

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE
THURSDAY, 2 FEBRUARY 2023

Report Title	General Fund Budget 2023/24, 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 2023/24.
Decision(s)	<p>The Committee RECOMMENDS to Council:</p> <ul 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% to £229.17 at Band D, an increase of less than 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
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 Tel: Email: andrew.cummings@stroud.gov.uk
Options	The Committee may choose to make alternative budget recommendations to Council
Background Papers	<ul style="list-style-type: none"> • DLUHC Provisional 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 2023/24

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 for 2022/23 and the Medium Term Financial Plan (MTFP) at its meeting on Feb 17th 2022. An update to the MTFP was then agreed by Strategy and Resources Committee on September 29th 2022. 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 2022/23 – 2026/27. 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 sets out a summary of the total revenue expenditure budget for 2023/24.
- 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.

2. ESTIMATES OF MAJOR FUNDING

- 2.1** The provisional local government financial settlement for 2023/24 was announced on December 19th, 2022. That followed a local government finance policy paper from earlier in December. Although a two-year settlement was originally anticipated, as reported to Strategy and Resource in September, the settlement eventually covered only a one-year period. However, the policy paper did set out some of the government's longer term thinking on local government finance. Therefore, although the Council remains in the position whereby estimates can only be made with certainty for the upcoming year, it is possible to gain some insight about plans for future years. The key announcements from those two documents are as follows;
- A confirmation of a 3% Band D increase referendum limit for Council Tax for Shire District authorities for both 2023/24 and 2024/25
 - Councils will be funded for the freezing of the business rates multiplier paid by businesses, although this moves to CPI (10.1%) from RPI (12.6%)
 - "Negative RSG" – representing the fourth year of cuts from a previous four-year settlement, continues to be funded by Central Government
 - An additional year of New Homes Bonus grant has been awarded
 - The introduction of a new grant to guarantee a 3% increase in core spending power
 - Two existing separate grants are rolled into the Revenue Support Grant (RSG)
 - A commitment to review the position of District Authorities in the round including the impact of changes to New Homes Bonus
- 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 shown in the MTFP at Appendix A.
- 2.4** Although it is not expected in the next two years, there is still anticipated to be a review in the formulas for funding local government, previously known as the fair funding review. This is likely to lead to a movement in funding away from District Councils, including a "reset" of business rates growth. There are still no new details available on how such proposals will operate but consultation with the sector can be expected.
- 2.5** The fair funding review and reset of business rates growth is therefore anticipated to result in a significant reduction of funding from the 2025/26 year onwards. The Council's external funding advisors estimate that transitional funding will be available for those Councils who see falls in funding through the process. They have estimated that Stroud

will receive £1.1 million in that first year and this is included within the MTFP in the other grants line.

Council Tax

- 2.6** The provisional settlement included 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%. Police Forces have been permitted increases of £15 for a Band D Property.
- 2.7** A 3% rise will also be permitted for 2024/25 and the MTFP has been calculated on that basis. After that year the assumptions on Council Tax return to a £5 Band D annual increase.
- 2.8** The Medium-Term Financial Plan recommends an increase of 3% which represents an increase of £6.65 for a Stroud District Council Band D Property. 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** Actual tax base growth for 2023/24 has been confirmed as only 0.65%. This is a change from the previous year which had a high level of growth at 1.9%, and the historic average of 1.5%. This lower tax base increase is reflective of anticipated lower level of housing completions in the upcoming year and an increase in the level of Council Tax Discounts claimed, particularly single person discount. A growth of 0.65% is an increase of 301 Band D equivalents raising £68k per year.
- 2.10** Previously, 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. The current level of collection post Covid is currently around 98.5%. This still represents a higher level of collection than local peers but requires an adjustment to the Council Tax base.
- 2.11** The Council Tax Base has therefore been recalculated using 98.5% collection. This collection adjustment reduces the Tax Base by 236 Band Properties and the estimated level of tax collected by £53k 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 46,505.95 (46,441.54 in 2022/23). This is therefore an increase of just 0.14%.
- 2.13** At the new Council Tax Base a 1% increase in Council Tax raises approximately £103k per year towards Council Services.
- 2.14** The full change in estimated Council Tax collected is shown at Table 1 below.

Table 1 – Change in Estimated Council Tax Income

	£'000
Increase in Tax Base	68
Adjustment to Collection Rate	(53)
Council Tax 3% Increase	309
Total Council Tax Change	324

- 2.15** 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.
- 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 2024/25 onwards. The budget papers will be adjusted for the Council meeting if agreement is not reached on the premium.

Business Rates

- 2.17** The settlement and policy paper between them have confirmed expectations that business rate growth, so important to the financial position of the Council, is not being reset and reclaimed in either 2023/24 or 2024/25. Business rates growth since the retention system was introduced in 2013 is the major component of rates income for the Council. The rates baseline within the retention system currently stands at £2.5 million which would be the amount included within the budget if there had been no growth in rates collected. However, the retained growth has actually allowed £5.3 million to be included within the MTFP.
- 2.18** The 2023/24 year is one in which all businesses nationally have their rates bill recalculated as a result of the Valuation Office Agency reassessing their rateable value. This is a process over which the Council has no influence. At a national level it is designed to be fiscally neutral, i.e. not raising or reducing businesses rates income, but for individual businesses there can be changes. Overall across Stroud District the rateable value of businesses has increased by 21.9% meaning that many businesses will see increases. This does not bring additional income to the Council as the tariff, an amount of rates payable by the Council to Central government, has increased by £2.2 million to ensure the Council doesn't gain at a local level.
- 2.19** The revaluation system will include a process known as "transitional relief". This means that businesses who see increases in bills will have that increase phased over time. Similarly, any reductions will also be phased. Where this phasing leads to a reduction in

income for the District Council this will be compensated by Central Government in the form of a grant so the transitional process will be revenue neutral for the authority.

