes an estimate of reduced funding levels after such a reform has been implemented and this is reflected in a reduction of retained business rates income from the 2026/27 year onwards.
- 2.5 These estimates are derived from analysis work undertaken by the Council's external funding advisors who also suggest that there is likely to be some transitional funding received for those authorities who lose out from such a review. This transitional funding is included within the "Other Grants" section of the MTFP.
- 2.6 The paragraphs below set out the impact of the settlement upon the Council's funding with the overall position being included in Appendix A.

Council Tax

- 2.7 The provisional settlement confirmed a referendum limit for District Councils to increase their Band D Council Tax by the higher of 3% or £5 for the 2023/24 year. This contrasts with upper tier authorities who are permitted increases of 5% to include an Adult Social Care Precept. Police and Crime Commissioners have been permitted increases of £13 for a Band D Property. There remains no limit for Town and Parish Councils.
- 2.8 The Medium-Term Financial Plan recommends an increase of 2.99% which represents an increase of £6.85 for a Stroud District Council Band D Property. This is in line with the agreed Budget Strategy. Strategy and Resources Committee will be considering, alongside the budget papers, a continuation of the Local Council Tax Support Scheme. This scheme will still provide 100% support for those who meet the criteria of the scheme.
- 2.9 The Budget Strategy included an estimate of the tax base growing by 1.5%. Actual tax base growth for 2024/25 has now been confirmed at 1.6%. This includes the impact of a proactive exercise undertaken in the current year confirming the correct number of single person discount claimants across the District. A growth in taxbase of this level, before adjustments to collection rates, would see Council Tax income increase by £171k per annum.
- 2.10 The 2023/24 year saw a reduction in the estimated Council Tax to be collected from 99% to 98.5%. The 99% level was exceptionally high and did not represent the actual level of collection after the Covid pandemic. In-year collection figures currently show that collection is expected to be around 98% for the upcoming year and the Council Tax base has been recalculated on that basis. This figure of 98% has then been used throughout the remaining life of the MTFP and will be reviewed on an annual basis as part of the budget setting process.

- 2.11 The impact of reducing the collection assumption to 98% is to reduce the Tax Base by 240 Band D Properties and the estimated level of tax collected by £56k per year. This will be kept under review and revised for future years tax setting if necessary.
- 2.12 After these adjustments the new Council Tax base is 47,012.30 (46,505.95 in 2023/24). This is a net overall increase of 1.09%.
- 2.13 At the new Council Tax Base a 1% increase in Council Tax raises approximately £108k per year towards District Council Services.
- 2.14 The full impact of all of these changes on the estimated Council Tax to be collected in 2024/25 is shown at Table 1 below.

Table 1 – Change in Estimated Council Tax Income

	£'000
Increase in Tax Base	171
Adjustment to Collection Rate	(56)
Council Tax 2.99% Increase	323
Total Council Tax Change	438

- 2.15 The budget setting process also includes an annual review of whether the Council Tax Account (Collection Fund) will be in surplus or deficit each year against the level of tax estimated this time last year. Currently a small deficit of £16k is anticipated for the 2023/24 year and this will be covered by the Earmarked Reserve the Council holds for this purpose.
- 2.16 At this meeting Strategy and Resources Committee will be considering whether to give notice of the Council's intention to introduce a Council Tax Premium on Second Homes. The MTFP has currently been prepared on the basis that there will be such a premium from 2025/26 onwards. The budget papers will be adjusted for the Council meeting if agreement is not reached on the premium.

Business Rates

- 2.17 The Non Domestic Rating Act 2023 gave Central Government new legal powers to decouple inflationary increases on the standard business rates multiplier and the one used for small business. The multiplier is a key component of Business Rates as every business has a rates bill set at their rateable value, as calculated by the Valuation Office Agency, multiplied by their relevant multiplier.
- 2.18 The Chancellor's Autumn Statement, issued in November, confirmed that these powers would be used for the 2024/25 year. The multiplier for small business remains frozen at 49.9p per £1 of rateable value and the standard rate increases from 51.2p to 54.6p (an increase of 6.6%)
- 2.19 The settlement confirms that Councils will be compensated through grant funding as if both multipliers had increased by the rate of CPI. This becomes more complex when one multiplier is frozen and one is increasing and a number of technical changes have been

made to allow this to happen. These technical changes make no overall material difference to Council funding.

- 2.20 The calculation of retained business rates is a complex one and each time changes are made to rates collection, and are compensated by a Central Government grant, it changes the balance of retained income being derived from rates and grants, this is considered as part of forecasting and estimates from the Council's funding advisors are also used as part of this process.
- 2.21 The major risk factor for the Council around business rates is the anticipated reset of growth. The baseline funding level which the Council is calculated by Central Government as being required by this Council is £2.7 million. However, the long term growth in Business Rates experienced by the Council since 2013 means that the MTFP includes retained business rates income for 2024/25 of £6.59 million. Clearly any loss in this retained growth upon a reset and national redistribution of this rates funding will have a major impact upon the financial position of this Council.
- 2.22 As discussed earlier in this report the Business Rates figures from 2026/27 onwards are estimates modelled on a potential review of the local government finance system. When more information is available about how such a process will work it will be reported to members. This is unlikely to be before the next Budget Strategy and potentially not before the next local government settlement.
- 2.23 The income received from Business Rates on renewable energy facilities within the District is shown separately in the MTFP as it is received directly and at a level of 100% by the Council. This income is not subject to the Business Rates retention calculation. Currently it is forecast to remain broadly stable over the life of the MTFP with only increases to allow for inflation.
- 2.24 The settlement also confirmed that the Gloucestershire Business Rates Pool can continue to operate in 2024/25. By pooling business rates and sharing risks the retention mechanism means that a portion of the Business Rates Growth which would have been returned to Central Government is retained within Gloucestershire. The retained income is shared between the seven local authorities and a Strategic Economic Development Fund (SEDF) which was previously distributed by the Gloucestershire Economic Growth Joint Committee. Upon its inception the new Gloucestershire City Region Board will take over responsibility for the administration of this fund.
- 2.25 No pool income is included within the Base Budget as a result of the inherent uncertainty of pooling. Amounts received are allocated as part of the accounts closedown process and reported to the Strategy and Resources Committee. As an indication as to the possible level of funding to be received, the gain for the most recent complete financial year, 2022/23, was £494k to this Council.
- 2.26 The Business Rates collection account was in deficit at the accounting year end 2022/23. This is matched off against a smoothing reserve held for that purpose in the accounting year after closedown is completed, i.e. after 2024/25. This is shown in Appendix A.
- 2.27 Final Business Rates estimates of amounts to be collected in Stroud District were reported to Central Government at the end of January, after the publication of this report for Strategy and Resources Committee. As anticipated, there was no material change but as the funding position was already being updated for the funding guarantee grant the opportunity has also been taken to update the rates position. The total funding in 2024/25 is the same

with changes made only to the split of funding between standard rates, renewable rates and the collection fund smoothing reserve.

