

STROUD DISTRICT COUNCIL

COUNCIL

17 FEBRUARY 2022

Report Title	General Fund Budget 2022/23, 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 2022/23.			
Decision(s)	<p>As recommended by Strategy and Resources Committee, Council RESOLVES:</p> <p>a) to approve the updated Medium-Term Financial Plan as set out in Appendices A-E</p> <p>b) to increase the council tax by £5 to £222.52 at Band D, an increase of less than 10p per week for the services provided by Stroud District Council;</p> <p>c) to note the uncertainty around the impact of changes to future local government funding</p> <p>d) to approve the Capital Programme, as set out in Appendix F</p> <p>e) to approve the planned changes to the reserves as set out in Section 4 of the report and Appendix G</p> <p>f) to approve the fees and charges policy and list of Council fees and charges as set out in Appendices H and I.</p> <p>In addition to the recommendations from the Strategy and Resources Committee, Council RESOLVES:</p> <p>g) To approve the Council Tax Charges for the District as set out in Appendix J.</p>			
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 Provisional Finance Settlement; Service Committee Revenue Estimates			
Appendices	Appendix A – Medium Term Financial Plan Appendix B – Changes in Budget Appendix C – Council Plan Additions Appendix D – Budget Summary Appendix E – Committee Budgets Appendix F – Capital Programme Appendix G – Earmarked Reserves Appendix H – Fees and Charges Policy Appendix I – Fees and Charges 2022/23 Appendix J – Council Tax Setting			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 Council approved the Budget Strategy to 2026 at its meeting on 21 October 2021. This agreed the framework for the budget setting process in advance of the detailed budget work being undertaken by the authority.
- 1.2 The following report sets out the details of the Authority's Medium-Term Financial Plan (MTFP) for the period 2021/22 – 2025/26. 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 Budget
 - 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 is a summary of the additional items included within the budget related to projects supporting the new Council Plan.
- 1.8 Appendix D sets out a summary of the total revenue expenditure budget for 2022/23.
- 1.9 Appendix E shows the revenue estimates for each committee, with those for Strategy and Resources Committee being shown in detail. The detail behind the other Committee expenditure budgets is included within the service estimates report taken to each Service Committee.
- 1.10 Appendix F shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.
- 1.11 Appendix G shows the impact of the Medium-Term Financial Plan on the earmarked reserves within the General Fund.
- 1.12 Appendix H is the fees and charges policy setting out how the Council considers fees and charges, with the new list of charges being shown at Appendix I.
- 1.13 Appendix J shows a breakdown of the Council Tax charges in the District, including parishes. This appendix has been simplified from previous years to show the key

information. Gloucestershire County Council sets its Council Tax on February 16th. If there any changes from their draft levels at that meeting a written update will be provided to Stroud Councillors at the meeting on February 17th.

- 1.14 There are no changes to billing as a result of the £150 Council Tax rebate scheme announced by Central Government as part of the package to support households with energy bills. Although described as a rebate, this will be a payment scheme outside of the Council Tax process and bills are not adjusted.

2. ESTIMATES OF MAJOR FUNDING

2.1 The provisional local government financial settlement for 2022/23 was announced on December 16th, 2021. As has been the trend in the most recent years the settlement covers a single year period. Therefore, funding estimates can be made with some certainty for that year, but there is still no information on the position after that point. This inevitably makes budgeting for the medium term extremely challenging. The main features of the provisional settlement affecting Stroud are

- A confirmation of a £5 Band D increase referendum limit for Council Tax for Shire District authorities
- “Negative RSG” – representing the fourth year of cuts from a previous four-year settlement, continues to be funded by Central Government
- The reset of Business Rates Growth has been delayed by a further, likely final, year
- An additional year of New Homes Bonus grant has been awarded
- Two additional non-ringfenced grants have been awarded.

2.2 The settlement is still provisional at the time of writing. However, no significant changes are expected from the final settlement when it is released. Any material change to funding numbers in the MTFP would be updated at that point if required.