- 2.20** Part of the revaluation system is that the “multiplier”, the rate at which a business’ rateable value is converted into an actual rates bill, is adjusted nationally to reflect the overall shift in property values. The multiplier is currently 49.9p for every £1 of rateable value. Without government intervention the multiplier would have fallen to 45.5p and then risen by the rate of CPI inflation. Central Government have announced that instead the rate will remain flat which effectively represents the revaluation adjustment and then an inflation adjustment to bring it back to 49.9p.
- 2.21** In terms of the income received by the District Council there will be a grant paid by Central Government to compensate for the loss of income received as a result of caps being placed on the multiplier. As government has now been capping the multiplier for a number of years the value of this grant has increased and multiplier support is now expected to total £1.2m of the business rates income included within the MTFP.
- 2.22** This inflation linked increase is the major reason why anticipated business rates income increases from £4.4 million in 2022/23 to £5.3 million in 2023/24. There have also been new businesses opening within the District and collection rates have been improving since falling during the Covid pandemic.
- 2.23** As has been reported in previous years and earlier in this report, 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 2025/26 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.
- 2.24** The delayed reset of business rates growth means that the Gloucestershire Business Rates Pool will continue to operate in 2023/24. 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.
- 2.25** As with Council Tax, Business Rates had a Collection Fund deficit at year end 2021/22. This was created by the significant Business Rates holidays awarded by central government since the start of the Covid pandemic. 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. The exact level of business rates deficit will be known at the end of January 2023. If any changes to the MTFP are required these will be made for the Council report on February 16th.

New Homes Bonus

- 2.26** In the current financial year two separate allocations of New Homes Bonus (NHB) are being received. The first is the final year of so-called legacy funding. This represents £218k of funding in 2022/23. The second is a one-off payment relating to the housing growth between 2020 and 2021 representing £1.213million. This gives a total allocation

for the year, including the legacy payment, of £1.431 million. Both of these allocations cease in the 2022/23 year.

- 2.27** The provisional settlement also confirmed that there will be one further year of growth awarded at a level of £893k which is now included within the MTFP for 2023/24..
- 2.28** As part of the Central Government Policy Paper on local government funding issued in early December 2022 it was announced that a decision on the future of New Homes Bonus for 2024/25 will be made before settlement 2023 in order to help local authorities plan. At this stage no allocation of New Homes Bonus is included for that year.