New Homes Bonus

- 2.28 In the past this grant has been calculated on multiple years of housing growth. However, for 2023/24 it has been based on only the housing growth from the previous year and it has been confirmed that this calculation method will continue into 2024/25.
- 2.29 The grant received in 2023/24 was £893k and a modest reduction to £700k was anticipated in the Budget Strategy. In the provisional settlement the actual reduction was greater than estimated and our actual allocation for 2024/25 is only £565k, a reduction of £328k.
- 2.30 There is no information as to whether New Homes Bonus will continue after 2024/25 and so nothing is assumed in the MTFP for the years after that point. This will be reviewed as part of the Budget Strategy later in 2024.

Other non-ringfenced grants

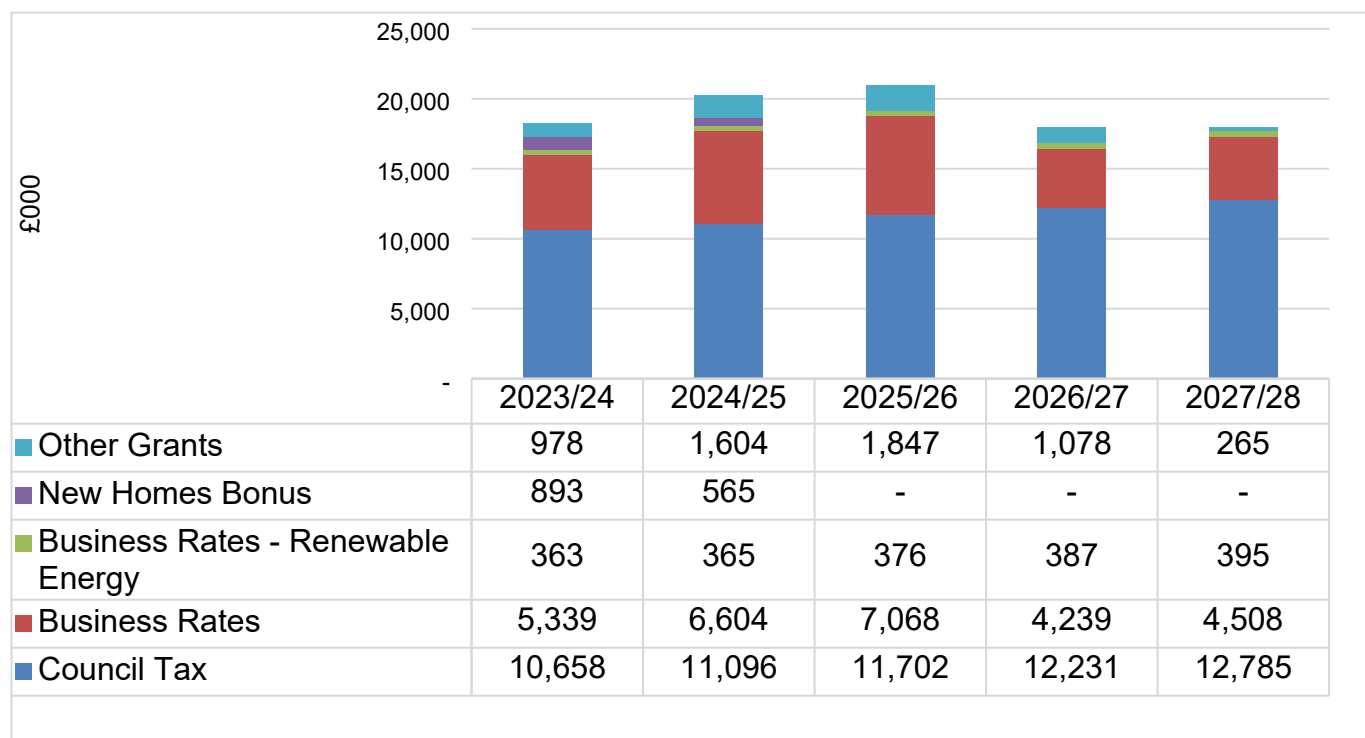
- 2.31 A small amount of Revenue Support Grant is now received again each year as a result of the rolling in of two separate grants into a general RSG allocation. This occurred as part of the settlement for the 2023/24 budget and as confirmed in the settlement for 2024/25 it will be increasing by inflation. It is then anticipated to remain broadly cash flat in the following year before being removed upon any implementation of funding reform.
- 2.32 The provisional settlement has confirmed that the Services grant will continue for one more year but allocations will again be reduced. This change reduces the allocation to SDC from £100k in 2023/24 to £16k in 2024/25.
- 2.33 The Funding Guarantee grant, introduced in 2023/24, is continuing for another year. This grant stream, originally introduced from the savings in New Homes Bonus nationally, is designed to guarantee that every authority has at least a 4% increase in Core Spending Power (CSP) before the local decision on Council Tax increases. The allocation for Stroud is £1.417 million in 2024/25 (3% and £720k in 2023/24).
- 2.34 Although Core Spending Power doesn't directly translate into an impact on the Budget it is useful to consider as it is the measure by which Central Government measures Council Funding levels. This measure includes growth in Council Tax, grants, and the base business rates retention level (although not the Business Rates Growth which we benefit from as SDC). Growth is not included in our CSP as there is an expectation that it will eventually be removed, as is covered in every budget report.
- 2.35 As per the figures released with the Settlement the CSP increase for Stroud for 2024/25 is 6.1%. This is slightly higher than the average figure for Districts nationally which was 5.88%, the lowest out of all classes of authority. When calculating CSP increases for Councils it is assumed that each Council will increase Council Tax by the maximum amount allowable.
- 2.36 The funding included within Other Grants is shown in the following table.