2.3 The impact of the settlement is explained in the paragraphs below and show in the MTFP at Appendix A.

2.4 The provisional settlement includes a commitment from government that future funding allocations will be based on an up-to-date assessment of needs and resources. This data has not been refreshed since 2013/14 so is overdue an assessment. DLUHC will be working with the local government sector to update this system and will then consult upon the changes.

2.5 This effectively restarts the process previously known as the “Fair Funding Review”, by which funding will be redistributed across local government. It is generally accepted that this will mean funds moving from District Councils to Upper Tier authorities with more acute funding pressures. Estimates within the MTFP, most particularly around the Business Rates figures, include some early estimates of the impact of this review.

2.6 Although we are likely to see a fall in our funding as a result of this review, it has been stated that there will be a scheme of transitional support to smooth the reduction. There is no indication at this stage as to the form that this may take. The Council’s funding advisors have made some preliminary estimates, and these are included in the figures for Business Rates retention within the MTFP.

Council Tax

- 2.7 The provisional settlement included a provision for District Councils to increase their Band D Council Tax by the higher of 2% or £5 for the 2022/23 year. This contrasts with upper tier authorities who are permitted increases of 3%. Police Forces have been permitted increases of £10 for a Band D Property.
- 2.8 In line with the decision from Council in October 2021, the Medium-Term Financial Plan includes an increase of £5 which represents an increase of 2.3%. Council 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 are not able to pay their Council Tax bills.
- 2.9 The Budget Strategy included an assumption that the Council Tax base would increase by 1.5%. This has been a good measure for the District in the past although growth for 2021/22 was only 1.17% as a result of the pandemic impact.
- 2.10 Actual tax base growth for 2022/23 has been confirmed as 1.9%. This additional housing growth over the 1.5% estimate represents approximately 184 properties at Band D level and therefore generates an additional £41k per annum in Council Tax income.
- 2.11 The Council Tax base has been calculated using a collection rate of 99%, reflecting historic high performance in Stroud in the collection of Council Tax. Although the pandemic has had an impact on collection rates and arrears, it is still judged to be appropriate to use this rate at the present time.
- 2.12 In 2021/22 the Council was awarded a “Local Council Tax Support” grant of £174k to reflect the impact of additional support claims on the Council Tax base. This grant was for one year only and will not be received in 2022/23.
- 2.13 The Council is carrying a deficit in its Collection Fund related to lost income from Council Tax in 2020/21. This was 75% funded by Central Government. At the end of the 2020/21 year an earmarked reserve was set up to cover this deficit over a three-year period. The MTFP at Appendix A shows the latest Council Tax deficit and the use of the reserve to fund it.

Business Rates

- 2.14 As mentioned in 2.1 the settlement includes confirmation that Business Rates growth is not being reset in 2022/23. This had previously been highlighted as a possibility in the Budget Strategy. The impact of this is that funding is retained within the District that would otherwise have been redistributed elsewhere.
- 2.15 The figures for retained business rates have therefore been recalculated for the next financial year. As reported in the Budget Strategy, the delayed growth reset leads to additional income being retained in 2022/23 and the estimated retained rates figure is now shown in Appendix A.
- 2.16 The Business Rates retention system is the main lever through which the government can redistribute funding nationally. This is, therefore, likely to be the method through which not only growth is reset, but the results of the fair funding review are implicated. Business Rates forecasts from 2023/24 onwards are an estimate based on modelled potential impacts of the review. When more clarity about future years is available it will be reported to members.

- 2.17 The multiplier by which business rates bills are calculated for businesses has been frozen by Central Government for the upcoming year. This means that there will be no inflationary increase on business rates bills. Councils are to be compensated for this loss of income through a direct grant, and the estimated rates income within the MTFP includes the current estimate of this amount.
- 2.18 The Gloucestershire Business Rates Pool will continue to operate in 2022/23 as a result of the delayed growth reset. In line with the approach used in previous years, no pool income is included in the base budget as the level of funding available cannot be confirmed until the outturn position at the end of the financial year. As in previous years the amount received, and the allocation of the funding, will be considered by Strategy and Resources Committee as part of the outturn report process.
- 2.19 As with Council Tax, Business Rates had a Collection Fund deficit at year end 2020/21. This was created by the significant Business Rates holidays awarded last year. Central Government funding was received to cover this cost and Appendix A shows both the Collection Fund deficit and the reserve funding being used to offset.