Other non-ringfenced grants

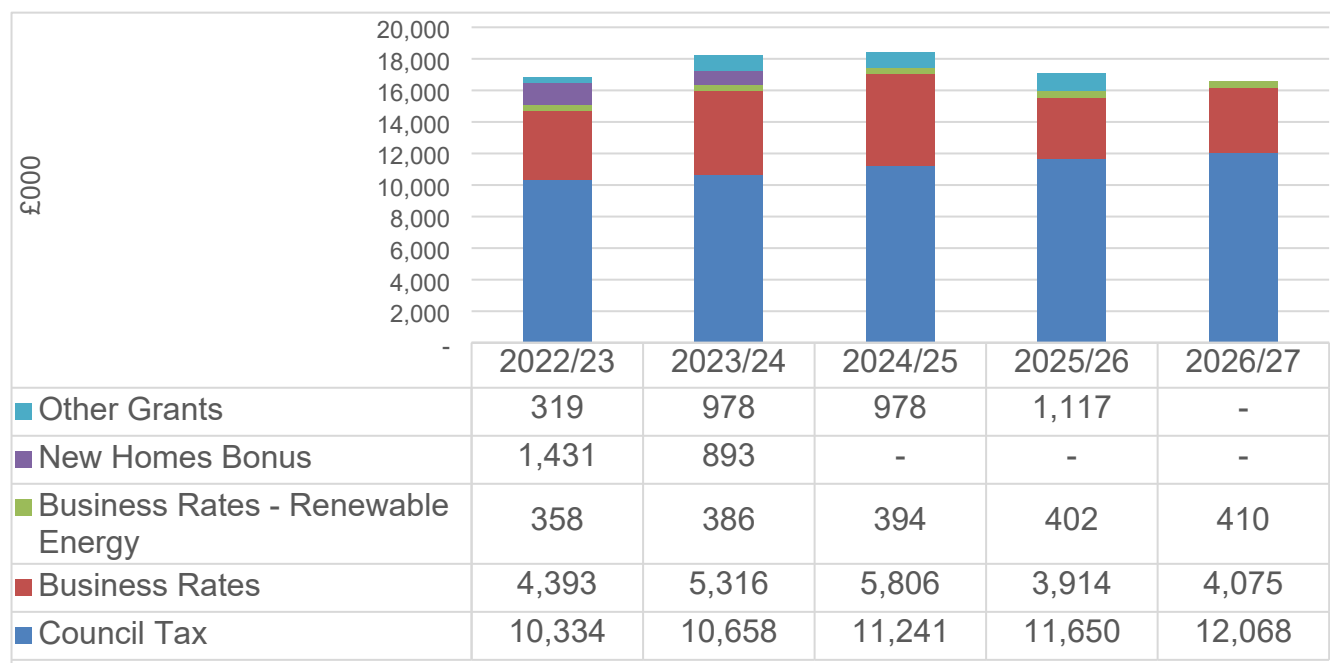
- 2.29** One technical element of the settlement is to roll two previously separate grants into the overall settlement position. These are the grant for the administration of local Council tax support and a grant to cover the reduction in Council Tax income through family annexes. These have been rolled together and mean Stroud now receives an element of Revenue Support Grant again, for the first time since 2017/18, at £159k. The loss of the separate Council Tax support grant of £98k is shown at Appendix B. The family annex grant was previously included in the other grant line anyway so this change has no MTFP impact.
- 2.30** The element of “Negative RSG” which Stroud is expected to pay in the local government funding formula continues to be funded by Central Government.
- 2.31** In 2022/23 we received a “lower tier services grant” from central government to reflect the particular cost pressures of providing lower tier services. The allocation was £111k. This grant was first awarded for one year only in 2021/22 and was then extended for a further year. The provisional settlement has confirmed that this grant has now ceased and no income is expected in 2023/24.
- 2.32** In the current year there was further grant funding available in the form of the 2022/23 Services Grant. This grant has been worth £170k to SDC.
- 2.33** The provisional settlement has confirmed that the Services grant will continue for one more year but allocations will be reduced, in part to reflect the reversal of the rise in National Insurance. This change reduces the allocation to SDC from £170k in 2022/23 to £96k in 2023/24.
- 2.34** Most significantly a new grant has been introduced, funded nationally from the reductions in New Homes Bonus and Services grant, to guarantee that every authority has at least a 3% increase in core spending power. Core Spending Power is the measure by which Central Government considers local authority income levels, excluding business rates growth. The new grant is designed to ensure that we have at least a 3% increase in CSP before any decisions about Council Tax levels are made and £724k has been awarded to SDC.
- 2.35** The funding included within Other Grants is shown in the following table

Table 2 – Make Up of Other Grants

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Family Annex Grant	38	0	0	0	0
Lower Tier Services Grant	111	0	0	0	0
Services Grant	170	95	95	0	0
Revenue Support Grant	0	159	159	0	0
Funding Guarantee Grant	0	724	724	0	0
Fair Funding Transition	0	0	0	1,117	0
Total Other Grants	319	978	978	1,117	0

2.36 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 2023/24 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 10.5% at the time of writing).
- 3.3** The 2022/23 local government pay award negotiations at a sum of £1,925 per annum on all scale points. This has added £449k on top of budgeted sums for the 2022/23 year which has been funded from reserves allocated in the 2021/22 outturn report. That award however creates a pressure for all years going forward and is therefore included in the MTFP.
- 3.4** Negotiations for the 2023/24 pay award will begin in the coming months and the MTFP allows for an award of 5% on top of current pay levels, creating an additional pressure of £640k for that year. The Council has no direct influence on the eventual level of pay award as this is linked to national negotiations, but it is hoped that this level of budgeted increase will provide sufficient funding for any sums eventually agreed.
- 3.5** A number of supplier contracts have increased in price and a budget allowance of £1.71 million is included for 2022/23 year, including energy contracts.
- 3.6** The largest single increase is for the Ubico contract. The agreed contract sum for next year of £7,799,080 includes considerable adjustments for the impacts of inflation upon services. The table below summarises the changes in the contract.

Table 4 – Changes in the Ubico Contract

	£000
Opening Budget	6,921
Diesel	169
Pay Inflation	490
Other employment costs	22
General Vehicle Costs	(15)
Asset Charge	99
Premises & Insurance	57
PPE	14
Corporate Support	42
2022/23 Budget	7,799

- 3.7** The largest Ubico increases are in relation to the level of pay award being above budgeted increases and the price of diesel at the pumps having been considerably higher than when budget sums were agreed in late December 2021. Reserves have been used to offset the impact of these increases in the 2022/23 year but from 2023/24 onwards they need to be added into the budgeted sums as seen in the table above.
- 3.8** The Council's contracts for Utilities were renewed on a temporary basis part way through the current financial year. From 1st April 2023 most energy supplies move to the

Council's new buying framework through West Mercia Energy, a public purchasing organisation. By the end of the 2023/24 year all supplies will be through this arrangement.