Table 2 – Make Up of Other Grants

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Services Grant	95	17	16	0	0
Revenue Support Grant	159	170	167	0	0
Funding Guarantee Grant	724	1,417	1,664	0	0
Net Fair Funding Transition Adjustment	0	0	0	1,078	265
Total Other Grants	978	1,604	1,847	1,078	265

2.37 The sources of funding included within the MTFP are summarised in the table below.

Table 3 – Assumed Funding in the MTFP



3. ADJUSTMENTS TO REVENUE BUDGET IN FUTURE YEARS

3.1 The following section sets out the most significant changes which have been made in the 2024/25 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 The annual budget includes a number of adjustments for inflation. Inflation has been high in the national economy reaching a peak of 10.7%, although this has recently fallen to 3.9% and then risen again to 4%.
- 3.3 The 2023/24 local government pay award negotiations have now been finalised at a sum of £1,925 per annum or 3.88%, whichever is higher. This equates to an increase of approximately 5.6% across the General Fund workforce. This has added £116k on top of the already budgeted 5% increase for the 2023/24 year which will be recurring throughout the period of the MTFP.
- 3.4 The pay award for 2024/25 will not be known until after the budget has been set for the year, and likely not before the start of the financial year. The MTFP for 2024/25 therefore uses an assumption of a 5.6% increase as has been seen in the current year. With inflation now having fallen below that level it may be that such sums may not be required. However, with pay increases having been below inflation for a number of years, and the Union's pay claim having not yet been submitted, it is not recommended to reduce this provision at the current time.
- 3.5 A number of supplier contracts have increased in price and an overall budget allowance for contract inflation of £525k is included for 2024/25 year.
- 3.6 The largest single increase is for the Ubico contract. The agreed contract sum for next year of £8.443 million is the product of a number of changes which are shown in the table below.

Table 4 – Changes in the Ubico Contract

	£000
Opening Budget	7,776
Fuel	10
General Costs	28
Employment costs	457
Vehicle Repairs	31
Asset Charge	(108)
Premises & Insurance	86
Vehicle Hire	120
Corporate Support	43
2024/25 Budget	8,443

- 3.7 The largest Ubico increases relate to the local government pay award with the average increase for Ubico staff being higher than the 5.6% on the SDC payroll.
- 3.8 The fuel cost increase of £10k is a net increase including what would have been a reduction in the estimated cost of Diesel since the current year's budget was produced, and the extra cost of using HVO fuels previously agreed by this Council. The extra cost of HVO is shown separately in Appendix B and has previously been reported to Council both at the time of the original decision and as part of the budget strategy.

- 3.9 There have been delays in vehicle procurement for recycling vehicles while the outcome of the National Waste Strategy was awaited. This has resulted in a saving in the borrowing cost for new vehicles (included in the Asset Charge) but is matched by increases in vehicle hire costs. This increasing in hiring is to ensure there are no service disruptions as a result of the ageing fleet, whilst new vehicles are awaited.
- 3.10 We are currently in the middle of the three year period between revaluations of the Pension Scheme so there are no changes to the level of contribution to the Pension Fund. However, it is important to note that the figures produced by the actuary for the 2022/23 accounts suggest the pension fund remains above 100% funded meaning it is not currently anticipated that there will be increases to contribution levels at the next full valuation.
- 3.11 The full list of fees and charges is included at Appendix H. Increases have been raised at an average level of 5% as agreed in the Budget Strategy. This has brought an additional £222k of income into the budget for 2024/25.
- 3.12 Discussions have again taken place with Stroud Town Council over the overall 5% income increased targeted through tariff increases, as agreed in the Budget Strategy. As with last year tariffs are only increased on short stay car parks. The usage data for the current year shows that usage of those car parks has increased even with tariff increases.
- 3.13 The continued freezing of parking tariffs in the “flexible stay” car parks within Stroud Town mean that parking charges for 2024/25 will again be frozen at 2022/23 levels in 86% of the Council’s chargeable parking spaces. Although the budget increases tariff on short stay car parks it also includes investments in parking in Stroud Town as detailed later in this report.
- 3.14 The fees and charges policy document, setting out in full the Council’s process for setting fees and charges, along with the governance process, is included at Appendix G. There are no changes in the policy from that included in the 2023/24 Budget papers.
- 3.15 Interest rates have remained higher than forecasted throughout the 2023/24 year. Although it appears that the Bank of England base rate is likely to have peaked, and will now begin to fall, investment returns are likely to be high again in 2024/25. This means that additional income of £730k is included in the budget for this year. Over the life of the MTFP the additional income is removed as interest rates are expected to fall and overall balances for investment are reduced.
- 3.16 The Medium Term Financial Plan shows that borrowing costs rise after the initial saving created by higher returns on investment at the current time. Borrowing Costs are anticipated to increase across the life of the Medium-Term Financial Plan and the capital programme includes a number of General Fund schemes to be funded by borrowing. This will increase the level of borrowing and therefore its cost to the General Fund. The Council’s Treasury Management Strategy has a policy of maximising internal cash resources before taking on any new external borrowing and will be considered by Council alongside this budget.

Additional Budget Allocations – Pressure on Existing Services

- 3.17 The budget setting process has reviewed not only the general inflationary pressures but also those specific service areas which require budgetary adjustments as a result of increased prices or falling income. The detail of these areas is set out in Appendix B and the paragraphs below.