New Homes Bonus

- 2.20 It had previously been assumed that New Homes Bonus (NHB) would contribute only £218k of funding in 2022/23. This is because this was expected to be the final year of legacy payments under the old system. Central Government had consulted on a replacement system for incentivising housing growth but there had been no further announcements from DLUHC.
- 2.21 The provisional settlement actually included one additional payment of NHB to reflect the housing growth between 2020 and 2021. This additional year of growth is the largest single year of New Homes Bonus that Stroud has ever received at 1.213million. This gives a total allocation for the year, including the legacy payment, of £1.431 million.
- 2.22 This large grant year is the product of housing growth within the District and a reduction in the number of long-term empty properties. The central government calculation of New Homes Bonus records that an additional 685 homes have been completed in the District (1.9% Band D equivalent increase) and the number of long-term empty properties has fallen by 291 from 866 to 575 (34%).
- 2.23 The future of New Homes Bonus is to be included as part of the review on the future of local government funding referred to in Paragraph 2.4. It is highly likely that the grant in its current form will be phased out and the MTFP therefore continues to assume no further funding from this source after 2022/23.

Other non-ringfenced grants

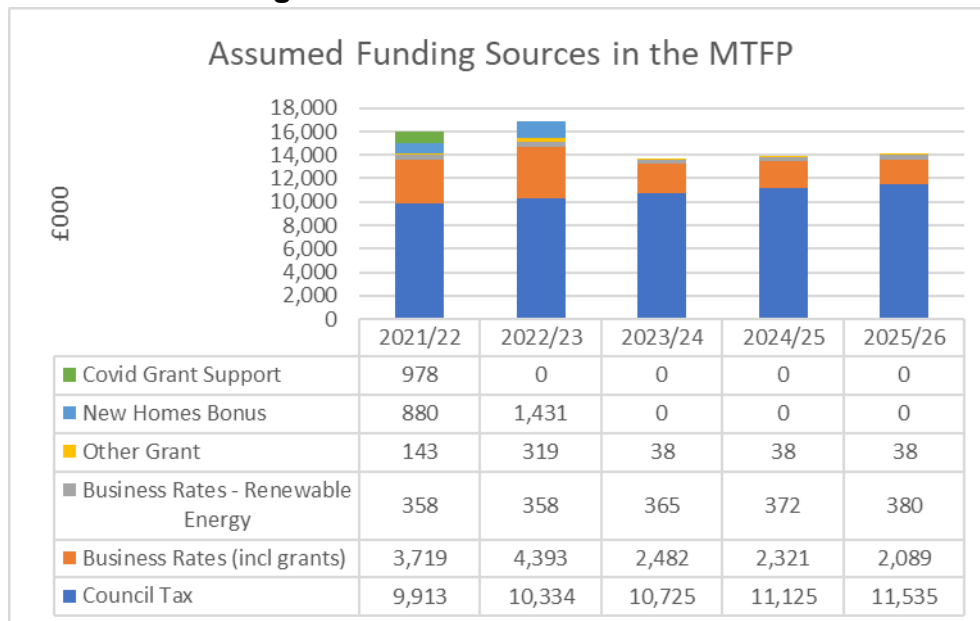
- 2.24 In 2021/22 the Government awarded District Councils a grant to reflect the particular cost pressures of providing lower tier services. This lower tier services grant was worth £105k to Stroud. Although this grant was expected to be for one year only it has been extended to 2022/23 and our new allocation is £111k.
- 2.25 There is further grant funding available in the form of the 2022/23 Services Grant. This represents a portion of the £1.5 billion pound national allocation announced in the Autumn 2021 Budget to support Local Government. The allocation for Stroud is £170k and the provisional settlement is very clear that that this funding is for one year only. The

settlement also states that this grant will not form part of any transitional support system once the review of local government funding has taken place. However, the money is expected to remain within the overall local government funding envelope and be reallocated through an alternative method.