- 3.9** The increase in energy prices over the last 12 months means that the contract inflation figures at Appendix A include energy price inflation of £684k. The Energy Bills Discount Scheme has recently been announced but this is not expected to reduce energy bills for the Council as rates within our supplies are below the level which will attract government support. Energy bills will be a key element of budget monitoring in 2023/24.
- 3.10** The Council has recently received the draft results of the revaluation of the pension fund. The results conclude that the contributions to the Pension Fund are effectively frozen over the next three years as a result of the fund valuation moving from having 99% of the money need to pay future pensions, to 107%, over the last three years. The existing rate of contribution is a fixed sum of £1,562,000 per annum with a variable rate of 19.7% of employee pay. The new revised levels of contribution are £1,531,000 per annum and 20% of employee pay. These contribution levels are included within budgeted sums for both the General Fund and the Housing Revenue Account.
- 3.11** As we enter the next three-year cycle of funding the Pension Scheme there is an opportunity to prepay the three years of fixed sum contribution at the start of that period. This then gives an overall discount by allowing the pension scheme to generate additional returns. The saving created by this payment is £272k as the payment required on 1st April 2023 is £4,321,000 (£272k less than three years at £1,531,000). There will also be a corresponding reduction in the investment income the Council may have earned on this money. The exact timing of this saving over the three years will be dependent on discussions with the external auditors on the accounting treatment.
- 3.12** 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 H. As per the update to the Medium Term Financial Plan considered by Strategy and Resources Committee in September, inflationary linked fees and charges have been limited to increases of 5% on average. This brings an estimated increase in income of £165k. However, as set out in this report costs are rising significantly with inflation and therefore this represents a subsidy from general council budgets to keeping fee increases down.
- 3.13** The level of car parking income is difficult to forecast in the post Covid economy. Tariff changes have been designed to freeze all charges in the Council's flexible stay car parks whilst adjusting changes in the short stay car parks to bring in some additional income to meet the inflationary cost of running the car parks. Estimates suggests the tariff increases may bring in £41k of additional income. As discussed later in paragraph 3.26 the additional costs of business rates alone in chargeable car parks is £70k p.a.
- 3.14** The tariff changes mean that parking charges for 2023/24 will be frozen at 2022/23 levels in 86% of the Council's chargeable parking spaces.
- 3.15** 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. An additional clause this year is the ability for Council to bring in catch up increases if fees and charges have been held below inflation for a number of years.

- 3.16** The Bank of England base rate has increased rapidly over the past 12 months and currently stands at 3.5%. This has allowed the Council to benefit from higher rates earned on its investment balances. A saving of £751k has been included in the budget for 2023/24 to capture this increased income.
- 3.17** 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 and the increase in the rates at which borrowing must be taken out. Over the life of the MTFP these increased costs use most of the saving generated by the higher rates as capital investment increases. 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.
- 3.18** The wider economic situation in the current financial year has seen fluctuations in the capital value of the Council's investment funds and this can be expected to continue. Central Government has recently announced its intention to extend the statutory override which prevents changes in fund value from having an impact on Council bottom line budgets. This override will now run until March 31st 2025.

Additional Budget Allocations – Pressure on Existing Services

- 3.19** 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.
- 3.20** Where the cost of supported housing (eg for homelessness or a long term disability placement) is over and above the amount allowable for rent under housing benefit, only 60% of the extra is refunded by government in housing benefit subsidy. This means that the council must pick up 40% of the cost of placements over the allowable rent. There is a pressure shown in budget monitoring, where the cost is higher than our budget.
- 3.21** It is likely that this will continue to rise next year as the cost of housing placements increases, but the Local Housing Allowance (LHA) is frozen and so the gap between the Housing Benefit paid out and the subsidy payments received is likely to grow. A budgetary allowance of £250k p.a. is therefore included.
- 3.22** During 2022/23 there have been increases in the level of the Members' Allowance as a result of the independent review of remuneration and as a result of changes in political structure. These have been reported to Council during the year. The net effect of all of the changes is to increase the budget for Members' allowances by £29k for the 2023/24 and ongoing financial years.
- 3.23** As has been reflected in budget monitoring throughout the year it is likely that the level of car parking income will be affected by the Covid pandemic for at least the Medium Term. An income adjustment of £142k per annum has therefore been included for every year of the MTFP, which creates a pressure on the General Fund. This is separate from any adjustment around tariff changes.