- 3.18 In line with previous years there is a continued pressure on the cost of Housing Benefit in supported housing and temporary accommodation. This is because the high cost of the housing, which is due to the specific need of the placement, is not fully recoverable through Housing Benefit subsidy and so some of the cost remains with SDC. At Community Services and Licensing Committee it was reported that an additional £302k would be required for 2024/25. It has since been announced that the Local Housing Allowance, on which Housing Benefit is calculated, would be increasing from April 2024. This, along with the latest forecast of the position, has allowed the pressure to be reduced to £202k, a reduction of £100k.
- 3.19 Table 4 shows the changes made in the Ubico contract. This totals more than the general 5% allowance made on Contract Inflation and so an additional inflation allocation of £112k is included in the Ubico contract sum increase.
- 3.20 The Budget Strategy reported that levels of car parking income had not returned to levels reported before the pandemic and a reduction of the income target, based on current usage, was to be anticipated. This adjustment has been confirmed at a level of £185k for the 2024/25 year and will be kept under review for the rest of the MTFP. This adjustment is separate from any consideration of inflationary increases of parking fees.
- 3.21 Also reported in the Budget Strategy was an increase in the capacity of the Council to carry out counter fraud prevention, detection, and investigation work. This additional capacity has a cost of £39k p.a. to the General Fund although it is hoped there will be financial benefits through both loss recovery and loss avoidance.
- 3.22 The Council has been expecting a significant increase in the fees it must pay to have its accounts audited by a suitably qualified firm appointed by Public Sector Audit Appointments. Additional budget was included in 2023/24 as a result of this. However, the increase in the "Scale Fee" was even larger than anticipated as it has increased from £41k to £149k. Nationally Councils are being required to pay more for audits as a result of the large backlog caused by lack of auditor capacity. From 2023/24 onwards the appointed auditor will be Bishop Fleming and a further General Fund budget increase of £36k is required to bring the budget up to the new level of audit fee.
- 3.23 The "Fit for the Future" programme, which aims to modernise the way the Council interacts with residents and businesses has to date been funded by one off allocations. In recognition that the Council sees modernisation as an ongoing piece of work there are two posts within the Corporate Policy and Governance team who will work on this on an ongoing basis, a Business Analyst and a Consultation and Engagement Officer. This total funding is £101k for the 2024/25 year.
- 3.24 A number of budget adjustments are included within the Council's IT provision. Although the IT spend is now effectively managed within budget, an underspend is anticipated in 2023/24, there are various items which require additional budget. These include decommissioning physical servers, upgrading the telephony system and cloud migration of websites. Additional costs in 2024/25 total £33k. There are further costs in ongoing years as the original contract for the Digital Platform, paid from a historic IT improvement reserve, needs to be brought into the general IT revenue budget after the original term.
- 3.25 The Council has a number of subscriptions to networking organisations such as the Local Government Association, the District Council's Network and South West Councils. These subscriptions have increased in price in recent years and inflation is not routinely added to these budgets. An additional allowance of £19k is therefore made in the 2024/25 budget to cover these increases.

- 3.26 The Council's corporate maintenance budgets have not historically been included in the allowances made for annual inflation on contracts. High levels of inflation over the last two years, particularly in building cost, mean that this is no longer sustainable. An inflation allowance is therefore added from the 2024/25 year onwards. For the 2025/26 budget maintenance budgets will be treated like contract budgets and have a standard inflation increase as set out in the Budget Strategy.
- 3.27 In addition to the inflation allowance to be added to maintenance budgets, a number of major refurbishments have become due in 2024/25 and require additional budget to complete the works. These include refurbishments of the Paganhill Arch and the Cenotaph, works at Brunel Mall, and resurfacing works on the Stonehouse and Lower Stratford Park car parks. An allowance of £250k has been made in the budget for the total of these works.
- 3.28 There is a pressure of £147k from a decrease in the support service income received in the General Fund from the HRA (this was a saving of £243k in 2023/24). The HRA pays a proportion of all Council support services to reflect that these services are provided to support the Council's landlord function. There was a large increase for 2023/24 as a result of utilities costs. As utilities costs have fallen it therefore follows that the General Fund benefits less from the pass on charge to the HRA. The support charges are subject to annual review by the Accountancy Manager to ensure they remain reasonable.
- 3.29 There is a similar reduction in the contribution to running costs from the Building Control partnership. The share of support service charges and pension costs which are paid through building control income has reduced by £120k. There is also an additional pressure from a review within Building Control which has shown that more of the work has been non fee earning than is currently budgeted. This has meant that although the overall salary costs have remained the same, the work being undertaken is not chargeable and so there is no income to offset the cost. A review of the non-fee earning work will be undertaken to establish if there is any non-statutory work which could be reduced, or additional chargeable works for which to charge, in order to reduce the pressure in future years.
- 3.30 The Council's contract with One Legal includes an estimate of the amount of income that will be received by One Legal for external work carried out by Third Parties. This income has reduced in the current year and therefore the target is to be reduced by £30k in the upcoming year creating a budget pressure. One Legal are reviewing a number of their other income targets but this Council is protected from the impact of the review of income targets which predate our entry into the partnership.
- 3.31 The 2024/25 year will include elections for local District Councillors and the Police and Crime Commissioner as well as a General Election. The Council is able to reclaim costs relating to external elections but those for our own District Councillors must be borne by the Authority. The programme for member induction has also been considered by the Member Development Working Group. Overall therefore, an additional one off sum of £34k has been awarded to budgets to cover the various estimated additional costs of the Council elections in May 2024, including estimates of complying with the Elections Act 2022.
- 3.32 Phase 1A of the Canal project created an obligation on the Council for sampling of water quality at the Capel's Mill site. This work is expected to cost up to £30k and without an additional budget the funding would have to be taken from the money allocated to the 1B Scheme, further increasing the pressure on that project Therefore an additional sum of £30k has been added to the 2024/25 budget to fund this work.

- 3.33 Since the Strategy and Resources Committee on February 1st the Council has received communication from the Local Plan inspectors agreeing to a ten month pause in the examination process. This pause is to allow the Council and its partners to work on the Joint Action Plan. This includes work to establish the preliminary design and costing of a long-term junction upgrade at the M5 Junction 12. Gloucestershire County Council have agreed to fund half of the total proposed cost of this work of £200k. In order to allow this work to proceed a sum of £100k has been included in the updated SDC budget for 2023/24, to match the contribution already committed by the County Council, and to progress this work in the current financial year.
- 3.34 In addition, a sum of £70k is included in 2024/25 for the additional costs of the inspection process. The District Council is required to pay for inspection and with the process having already taking more time than anticipated, and now potentially resuming again in December 2024, an allowance has been included to meet the estimated additional cost.