2.26 The system of Covid support grants to reflect the general cost of Covid response, and lost fees and charges income has now ended. There is no therefore no specific grant support included in the MTFP for 2022/23 and onwards.

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

Table 1 – 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 2022/23 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 changes which have an impact over the life of the MTFP and these are included as annual adjustments. In the national economy inflation is currently a significant issue (CPI is 5.4% at the time of writing). This inevitably makes forecasting a challenge, and inflation is likely to have a number of impacts which aren’t known at this point. This may particularly be the case in the capital programme where the cost of materials is a major driver.

3.3 The local government pay award negotiations nationally are still not resolved for 2021/22 and there has been no progress on 2022/23. This means that forecasts for both years are still subject to great uncertainty. The MTFP includes an additional allocation for the 2021/22 award of £79k per annum to reflect the fact that it will certainly be above the budgeted 1%. An increase of £273k, representing 2.5% is included for the upcoming year.

- 3.4 A number of supplier contracts have increased in price and a budget allowance of £313k is include for 2022/23 year. The largest increase is with Ubico where impacts of inflation and the need to increase market supplements to mitigate staffing pressures are felt.
- 3.5 The Ubico contract sum for next year of £6,921,808 also includes an increase for additional recycling and street cleaning rounds as a result of the increase in the number of houses across the district. The table below, reproduced from the Environment Committee budget report, summarises the changes in the contract.

Table 2 – Changes in the Ubico Contract

	£000
Opening Budget	6,379
New Rounds	228
Market Supplement	74
Pay Inflation	173
General Vehicle Costs	68
Premises Insurance	(25)
Corporate Support	24
2022/23 Budget	6,921

- 3.6 The Council's contracts for Utilities must be renewed part way through 2022. It is expected that the costs will increase considerably based upon the current energy market. Assumptions of a 50% increase for gas and a 40% increase for electricity have been included.
- 3.7 The upcoming financial year is the final year of a three-year programme to reduce the Council's contribution to the Gloucestershire Pension Fund. This was based upon the recommended contribution level set by the actuary to the fund. At the time of writing the process of renewing the contribution levels for the upcoming financial years is about to begin. At this early stage of discussions it seems likely that contributions will remain stable at the new reduced level and the MTFP has been prepared on that basis.
- 3.8 The budget process has again included a review of fees and charges across the organisation and the compiling of a comprehensive document including all of the Council's charges. This is included at Appendix I. As per the Budget Strategy charges have been increased on average by 3% resulting in anticipated extra income of £102k. This income is used to meet inflationary pressures in providing chargeable services. Although the level of inflation is higher than the fee increase, it has not been deemed necessary to further increase fees and charges above the 3% level.
- 3.9 Environment Committee agreed a freezing of the charge for the garden waste service in reflection of the increases in recent years (although it was also frozen for the current year) and the growth in subscribers to the service. The charge will be reviewed again as part of the 2023/24 budget setting process.
- 3.10 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 H.

- 3.11 Borrowing Costs are anticipated to increase across the life of the Medium-Term Financial Plan. This is a result of the capital programme investment in a number of areas, most significantly the Canal and Brimscombe Port. The Council's Treasury Management Strategy has a policy of maximising internal cash resources before taking on any new external borrowing.
- 3.12 Although the Bank of England base rate has recently increased to 0.25% there is no significant expectation of increased return on investment in the upcoming financial year. The Council's pooled funds continue to deliver good returns, and this is included in budgeted investment income. During the lifetime of the MTFP the capital gains these pooled returns have experienced will become part of usable reserves and the MTFP will be revised to reflect that position at that point.