- 3.24** A further adjustment has also been made to reflect the fact that income from planning applications is also reduced at the present time. A temporary reduction of £100k per annum for two years has been made within the MTFP.
- 3.25** With these two specific adjustments to income made, there is no longer a requirement for a general contingency against the impacts of the Covid pandemic upon income targets. This contingency is therefore removed from 2023/24 onwards.
- 3.26** The Council is required to have its annual Statement of Accounts approved by a suitably qualified firm of external auditors. SDC is signed up to have its auditors appointed by Public Sector Audit Appointments (PSAA). We have recently been advised by PSAA that Bishop Fleming have been appointed as external auditors for the 2023/24 year onwards. In recognition of the demands facing the local authority audit sector all Councils have been told to budget for a 150% increase in costs. For SDC this amounts to an increase of £56k per year and this is included at Appendix B.
- 3.27** As referred to in the Business Rates section of this report all properties have been revalued by the Valuation Office Agency for 2023 onwards. For SDC this resulted in an additional £86k p.a. in the annual business rates bill. The most significant element of this is a £66k increase in the rates payable on our car parks (£70k increase on chargeable car parks, £4k decrease on non-chargeable). This £86k increase will likely be phased over the next four years in line with the transitional relief scheme and the MTFP includes an estimated on the timing of that phasing.
- 3.28** Budget monitoring has identified a consistent overspend on the budget for the provision of bins, boxes and other recycling receptacles. This is as a result of increased demand due to the number of new properties and age of existing receptacles. In order to prevent budget overspends in future years the budget is to be increased by £92k and the 2023/24 budget monitoring process will carefully consider expenditure against that new budget level.
- 3.29** The contract for the operation of Stratford Park Leisure Centre includes a clause allowing for increased costs of utilities to be shared equally between the operator, SLM, and the District Council. The exact level of cost to be shared is determined after a benchmarking exercise which is still to be carried out. However, it is clear that current utilities prices are higher than any benchmarks established when the contract was set up. An allowance of £100k has therefore been made for 2023/24 and £50k for 2024/25. If the Community Services and Licensing Committee decides to recommend a move to a Local Authority Trading Company (LATC) upon the expiry of the SLM contract in November 2024 then the LATC will likely become responsible for energy costs. These would then be passed back to the Council through the management fee.
- 3.30** A budget pressure of £290k has been included for the purchase of new laptops for Council staff. A decision was made to move to laptop provision just before the pandemic in early 2020 and so most machines are reaching the end of their estimated three-year life and replacements are anticipated in the upcoming year. This will be funded from the capital reserve as with previous IT infrastructure programmes. After this replacement a smaller annual budget provision will be included to allow for rolling replacements and the build up of a fund for laptop replacement when required. To this effect a saving of £173k

(from the cost of £290k) is included for 2024/25 giving an annual allowance of £117k for replacements.

- 3.31** There have been small staffing changes across the authority reflecting adjustments to posts and grading. These have a cumulative impact of £83k and are included at Appendix B.

Additional Budget Allocations – Council Plan Priorities

- 3.32** The budget approved in February 2022 included a number of new additions in relation to the Council Plan, many of them of a fixed term nature. In spite of the significant economic shock created by high inflation all of those additions have been protected and in some cases they have been added to or extended. Details of those adjustments are included within this section of the report.

- 3.33** The 2022/23 budget included a number of one off investments to support the Council Plan which have either been spent or added to reserves for expenditure in future years. This means that those sums then drop out of the base budget for 2024/25 which is shown as a saving of £1.3 million in Appendix B.

- 3.34** Members of environment committee proposed an amendment to the capital budget at their meeting for an additional £250k of investment in walking and cycling to support the walking and cycling task group. It is for Strategy and Resources Committee and then Council to decide if this extra investment is to be included within the budget but sums of £250k are included in the capital programme for 2023/24 and 2024/25 as part of this budget. The scheme can be funded from the capital reserve. This spending supports Council Plan priorities EC4 (Mobility/Transport) and CW3 (Community Engagement) and CW5.4 (Accessibility of Public Spaces).

- 3.35** The District Council has recognised the work of Climate Leadership Gloucestershire (CLG) in supporting work on the Climate Emergency. Leadership Gloucester has recently considered a proposal for increasing the staffing resource of CLG and creating an action fund of £200k to commit to these projects. The County Council is the largest funder of this work along with NHS partners. Districts and the Police have each been asked to contribute £32k over the next two years. This work supports a number of elements of the Council Plan and 2030 Strategy.

- 3.36** As part of the 2021/22 outturn process Strategy and Resources allocated a sum of £20k towards the Council's work in the areas of equality and wellbeing. This funds a number of different projects demonstrating our commitment to Community Resilience and Wellbeing as one of our three overarching objectives in the Council Plan. This budget includes provision to make this an annual recurring sum.

- 3.37** Since its original inception with a £60k budget allocation in 2019 the 2030 Strategy Team has been key to the Council's commitment to tackling the climate and ecological emergency. The existing MTFP included funding for two posts supporting work within the community which was due to expire in March 2023. An additional allocation of £190k is included within this budget to cover these posts for a further two years. This supports a number of elements of the Council Plan, most particularly EC1 – Tackling the Climate and Ecological Emergency.