Additional Budget Allocations – Council Plan Priorities

- 3.35 As part of the Budget Setting Process a number of new allocations have been made in order to support the priorities of The Council Plan, which was renewed in 2023. Although the majority of Council Plan projects are met from existing resources a number of schemes have new budgets committed to them. These are set out in the paragraphs below.
- 3.36 Appendix B details a number of new budget allocations which were already know at the time of the Budget Strategy. At that time a total of £598k was included for a range of projects including the inhouse leisure service, the switch to HVO fuels and an expansion of the customer contact centre. This cost of £598k has reduced since that time to £511k as a net result of the reduction of the estimated running cost of the heat pumps at the leisure centres and the museum, and the application of the pay award to the customer contact centre cost.
- 3.37 The current year's budget includes an allocation of £150k to build on the work of the Community Services and Licensing Committee in refurbishing play areas in the District. An additional sum of £150k is added as part of this new budget for additional play areas to be refurbished, taking the total to £600k in the last three years. If the budget is approved Officers will begin a public consultation and procurement exercise with the outcomes being reported back to the C,S&L Committee for a decision on the specific play areas to be refurbished. This aligns with Council Plan Priority 4.2 – “increase the number, accessibility, and quality of playing pitches, play areas and outside spaces within the district”.
- 3.38 Additional resource is also proposed within the Development Management Team for an additional role in planning enforcement. Planning enforcement and associated improvement actions have been part of the work of both Development Control Committee and the Audit and Standards Committee. This budget includes the addition of another Enforcement Officer at an estimated annual cost of £43k.
- 3.39 A budget of £200k is included, to be funded from the Business Rates Pilot Reserve, to support locally led initiatives to promote the vitality of market towns across the district. Specific projects will be identified through close engagement with market towns and key stakeholders and will be expected to be delivered over the financial years 2024/25 and 2025/26. The allocation includes estimated operating costs of £50k.
- 3.40 As part of the commitment to support local High Streets it is proposed to improve the provision of free afternoon parking at London Road Surface Car Park and the Brunel Mall

Multi Storey car park within Stroud Town Centre. Currently these car parks offer free parking after 3pm but it is proposed to change this to being free after 2pm. This will have an estimated annual cost of £15k which is included within the budget. The exact cost will depend on the pattern of usage across all the car parks and will be monitored closely during the upcoming year.

- 3.41 A budget of £20k is also included for the provision of new electronic signage at Brunel Mall indicating the number of spaces available. This form of signage has been requested by the District Chamber of Trade as something which would be a benefit to businesses within Stroud Town. This budget is also likely to be sufficient to include the provision of some secure bicycle storage facilities within Stroud Town.
- 3.42 From April 2024 Biodiversity Net Gain considerations must form part of every Major and Minor planning application. This is in addition to other biodiversity responsibilities the Local Planning Authority is required to undertake as part of the development management function. In order to meet these responsibilities and recognising the importance of biodiversity within the Council Plan, a new role of Biodiversity Net Gain Officer is proposed within the budget. With an estimated annual cost of £60k this role can be funded from an increase in statutory planning fees covered later in this report.
- 3.43 All Councils in Gloucestershire are currently working together on funding the homing costs for refugees who have been granted permission to stay within the Country and are no longer in Home Office funded accommodation. The County Council is providing accommodation for refugees for a period of three months and after that costs will be shared equally between the six Districts. The level of cost is not known at this stage and in order to best ensure there are sums available an allocation of £50k has been included in the 2024/25 budget. This will be reviewed by officers as more detail becomes known. If not required for those specific costs the money will be available to fund any other costs as required to support refugees and asylum seekers.
- 3.44 An additional allocation of £120k is created to support initiatives overseen by Environment Committee to tackle the climate and ecological emergency. Specific initiatives will be delivered by the relevant operational teams and cover training and awareness for staff, increasing community engagement and action, reducing single-use plastics and promoting local projects to boost nature recovery and bio-diversity.
- 3.45 A budget of £200K is included within the Capital Programme to facilitate the Stroud station project. Members will recall that a figure was included within the LUF bid to open up the Brunel Mall car park to the station to add additional station car parking and reduce the traffic in the town centre, which would then enable the wider master planning of the station to take place. In addition, a figure was also included to purchase and provide ramped access and internal improvements to the Grade II listed Brunel Goods Shed, which is located close to Brunel Mall, to secure its future and to make this heritage arts venue accessible for all. In the absence of the LUF funding, work has continued with key stakeholders including LCR, Network Rail, GWR, the Town Council and Stroud Valleys Artspace (SVA) to realise the councils vision for the railway station to create an enhanced 'sense of arrival' to the town and district and a higher quality public realm to encourage people to stay and dwell in the vicinity, forming better pedestrian and cycle routes through and creating an active, vibrant, art focused area around the improved Goods Shed, which is an important placemaking element of the overall masterplan for the station, which aims to bring forward new energy efficient homes to the town centre.
- 3.46 The commitment of £200k of capital funding to the project will provide partnership funding of £37,500 for the purchase of The Goods Shed and a significant accessibility and

modernisation project for the building (including an external ramp and internal accessible toilets) to be carried out by SVA with a significant application made to the Arts Council to support this project. SVA also has longer term plans to create container studios for creatives (planning consent obtained) on the land adjacent to the Goods Shed. The remaining funding aims to also bring forward the opening up of the car park and the purchase and improvements to the land adjacent to it, currently owned by Network Rail, to facilitate the pedestrian and cycle route through from London Road to the station. Meanwhile, GWR is procuring further design work for the station forecourt and for the options of step free access across the platforms and through the One Public Estate, the Council has jointly funded, with LCR, master planning and surveys to establish the scope for regeneration of the wider area included the Council's site at Bath Place, Cheapside.

- 3.47 Strategy and Resources Committee have recently agreed the Heads of Terms for a new lease with the Kingshill House Trust. This includes a responsibility for the Council to take on major repair works. To reflect this new obligation an allowance of £50k per annum is included from the 2025/26 year onwards.