Additional Budget Allocations – Pressure on Existing Services

- 3.13 The Budget Process carried out includes a review of all budgets based upon current services pressures and budget monitoring forecast. Many areas are still seeing additional pressures in relation to pandemic response which is often reflected in financial monitoring. The Medium-Term Financial Plan includes a number of budget adjustments to reflect these circumstances. These are shown in Appendix B and the details of the major changes are recorded in the paragraphs below.
- 3.14 Additional budget has been included to meet the cost of supported accommodation which falls upon the General Fund as costs are in excess of housing subsidy received. This issue was reported in the Budget Strategy and has been included at the £200k p.a. anticipated at that point. This will be closely monitored throughout the upcoming financial year.
- 3.15 Also included within the Budget Strategy was a £50k per annum allowance for IT software to reflect increasing costs, particularly as the Council enhances its digital offer. This increase is included in the final MTFP as part of this budget.
- 3.16 The increase in the number of properties in the District over the last few years has seen gradual increases in the expenditure on replacement bins and recycling receptacles each year. This has reached the point where an additional budget allocation is required and a sum of £68k per annum on an ongoing basis has been included. This is funded through the higher than anticipated Council Tax base and the New Homes Bonus. The spend will be monitored in 2022/23 and the budget reviewed again if necessary.
- 3.17 The One Legal Partnership, of which Stroud is a member, has reviewed the Senior Staffing Structure in the current year. This is to allow the service to continue to develop as the basic structure has not changed from the original two partner model. An additional Director of One Legal post has been created at the same time as a business development role. This structure has been considered by the Joint Monitoring and Liaison Group which oversees the partnership. The additional cost has been shared amongst the four partner authorities equally and £61k per annum has been included in the MTFP.
- 3.18 As referenced in 3.13 a number of services have seen staffing pressures across the year and additional budget has been included to reflect changed staffing profiles and the need to meet Council Plan commitments. These are listed in Appendix B. The sum relating to the planning team is partly composed of an allocation to increase the resource available for planning enforcement roles to assist with recruitment of staff.

- 3.19 At its meeting on 2nd December 2021 the Community Services and Licensing Committee agreed a revision to the community grant Scheme for the upcoming year. This scheme is being awarded from the existing sums in the budget for grants and therefore no budget adjustments are required within the MTFP.

Additional Budget Allocations – Council Plan Priorities

- 3.20 The Council Plan, approved in October 2021, sets out the Council priorities for the next five years. That document should be regarded as an integral part of the Medium-Term financial planning process. To be successful the MTFP must be fully aligned with the Council Plan by providing the necessary funds for key projects whilst at the same time providing a financially stable position for the Council to operate on.
- 3.21 The majority of the Council Plan commitments are carried out through the work of existing teams and resources. However, there are a number of areas where additional resource is required to accelerate progress.
- 3.22 Appendix C sets out the investments that have been made as part of this budget into the Council Plan priorities. These are separated out by Council Plan objective. The investments made are a mixture of time limited resources and increases to the base budget. All are fully funded for the life of this Medium-Term Financial Plan.
- 3.23 The additions to the base budget are a new post for enhancing Biodiversity in the District and a change in the structure of the HR team. The Council already has biodiversity capacity across a number of teams and an additional dedicated resource has been added to increase the strategic capacity. For the HR team the resource has been added to create scope to work on organisation development across the Council, but also promote skills and training to others. The existing HR team had no resource for that work and was supported by consultants in the recent modernisation work on organisational culture. Investing in the team will remove the need for that consultancy support.
- 3.24 Included within the Council Plan items is the resource agreed by Strategy and Resources Committee to support economic development work. Until recent appointments the Council had been without a permanent resource in this area. This funding is now included within the budget. When Strategy and Resources Committee consider the Economic Development Strategy post consultation, they will also consider an action plan including commitments against that funding.
- 3.25 There are further increases in relation to the 2030 Strategy. The money to fund two environmental projects officers is extended and there is further additional funding put to one side of £135k to fund the works of the CN2030 Action Plan. It is vital that financial resources are available to support the 2030 Strategy and this is a further investment in that work. This may include projects relating to fuel poverty, air quality monitoring and electric vehicle charging.