- 3.38** A similar allocation is made in relation to the team involved in regeneration across the district. Over the last two years the Council has seen considerable increased activity related to regeneration and has had a number of notable successes including the submission of the Levelling Up Fund bid, the procurement exercise for a development at Brimscombe Port and the acquisition of the Bath Place site from Newland Homes. In order to support this work, funding of £106k p.a. for each of the next two years, representing £212k in total, is included to extend the specialist staff posts to deliver the work. Regeneration is ER2 within the Council Plan.
- 3.39** Community Services and Licensing Committee have recently approved for public consultation plans for refurbishment of a number of Council owned play areas within the District. As part of this budget it is proposed to make an additional investment of a further £150k. The highest priority scheme considered by the Committee but not covered by the existing funding is the one within Stratford Park. This £150k will be used on refurbishing that play area. Officers will now consider how this can be used for greatest benefit and plans will again be subject to public consultation.
- 3.40** The Capital Programme, discussed later in this report, includes a sum relating to Council match funding for a project to power both leisure centres, and the Museum in the Park, with renewable energy systems. This scheme impacts the revenue budget in two specific ways which are included in this financial plan. Firstly, there is an annual £70k MRP impact of the £700k borrowing to fund the scheme and secondly, project management costs which are estimated at £64k in 2023/24 only. This supports EC1.5 in the Council Plan, progressing additional projects for carbon reduction.
- 3.41** Central Government has announced a Local Authority Housing Fund, which would provide grant funding towards providing additional housing for households from Ukraine or Afghanistan at risk of homelessness. By purchasing additional properties these families can be supported without impacting on the affordable housing supply for other current and future tenants. Although the 15 properties will be purchased in the HRA (with a combination of government grant, HRA capital receipts and HRA borrowing) there will be costs associated with finding and purchasing the properties. As the housing of families at risk of homelessness is a general fund function, a budget of £65k has been allowed in the budget for support.
- 3.42** A budget of £5k has also been included for the support of voluntary sector organisations supporting refugees within the District. Taking these two allocations together gives a total additional allowance for work to support refugees of £70k in the 2023/24 budget. These two pieces of work to support refugees support objectives CW1 and CW3 of the Council Plan.
- 3.43** The Council is committed to increasing housing standards in the private housing sector. As part of this work an opportunity has been identified to create a role to work on issues around damp and mould in private accommodation. The majority of this role can be funded from existing resources which have been reallocated but an additional allocation of £14k has been included within the budget to make this a full time, permanent, position.
- 3.44** The Council has recently learned that its bid for the Levelling Up Fund has not been successful. Regeneration across the District remains a key Council Plan priority (ER2)

and therefore the funding in place for regeneration officers and funding feasibility studies e.t.c remains in this budget. Our delivery partners (Stroud Town Council, Gloucestershire County Council, Dransfeld Developments and Stroud Valleys Artspace) remain as committed and determined as we are to find alternative ways of delivering these much-needed projects, and we will continue to work with them to this end.

- 3.45** The Kingshill House Trust have contacted the Council asking for additional cash support to help the Trust with cash flow pressures over the winter period. This is being included with the budget as the trust is the tenant of a significant Council asset. This budget includes an allocation of £10k in the current financial year to be funded from reserves and £10k in 2023/24 to be funded from the general revenue budget. This is in addition to the general revenue grant which is now proposed to be held at 10k for 2023/24. Previously the MTFP had assumed a reduction to £5k. The overall additional funding being allocated to the Trust is therefore £25k in this year and next. Funds will be released when the Section 151 Officer is satisfied they are required, in consultation with the Chair of Strategy and Resources Committee.

Savings for the 2022/23 Year

- 3.46** The budgeting process considers not only those areas where more resource is required but also those services where savings can be made or more income generated. This has inevitably been a challenging process in this time of significantly increasing costs. However, a number of these have been identified for the upcoming years and these are also shown in Appendix B.
- 3.47** In putting together the budget for 2023/24 the finance team have worked with colleagues across the Council to identify areas where efficiencies can be made to existing budgets to find savings without impacting levels of operational service. This has resulted in the cumulative removal of £178k of underutilised budgets from across service areas. Although this is not expected to affect services it inevitably leaves the Council less well prepared for financial shocks and the impact of these changes will be considered carefully in the budget monitoring process.
- 3.48** There is a saving of £243k from an increase in the support service income received in the General Fund from the HRA. The HRA pays a proportion of all Council support services to reflect that these services are provided to support the Council's landlord function. With the inflation linked rise in the cost of providing many support services, there is inevitably an offsetting saving with some of those costs passing to the HRA. The support charges are subject to review by the Accountancy Manager to ensure they remain reasonable.
- 3.49** Income related to waste and recycling continues to be higher than estimated levels. As a result, the expected income in the budget for 2023/24 has been increased by a further £189k on top of the extra £106k added for 2022/23. This relates to both the sale of recyclable material and recycling credits. There is still considerable uncertainty in the market, particularly in relation to anticipated changes to income streams from recycling, and therefore at this stage the MTFP anticipates a reduction in income to previous levels from 2024/25 onwards. This will of course be reviewed as part of the next budget setting process.

- 3.50** The legislation around the Community Infrastructure Levy allows charging authorities to use a portion of income received towards the cost of administering the scheme. An allowance has therefore been made for an estimated £50k of income towards staffing costs.
- 3.51** The fit for the future modernisation programme continues to target the delivery of savings through operational efficiencies and process re-engineering. The savings targets in the MTFP for the programme remain as previously agreed by Council.