Savings for the 2024/25 Year

- 3.48 In addition to pressures upon existing services and allocations to new projects the Budget considers savings which can be made to fund other costs. There have been a number of key new savings included within this budget.
- 3.49 The 2024/25 budget also includes the reversal of one of the key savings items for 2023/24. In the current year there was a saving of £189k for income for recyclable materials. This income has now fallen and the target is reduced by £205k for the 2024/25 year. The levels of income are reviewed by Environment Committee as part of the budget monitoring process and reassessed as part of the budget setting work. The Council holds a Waste and Recycling Reserve to mitigate against any extreme fluctuations of either costs or income within the financial year.
- 3.50 Statutory planning fees have been increased by Central Government from January 2024. Stroud District Council has also increased its pre-application fees as a result of an Officer Decision made by the Strategic Director of Place. This change in fees is expected to result in extra income of £291k for the 2024/25 budget. This fee income is used to fund the additional biodiversity net gain officer, the additional enforcement officer, the reduction in income targets included within the 2023/24 budget as well as the various inflationary pressures on the service such as staffing and software.
- 3.51 All Council energy supplies are now purchased on a framework through West Mercia Energy, a public purchasing organisation. Energy costs are not currently as high as was predicted when the budget was set for the 2023/24 year and some savings can therefore be released into the 2024/25 budget totalling £280k. Clearly energy costs remain volatile, particularly in light of world events, so actual costs will be considered closely as part of budget monitoring and budgets will be reviewed again if necessary.
- 3.52 Extra income is also expected from the Garden Waste Services, with an increase of £2.50 per year having been agreed by Environment Committee, and levels of subscribers remaining high. This generates additional income £157k into the budget for 2024/25. This extra income will be used to fund the increases in the cost of providing the service seen in recent years as part of the overall Ubico contract.

4. MEDIUM TERM FINANCIAL PLAN AND THE USE OF RESERVES

- 4.1 The budget proposed within this report and appendices is in line with the Council's legal requirement to set a balanced budget.
- 4.2 In order to improve the transparency of the General Fund reserves position they continue to be shown split into three broad categories. The first is those which are allocated to specific projects within the Council's budget, the second is those reserves which are held against specific and known risks, and the third group are the reserves held to mitigate the impacts of future funding reform. The reserves in that final group are the General Fund equalisation reserve and the Business Rates Safety Net Reserve.
- 4.3 The General Fund equalisation reserve is designed to give the time to make savings decisions without the need for rushed decisions, in the event of an eventual reform of local government funding which reduces the resources available to this Council. This reserve is budgeted to increase by £359k in the current financial year.
- 4.4 The collection fund reserve is used each financial year to smooth any surplus or deficit from Council Tax or Business Rates in the preceding year. It is adjusted to the correct level at each financial year end and then used to balance out any deficits in the following year's budget. Appendix A shows the impact in 2024/25.
- 4.5 It has been an agreed part of the Council Budget Strategy for a number of years that as the reset of Business Rate Growth has been delayed, a portion of retained growth each year will be transferred to the Business Rates Safety Net Reserve rather than being used in the base budget. This policy is recommended to continue in 2024/25 of a transfer to reserves of £700k is budgeted. Over the remaining three years of the Medium Term Plan a net transfer out of reserves of £3.3 million is budgeted to mitigate the anticipated fall in retained rates.
- 4.6 The last 18 months has seen a fall in the capital value of the Council's investments in pooled funds, particularly in relation to property funds. The higher than expected yield from investments has been partially used to increase the investment risk reserve which had a balance of £820k at the end of 2022/23. A Statutory override means that any fall in investments will not be chargeable to the General Fund until 2025. Revenue returns from investments will be used to ensure that the Investment Risk Reserve is at least the level of any falls in capital value at that point.
- 4.7 The Market Towns Vitality Fund is being drawn from the Business Rates Pilot Reserve, representing the funding remaining from the 100% Business Rates Retention Pilot operated in 2018/19. This reduces the remaining balance on this reserve by £200k.
- 4.8 A sum of £100k will be drawn from the climate change reserve, held to fund projects related to the climate and ecological emergency, to part fund the additional budget related to climate change and nature recovery.
- 4.9 An additional collection round with an estimated cost of £180k is collected forecasted for the Ubico contract in 2025/26. As has been the case with previous new rounds a drawdown from the Waste and Recycling Reserve will be made to cover the cost in the first year of operation.
- 4.10 Strategy and Resources Committee has already agreed to establish a match funding pot for the crowdfunding scheme, for which the £35k annual contract sum is being introduced into the revenue budget as part of this report. This match funding of £100k is being funded

by £80k from the Business Rates Pilot and £20k from the centrally held funding generated by the Lucky Severn Lottery.

- 4.11 As was the case for 2023/24 the settlement documentation again refers to the issue of Local Authority reserves. The Secretary of States notes in his written statement that “The Government notes that whilst local authority reserves are falling, they remain significantly higher than prior to the pandemic. We continue to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of these pressures”.
- 4.12 General Fund Earmarked reserves have followed this exact pattern at this Council. They have fallen for two consecutive years but are higher than they were before the pandemic. This is largely due to the two general risk reserves for the Business Rates Reset and MTFP Equalisation. When the outcome of any funding reviews are known these two reserves will either be used to mitigate the impact of those reviews, as set out in the current MTFP, or released to fund additional services if the impact is not as severe as anticipated.
- 4.13 The bottom line General Fund balance of the Council is forecast to remain at £2.169 million for the duration of the MTFP. This represents approximately 11% of the net general fund budget which is sufficient at this time.
- 4.14 The table below shows the estimated balance of the equalisation reserve over the life of the MTFP.

Table 5 – Balance of the Equalisation Reserve

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
GF equalisation reserve					
Opening	6,588	6,847	6,761	7,175	5,251
Change	259	(86)	414	(1,924)	(2,479)
Closing	6,847	6,761	7,175	5,251	2,772

5. CAPITAL PROGRAMME 2023/24– 2027/28

- 5.1 The Medium-Term Capital Programme is covered in this section, including descriptions of any major changes to capital schemes or financing requirements. The Capital Strategy, also to be considered by Strategy and Resources Committee and Council, is a key component of the financial planning system and the capital programme is produced alongside, and in accordance with that strategy.
- 5.2 Capital schemes use estimates of timing across financial years any adjustments to timing will be reported to the relevant committee. The proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix E.