Savings for the 2022/23 Year

- 3.26 It is vital that any budgeting process considers not just new resources to commit to priorities but also savings adjustments that can be made to budgets. A number of these have been identified for the upcoming years and these are also shown in Appendix B.
- 3.27 As has previously been agreed by Council, arrangements are being made to share a Monitoring Officer post with another authority. A saving has therefore been included to

represent half of the budgeted cost of the Monitoring Officer post (£45k). Recruitment of a permanent Monitoring Officer is still expected to take place in 2022.

- 3.28 There is a saving of £298k from an increase in the support service income received in the General Fund from the HRA. This saving is in part due to the pay and non-pay uplifts included across all council services, which the HRA must pay a proportionate share of. It also includes contributions towards IT equipment, pension costs, and the HRA's share of the Fit for the Future project. Included within the net figure is the General Fund paying the HRA an increased sum for the work of the Housing Advice team.
- 3.29 The income from planning applications has been above targets throughout the current financial year. Therefore, in the budget process the income target has been increased by £67k which represents a budget saving.
- 3.30 Income related to waste and recycling has been higher than anticipated in the current year. This relates to both the sale of recyclable material and recycling credits. A saving has therefore been introduced into the plan in anticipation of these income levels being sustained in the upcoming year.

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 The General Fund equalisation reserve has been a core part of the Medium-Term Financial Plan for a number of years. Holding funds previously from the General Fund balance, this reserve is intended to allow the time to make informed saving decisions, at such time as the fair funding review is completed and the medium-term financial position is known.
- 4.3 The delays for the Fair Funding Review, first announced in 2018, mean that this reserve continues to be held to help with the funding adjustment when it occurs. As shown in Appendix A the equalisation reserve begins to be drawn down over the life of this current plan. This draw down is anticipated to begin in 2023/24 at the point of which the fair funding review is currently anticipated to be implemented. Any savings decisions made will reduce the reliance on the reserve and savings made earlier in the plan will have a greater cumulative impact.
- 4.4 The Collection Fund smoothing reserve was established at the end of the 2020/21 year. Although a significant sum, this holds funding which balances the deficits in the collection funds for both Business Rates and Council Tax arising from the pandemic to give no overall net impact on service budgets. This reserve is drawn down over a three-year period in line with the unwinding of the collection fund deficit.
- 4.5 The Business Rates reserve functions to store, on an annual basis, a portion of the business rates growth above baseline levels. It will then be drawn down as a transitional arrangement to supplement the reduced funding when the rates baselines are reset, and the growth is removed as a funding source. Although the exact timing is not confirmed this reset should be regarded as a definite part of the MTFP, having been a feature of the Business Rates Retention Scheme since its inception in 2013. The balance of this reserve stood at £2.49 million at the end of 2020/21 and a further £500k transfer is planned in 2021/22. Therefore, there is an estimated balance of approximately £3 million at the start of the 2022/23 year.

- 4.6 Although the Budget Strategy initially envisaged a transfer out of the reserve of £800k in 2022/23 to offset the rates reset, this transfer is no longer required. As we have the benefit of one further year of growth before the reset this budget includes a further transfer into the reserve of £500k. This funding can then begin to be drawn down at the point this growth is lost from the base budget.
- 4.7 As confirmed in Paragraph 3.23 the budget now includes the funding to support the Economic Development Strategy. This £386k is held within the Business Rates Pilot reserve which is drawn down to support this work over two years in the MTFP.
- 4.8 An additional £50k of funding is committed towards supporting the bid for money from the Levelling Up Fund. This funding was placed in the Council’s recovery reserve at the end of the 2020/21 year as part of the commitment towards helping the local economy recover from Covid 19. This funding will now be used to resource the bid application.
- 4.9 As in previous years the General Fund working balance remains at £2.169 million throughout the life of the MTFP. This continues to represent approximately 15% of the annual revenue budget.
- 4.10 In the current financial year an income contingency relating to loss of income from Covid-19 was held corporately and is being used to offset income losses. This has allowed the Council to better withstand the pandemic impact than would otherwise have been the case. Although income levels have recovered to some extent in year it is recommended that a similar, although smaller, contingency is held for the upcoming year. This is therefore included in the MTFP at £0.5 million. This will ensure any loss of income does not impact on services or projects. If not required, this contingency can then be released in subsequent budget setting processes.
- 4.11 The MTFP includes £30k in the “welfare reform” reserve. This is a historic reserve available to fund projects helping those most in need of assistance. It is available in the upcoming year, if required, for any projects supporting those in need as a result of rises in the cost of living.
- 4.12 The table below shows the estimated balance of the equalisation reserve over the life of the MTFP.