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** This budget continues the policy of balancing the Council's bottom line through the General Fund equalisation reserve, designed to give the time to make savings decisions without the need for rushed decisions. This reserve is currently expected to reduce by £310k in the current financial year due to the forecast overspend being considered by this committee before being added to by 489k over the next two years. This increase is to mitigate the created by the expected future the funding reductions which will come in the later years of the Medium Term Financial Plan.
- 4.3** 2023/24 will be the final year in which the Collection Fund smoothing reserve will be operated. This was created as a technical accounting adjustment to smooth the impact of Covid related taxation losses over a three year period. The reserve is drawn down to meet those losses and the balance will be zero at the end of the 2023/24 year.
- 4.4** The Business Rates – Safety Net reserve has functioned as a means through which some element of business rates growth included within the MTFP can be removed from the core budget and held to mitigate the future impact of the reset of business rates growth. The repeated delay of the reset has allowed this strategy to continue for longer than anticipated, and there has been a corresponding increase in the reserve balance. The reserve is now at a balance of £3.1 million with a further inward transfer of £500k allowed for in the 2022/23 year. At the point of reset, currently anticipated for 2025 this balance will be drawn down to smooth the loss of overall Council income that the rates reset will create.
- 4.5** There is an existing investment risk reserve of £311k to protect against falling fund values with the Council's pooled funds. This will be reviewed as part of year end closedown procedures.
- 4.6** The Covid-19 recovery reserve will be renamed the regeneration reserve for the 2022/23 closedown process to reflect the use of that funding.
- 4.7** The funding for post extensions in the regeneration and CN2030 teams will be allocated to the regeneration and climate change reserves respectively in the 2023/24 financial year and will then be drawn down over the life of the Medium Term Financial Plan.
- 4.8** The Council still holds a Waste and Recycling reserve for investments in that field with an unallocated balance of £260k. Officials are currently considering the practicalities and

environmental benefits of a move to HVO fuels. The Waste and Recycling reserve may be identified to meet the costs of such a change in a future report to committee

- 4.9** As in previous years the General Fund working balance remains at £2.169 million throughout the life of the MTFP. This now represents approximately 12% of the annual revenue budget which is a sufficient sum.
- 4.10** The “Brexit Reserve” relates to grant funding previously received to support the direct cost impacts of the Brexit process. As the withdrawal process is now complete the funding will now be allocated to support work within the area of economic development.
- 4.11** The overall approach to reserves has been simplified by categorising reserves into those which protect against future funding reform, those which are allocated to Council projects and those which are mitigation against specific risks. This updated presentation can be seen in the reserves appendix.
- 4.12** The reserves protecting against funding reform now represent a sizable proportion of Council balances. This is to be expected as reforms have now been delayed over a number of years leading to both more time to prepare and a greater level of uncertainty about expected impacts. At such time as the outcome of reviews becomes known then these balances should begin to reduce as they are used to replace lost core funding, or indeed be used to provide additional services if reductions are not as expected.
- 4.13** The Policy Statement and Provisional Settlement express a desire to consider the level of local authority reserves and ways in which their level and usage could be more transparent. All of the reserves at Stroud are subject to regular review and publication and proposals around transparency would be welcome and adhered to.
- 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

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
GF equalisation reserve					
Opening	6,847	6,537	7,012	7,025	5,348
Change	(310)	475	28	(1,677)	(3,022)
Closing	6,537	7,012	7,025	5,348	2,326

5. CAPITAL PROGRAMME 2022/23– 2026/27

- 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** 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 E.

Table 6 – Capital Programme Summary

	2022/23	2023/24	2024/25	2025/26	2026/27
Capital Expenditure	£'000	£'000	£'000	£'000	£'000
Community Services	237	928		-	-
Environment	3,964	8,428	5,465	6,365	1,711
Housing General Fund	6,943	345	345	345	345
Housing Revenue Account	16,389	27,710	17,950	20,099	18,090
Strategy and Resources	1,710	4,463		-	
Estimated Expenditure	29,243	41,874	23,760	26,809	20,496

- 5.3** At the time of writing Community Services and Licensing Community are due to consider a proposal for the refurbishment of the tennis courts at Stratford Park. The majority of this scheme is externally funded and the Stroud District Council element can be met from within existing budgets. However, Strategy and Resources Committee and Council must consider whether to include the scheme within the overall capital programme. It is therefore included within the figures contained in this budget report and appendices.
- 5.4** As discussed in Paragraph 3.33, Environment Committee has requested an additional budget allocation towards walking and cycling schemes. An allocation of £250k has been included for both 2023/24 and 2024/25 and is funded from the capital reserve.
- 5.5** The canal project capital budget has been updated as a result of the recent Council decision to invest additional funds within the project and allow sums to meet cost increases within the overall scheme.
- 5.6** As referenced in paragraph 3.40 the Council has made a bid for a significant grant to convert Stratford Park Leisure Centre, the Museum in the Park and the Pulse from their existing gas boiler systems, which are end of life, to renewable energy based systems. An update will be given at the Committee meeting on the progress of the grant application. The Scheme would require a £700k capital match funding contribution. Strategy and Resources Committee can consider the match funding which is included within the capital programme and full Council will then consider the full addition to the

capital programme, including any external grant, with a full report at the meeting on February 16th 2023.

- 5.7** The resources needed to fund capital expenditure over the Medium Term are shown in Appendix E.
- 5.8** Borrowing is expected to be a major source of funding for capital expenditure over this period. The currently expected borrowing totals are £11.5 million for the General Fund and £29.4 million for the HRA. The revenue costs of this borrowing are included in the respective revenue costs for both the General Fund and the HRA.
- 5.9** There is significant fleet replacement expected for the Ubico contract in the 2023/24 year and a budget of £3.6 million is allocated. This expenditure is included within the General Fund borrowing figure.
- 5.10** As with previous years, the decision as to whether the cash from borrowing will be taken from internal or external sources 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.
- 5.11** Grants and other external funding received total £32.9 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.
- 5.12** The capital reserve, previously set aside as general funding for capital schemes, is budgeted to fund £2.8 million of capital work, including the recent additional allocation of £1 million towards the canal project. The estimated closing balance unallocated on the reserve is now just £201k. It is estimated that this sum is held in reserve to manage inflationary pressures on 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** This budget process has been overwhelmingly one of responding to inflationary pressures within the wider economic environment and ensuring that the Council is best placed to survive. There is little doubt that the economic threats at this time are greater

than they were during the Covid pandemic when there were multiple pots of dedicated central government support.