Table 6 – Capital Programme Summary

Committee	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Community Services and Licensing	5,557	100	-	-	-
Environment	6,648	8,127	6,432	4,618	1,903
Housing (General Fund)	3,190	5,855	765	765	765
Strategy and Resources	573	961	505	3,157	220
TOTAL General Fund	15,968	15,043	7,702	8,540	2,888
Housing Revenue Account	21,620	18,310	37,605	18,730	16,069
TOTAL Capital Programme	37,588	33,353	45,307	27,270	18,957

- 5.3 As covered earlier this report a sum of £200k has been added for the Stroud Station Project. This is funded in full from existing capital receipts.
- 5.4 The Council has bid for funds from the Sport England Swimming Pool Support Fund Phase 2 for further investment in energy efficiency work at the Pulse in Dursley. As a result of the volume of applications, decisions on award from that fund are not yet public. Any award of funding will be added to the capital programme in a later Council report.
- 5.5 A capital budget of £33k has been added for the scheme to extend the car park at Marybrook Street in Berkeley. This represents the capital cost of the works.
- 5.6 A budget of £161k is included for Bath Place. This represents the balance from the original capital sum for the purchase of the site and associated costs. This money will be used to cover design and planning fees for the wider Bath Place, Cheapside and Station car parks project.
- 5.7 The resources needed to fund capital expenditure over the Medium Term are shown in Appendix E.
- 5.8 The currently expected borrowing totals for 2024/25 and onwards are £10.1 million for the General Fund and £29.4 million for the HRA. The General Fund schemes financed by borrowing are the purchase of vehicles for the Ubico contract, a portion of the funding for Brimscombe Port and funding of works at Bath Place. The revenue costs of this borrowing are included in the respective revenue costs for both the General Fund and the HRA.
- 5.9 The fleet replacement which was expected for the Ubico contract in the 2023/24 year is now reprofiled into the 2024/25 year as procurement was not undertaken whilst the results of national policy around recycling collection were awaited. A budget for vehicle purchase of £4.023 million is now included in 2024/25. This expenditure is included within the General Fund borrowing figure.
- 5.10 Borrowing can be taken from either internal sources or by new external loans. These decisions will be taken by the Section 151 Officer in line with the Council's Treasury Management Strategy.
- 5.11 The total funding from grants and other sources is £34.4 million in the five year Medium-Term capital programme. This is a significant sum when considered against the Council's overall budget and allows for the continued investment into assets as part of the capital programme. Where new grants are received these can be added into the capital programme as part of future Council decisions.

- 5.12 The budget includes £2.6 million from the capital reserve towards capital projects. This reserve was originally set up to fund new capital schemes. However, the balance is now effectively exhausted for new schemes in future and the small remaining balance will be used as a source of funding to manage any minor unexpected additional costs or inflationary overruns on existing capital projects.

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.
- 6.2 This report primarily focuses on the General Fund and the Capital Programme. My comments in this section relating to the robustness of the estimates and adequacy of reserves should be considered to also apply to the Housing Revenue Account.
- 6.3 The reduction in inflation in the wider economy has meant that a repeat of last year's very significant increases in contract and energy costs has not been required, indeed it has been possible to reduce the budget for utilities costs. This has given a greater degree of certainty to budget planning. However, the wider economic position remains extremely uncertain. Inflation, in particular that linked to energy costs, is closely linked to wider events and so there can be no certainty that the reduction in costs will continue. Indeed, at the time of writing this report the inflation figure for December, released in January, increased to 4% after it had been expected to fall. The budget monitoring process in 2024/25 will need to closely consider energy costs and this will form part of figures reported to Committees.
- 6.4 The latest GDP figures released in December 2023 show that the economy contracted by 0.1% in the period between July and September meaning that the UK is at risk of recession. The wider economic situation clearly has impacts on the local economy This is the second consecutive budget in which the assumption of estimated Council Tax to be collected has reduced, this time from 98.5% to 98%. The financial impact of this is set out in the report and if there is a recession it is possible that the collection rate would fall further and impact on future budgets over the life of the MTFP.
- 6.5 As well as the impact on Council Tax collection other potential impacts on Council finances include on the level of business rates received, the number of recipients of Local Council Tax support and of general levels of income received through fees and charges. The budget monitoring process throughout the financial year is of key importance in reporting up to date financial information throughout the year and all of these positions will be monitored closely in 2024/25.
- 6.6 As covered in these budget papers the inflationary impact of the Local Government Pay Award is a major component of Council budgets and has implications for both the General Fund and Housing Revenue Account. The pay claim for the local government Unions for the 2024/25 year has not yet been received which leaves the Council in the position of setting the budget with no certainty as to what the final pay award will be. The estimate of 5.6% is regarded to be more than sufficient and indeed there is some possibility that the final award may be lower than this level. Members will be informed of the outcome of the pay award when it is known.
- 6.7 In preparing this budget I have had regard to the "Financial Resilience Index" as provided to Section 151 Officers by the Chartered Institute of Public Finance and Accountancy. This

tool gives a relative level of risk for a number of key indicators when compared to other similar authorities. This is taken from data as at 31st March 2023. There are two areas where the authority is deemed as a higher level risk, although not at the highest level.

- Gross External Debt. This is a result of the Council being a housing authority. Of our current debt levels £91.7 million related to amounts paid to Central Government in 2012 as part of our self financing agreement. The resilience index shows the Council as low risk with regards to the proportion of revenue expenditure made up of interest payments.
- Fees and Charges to Service Revenue Expenditure. The Council is deemed as higher risk as it receives fees and charges income at a proportionally low level of 15.7% of net revenue expenditure. Those Councils which raise more of their income from fees and charges are deemed to be lower risk by being more able to generate income to withstand other financial shocks. Previous Medium-Term Financial plans have made decisions to limit fee increases below inflation, freeze charges, or in some cases remove those charges. Any increase of fees and charges below the level of inflation increases the subsidy required from the General Fund for the relevant service. Should other sources of funding be impacted by reforms elsewhere then this Council may need to explore fees and charges as a means of increasing financial sustainability. The Fees and Charges policy which forms part of these budget papers is particularly important in this regard.