Table 3 – Balance of the Equalisation Reserve

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
GF equalisation reserve					
Opening	6,846	6,742	6,751	5,606	4,741
Change	(104)	9	(1,145)	(849)	(1,344)
Closing	6,742	6,751	5,606	4,757	3,413

5. CAPITAL PROGRAMME 2021/22– 2025/26

- 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 is a key component of the financial planning system and the capital programme is produced alongside, and in accordance with that strategy.
- 5.2 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. The proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix F.

Table 4 – Capital Programme Summary

Committee	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Community Services and Licensing	147	190	-	-	-
Environment	6,625	7,855	4,337	532	117
Housing (General Fund)	2,721	5,813	365	365	365
Strategy and Resources	1,799	174	3,533	-	-
TOTAL General Fund	11,292	14,032	8,235	897	482
Housing Revenue Account	21,790	21,644	16,137	13,115	14,436
TOTAL Capital Programme	33,082	35,676	24,372	14,012	14,918

- 5.3 The most significant addition to the Capital Programme is the inclusion of the retrofit programme, agreed by Housing Committee, relating to the housing stock. This is funded largely by borrowing, which creates a savings need in the HRA. This is described in greater detail in the HRA Budget Setting report.
- 5.4 The Canal project is included within the capital programme with the costings and Council contribution that form part of the existing budget. The Canal Project Board is currently reviewing all estimated costs and income to produce a revised budget. This will be presented to a future Strategy and Resources Committee and, if necessary, any additional budget asks would need to be recommended on to Council.
- 5.5 The new Council Plan investments at Appendix C include a capital grant to Gloucester City Homes towards the purchase of temporary accommodation within the District which the Council will be able to use to make placements. In line with the Capital Strategy the Housing Committee will consider this business case in February before full Council makes the final decision. The revenue funding needed for this project is included in the MTFP at Appendix B.
- 5.6 The resources needed to fund capital expenditure over the Medium Term are shown in Appendix F.
- 5.7 Borrowing is expected to be a major source of funding for capital over this period. The currently expected borrowing totals are £8.69 million for the General Fund and £31.8 million for the HRA.

- 5.8 Decisions on whether external borrowing or borrowing from internal cash resources are used will be made in line with the Treasury Management Strategy. Both the General Fund and Housing Revenue Account budgets include appropriate revenue provisions for the long-term repayment of debt through the Minimum Revenue Provision and voluntary reserve transfer respectively.
- 5.9 Grants and other external funding received total £25.3 million in the Medium-Term capital programme. This funding received from external sources allows the Authority to continue to develop a large capital programme in comparison to the relative size of the revenue budget. Officers are continuing to work on a number of funding bids and where successful these can be added to the capital budget in year by way of a further Council decision.
- 5.10 The capital reserve, previously set aside as general funding for capital schemes, is budgeted to fund £1.06 million of capital works over the life of the programme. The estimated closing balance unallocated on the reserve is currently £2.1 million. This may be used to fund other capital schemes which arise out of Council Plan priorities.

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 Council has come through the pandemic in a stable financial position. The 2020/21 outturn saw budgeted reserves transfers taking place, and reserves balances have been maintained in line with previous financial plans. Funding has continued to be available to priority services and projects as agreed with members.
- 6.4 There is an inherent risk in the ending of specific Covid support from Central government. As reported to previous Committees this included both general grant funding and compensation for lost fees and charges income. The impact of the pandemic has reduced to such an extent that remaining costs and lost income can be managed through existing SDC resources but Covid impacts must be closely monitored.
- 6.5 It is widely accepted that for a number of years now local government, and in particular Shire Districts, face a very uncertain financial situation with planned local government financial reforms. It is right that Medium Term Financial Plans and approved budgets have been anticipating these impacts for a number of years.
- 6.6 Although these plans have been delayed a number of times we must as an Authority still plan for how to anticipate and respond to their eventual introduction. There is a risk of fatigue in continually expecting reforms that haven't arrived and treating the government reforms less seriously. The financial planning processes in the Council are robust enough to mitigate against the risk but it is something that all should be aware of.
- 6.7 The largest risk as part of those reforms is the reset of Business Rates Growth leading to the reduction of retained business rates income in the MTFP. To put this into some context the Business Rates baseline to be retained for 2022/23 is £2.5m, yet the growth in rates income since the baseline was created means that income of £4.4m has been included in

the MTFP. Clearly the loss of this growth would have a major impact and there would be a need to reduce service budgets accordingly.

- 6.8 The Council must actively engage with the local government financial reform process and members will be kept briefed on potential outcomes. As well as the business rates reset the development of a system of transitional support will be of particular relevance with the funding reductions currently anticipated.
- 6.9 The HRA has a savings target of approximately £1 million to cover the cost of the retrofit programme. Retrofitting is a key action of the 2030 Strategy but in order to prevent an adverse impact on the rest of the HRA these savings need to be found in future budget setting rounds
- 6.10 The capital programme is ambitious and includes major projects like canal restoration, Brimscombe Port and Hew Build Housing. The Council must continue to closely monitor the capital programme in a time of significant inflation, and reports will be brought back before members to update on progress which may require decisions on varying funding allocations.
- 6.11 The introduction of new reforms is likely to assist our financial planning with the introduction of certainty in the medium term. Should the financial position be in line with current estimates the next budget process must be focused on finding the savings to deliver services and priorities within the new funding envelope for the next Medium Term.
- 6.12 The use of the General Fund equalisation reserve therefore remains a core part of the Plan as it will protect services in the short term and allow sound strategic savings decisions should they be required. The proposed MTFP estimates a balance of £3.4 million at the end of the period leaving the Council still well protected against funding fluctuations.
- 6.13 This report has been written before publication of the anticipated “Levelling Up” white paper and therefore no consideration of potential impacts has been included. Any changes to the Council’s budget strategy arising from that paper would be the subject of a future member decision.
- 6.14 I am satisfied that the estimates within this plan are robust. The budget setting process has involved officers throughout the authority scrutinising existing budgets and future plans. Members have also been involved throughout with each service committee having the opportunity to scrutinise budgets relating to their work areas. The influence of the Covid 10 pandemic is still being felt but the finance team have demonstrated throughout the last two years their ability to monitor and plan for the impact of Covid upon Council budgets.
- 6.15 The level of reserves included is adequate. There are sufficient sums set aside both for priority projects and also for protecting the Council’s position from short term shocks. It remains the case that long-term financial sustainability is dependent on identifying additional savings or revenue streams.
- 6.16 Overall, this budget represents a significant investment into Council priorities with a stable medium-term position. It represents a balanced budget. Nevertheless, the risks and uncertainties after the 2022/23 year and members and officers must be prepared for the impacts of financial reform.

7. IMPLICATIONS

7.1 Financial Implications

The whole report is of a financial nature.

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7.2 Legal Implications

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

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7.3 Equality Implications

An 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.

The Budget as proposed includes allocations for a number of projects which aim to have beneficial environmental impacts. The most significant projects include;

- The housing retrofit programme
- Home Upgrade Grant – Sustainable Warmth
- Green Homes LADS3
- Funding for a new biodiversity officer
- Extending the funding arrangements for carbon reduction officers
- Additional funding for the CN2030 Action Plan.