6.8 The provisional local government settlement again includes reference to local authority's reserve, although it does note that they have fallen in recent years. The CIPFA resilience index has Stroud as slightly higher than average risk for our level of reserves with a figure of 122.6% of net revenue expenditure, with comparator authorities ranging between 52.3% and 371%.

6.9 As the largest single source of funding, the future of Council Tax levels in the District is also key to future financial sustainability. Whilst the Council Tax increase referendum limit is below inflation the Council requires an increase in the Council Tax base to cover that funding gap, although this is in turn places a greater demand on services particularly waste and recycling. Encouragingly the tax base grew 1.6% in this financial year, much higher than the previous year, but the uncertain economic environment means this cannot be relied upon in future years. Any slowdown in Council Tax base growth will require savings to be made elsewhere to cover the funding gap.

6.10 The Policy Statement included a further commitment that long term review of the local government finance system is still government policy. The direct quote was "The government remains committed to improving the local government finance landscape in the next Parliament". It is clear that any details on funding reform will not be until after the next General Election and there is no certainty as to how long a process may take. As covered elsewhere in this report there is an assumption in the MTFP that reform will be implemented, and funding to this Council will reduce, from 2026/27 onwards.

6.11 The General Fund financial position broadly stable for each of the next two financial years and a balanced budget is anticipated with no drawdown on the Medium-Term risk reserves. This is very significant considering the national picture of local authority finance.

6.12 Reform of the local government financial system remains the single largest risk to the General Fund financial position of the Council. Whilst resources remain at levels broadly equivalent to now then the Council can continue without fundamental savings plans. However, if Central Government reduces the funding of this Council at the levels that have

previously been anticipated that it will be necessary to make considerable savings, including consideration of additional fees and charges and likely reductions in service levels.

- 6.13 The Housing Revenue Account has a number of significant financial risks in the Medium Term and these are laid out in detail in the Housing Report. That report shows out that without corrective action the HRA will have a negative balance from 2025/26 which is not legally possible. As that report notes, the decline in reserves results from increased costs and capped increases in income.
- 6.14 The HRA report sets out that there are measures which can be put in place to temporarily prevent that problem so there is no current prospect of not being able to set a balanced budget for 2025/26. However, members must be aware of the need to make challenging decisions in the very near future to ensure that HRA spending remains within the funding envelope available.
- 6.15 Inflation remains a major risk to the Council for both the General Fund, HRA and the Capital Programme. The most recent reported figures show that inflation has increased again and it is difficult to forecast the impact of inflation upon the District Council with any certainty. As has been the case in previous years, budget monitoring will be used to assess the impact in year and reserves will be used to protect services. Any major shift of long term inflation will require adjustment of the MTFP at the next Budget Strategy.
- 6.16 The position around interest rates also creates a risk. Currently these have remained high which is a boost to income received by the Council. This has allowed a large savings target to be included in the MTFP for the 2024/25 year. This is not without risks as although the Council has a strong track record of delivering investment returns these are never guaranteed. There is also a risk around the capital values of investments. The increase in interest rates has seen a fall in the capital value of some of the Council's pooled funds as the overall investment return has increased. This has been reported to Audit and Standards Committee. The process of using some of the increased yield to be placed into the investment risk reserve to offset the fall in capital value must be maintained. This will be considered again at the 2023/24 outturn.
- 6.17 The delay in fundamental local government reforms means that the Council has continued to hold the Business Rates Reset Reserve and the General Fund Equalisation Reserve at higher levels than anticipated. This continued policy means that the Council has the stable base in place to protect services against future economic shocks and funding reform. At such time that certainty is received on the Medium-Term position then the drawdown of these reserves can be agreed by members as part of future budget reports. This may be to allow an orderly implementation of savings programs or to be invested in services if they are not required in full to mitigate funding shortfalls.
- 6.18 The beginning of the 2024/25 year sees "All Out" elections not long after the approval of the budget. Any new administration will need to work within the financial envelope available and matters of financial significance will need to be considered early in the new administration. As a priority this must be the decisions needed to ensure that HRA reserves stay in a positive position and also potentially the decisions needed to react to any reform of General Fund finance.
- 6.19 I am satisfied that the estimates within this plan are robust. The budget setting process begins with the Budget Strategy and involves officers across the Council working closely together to set estimates and consider pressures and savings. This gives a sound financial base before the consideration of additional spending priorities. There has also been a good level of member engagement with all Policy Committees having considered both

mid-year budget monitoring and an estimates report for 2024/25. Throughout 2024/25 the system of budget monitoring must be maintained and any variances from budget will be reported to members.

- 6.20 This report has considered the level of reserves. This Council uses reserve allocations to fund priority schemes in a number of areas, allowing the flexibility to award new funds within financial years and meet demands relating to service provision. Specific risk reserves are reviewed at each financial year end to ensure that sums are in place to react to financial shocks. The largest balances are the Medium-Term risk reserves and these are required to protect the Council from potential large decreases in funding. I am able to report to members that in my opinion the level of reserves is indeed currently adequate.
- 6.21 In conclusion, the Council stands in a good financial position, albeit with significant short term challenges to the Housing Revenue Account. Members and Officers must be prepared to make the decisions required to ensure the long term stability of the HRA and of the General Fund. The current standing, and an effective system of financial governance, gives every confidence that this will be achieved.

7. IMPLICATIONS

7.1 Financial Implications

The whole report is of a financial nature.

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7.2 Legal Implications

Under the Constitution Strategy and Resources Committee has responsibility for the preparation and consultation on the Council's budget. The final budget will be subject to consideration and approval by Full Council in February.

The Council must set a budget and Council Tax in accordance with provisions of the Local Government Finance Act 1992. Section 25 of the Local Government Act 2003 require that the Council, in setting its budget, must have regard to the report of its Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its proposed financial reserves.

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7.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision

7.4 Environmental Implications

There are no significant implications within this category as no specific service changes are proposed.

In addition to sums agreed in prior year revenue and capital budget for various climate and nature related projects this budget includes new funding for Biodiversity Net Gain, Climate and Nature Recovery works and the running of the Ubico fleet on HVO fuel for significant carbon emission reductions.