- 6.4** The wider economic environment also creates a significant level of challenge. In particular the forecast recession is likely to impact on both the level of Council Tax and Business Rates which are collectable. This budget setting process has already seen a reduction in the estimated Council Tax collection rate and it is likely that Council Tax will be further impacted by both increases in the level of Council Tax support claimed by residents and by levels of collection arrears. This will need to be monitored closely over the coming months and budget forecasts updated as necessary.
- 6.5** In terms of business rates the average increase of 21.9% in terms of rateable value across the District may see a number of businesses challenge the level of their bills through the Valuation Office Agency. Any falls in value relating to those challenges impact on the level of income for the Council and make financial planning difficult. As with Council Tax the recession is also likely to lead to a fall in the percentage of business rates collected which must be closely monitored.
- 6.6** For the current budget the MTFP assumes a below inflationary level increase in fees and charges to protect service users during the cost of living crisis. If the high inflationary environment continues this may be a policy which needs to be reviewed at the next budget setting process. A below inflation fee increase increases the subsidy required from the General Fund to support discretionary chargeable services which may not be appropriate or desirable for all services.
- 6.7** It is pleasing to see in the Local Government Policy Statement that the position of District Councils must be considered in the round to include all aspects of our funding. Shire Districts have had the lowest average increase in Core Spending Power in the latest settlement at 5%. Although Districts do not have the demand led pressures of social care they are subject to the significant inflation led pressures of contracts and pay, and they are particularly susceptible to falls in income from fees and charges. Medium Term Financial Plans and approved budgets have been anticipating these impacts for a number of years.
- 6.8** In particular the Council Tax position of District Councils continues to be particularly challenging. As the major source of funding within local democratic control it presents a unique challenge when levels are held below inflation. District Councils have now had lower referendum limits than the County Council and the Police for a number of years, and our colleagues in Town and Parish Councils have no caps on their increases. A policy of continuing to raise Council Tax at the referendum limit helps to raise some income towards meeting inflationary costs, but by no means covers all of that increase.
- 6.9** As has been the case for a number of years the overall government review of local government finance, known previously as the fair funding review, is the key element of risk in the longer term. At the present time the District Council has a strong reserves position and has income levels which are in line with expenditure. The longer-term projections, even with the expectations of transitional funding create a situation where expenditure exceeds income and the Council's risk based reserves are needed to set a balanced budget. That is clearly only a sustainable position in the short term.
- 6.10** The considerable increase in the cost of providing Council services, combined with the expectation that a revised fair funding review will occur in two years time, creates a

fundamental challenge to the Council's financial position. If the reductions are in line with the expectations of both Council officers and our external funding advisors then significant steps to close the funding gap must be achieved from the 2025 financial year onwards. This will be the case whatever the outcome of the elections planned for 2024.

- 6.11** The largest risks within the fair funding review remain the reset of business rates growth and the re-introduction of negative RSG into the business rates formula. Members will be kept updated on the progress of reforms and the impact upon the Council.
- 6.12** On a more positive note it is important to note that even in the current challenging financial climate the Council is in a position where it can continue to operate in a sustainable fashion whilst investing new sums in services. It is only the likely reduction of future funding which places this sustainable position at risk. If the level of funding reductions end up being less significant than feared it will be a significant boost to the financial position of the authority and the services it provides. The risk based reserves currently being held would then be reassessed at point.
- 6.13** Changes to funding streams can also be expected from the implications of the extended producer responsibility (EPR) changes to recycling of materials. This is likely to bring additional income but changes to costs and income elsewhere in Council budgets. The recent policy statement from government emphasised the need to consider the financial position of Districts in the round considering both these changes and New Homes bonus. This is a welcome development but there is no additional certainty at this stage.
- 6.14** The HRA has large savings targets to bring it into a balanced position over the Medium Term. Housing Committee has had the opportunity to debate this position, and both members and officers are aware of the scale of the challenge. Failure to meet the savings targets represents a major risk to the HRA position and the ability to deliver the services that tenants expect of the Council.
- 6.15** Inflation remains the major risk to the capital programme, as has been seen with the canal project. The capital reserve is held to mitigate but the unallocated balance is only £0.2 million at the current stage.
- 6.16** It is vital that the Council continues with its policy of using both the General Fund Equalisation Reserve and the Business Rates reserve as a mitigation measure against future funding reductions. Although these have now been building for longer than anticipated, it remains the intention of central government to reform local government finance and these reserves are at the heart of the Council's financial sustainability into the long term.
- 6.17** I am satisfied that the estimates within this plan are robust. Finance officers have again been working closely with colleagues across the authority to challenge estimates and set realistic targets. The unpredictable impacts of inflation mean that variations are inevitable but the relatively low level of predicted overspend in 2022/23, in spite of rapidly increasing inflation, demonstrates that the budget monitoring process works effectively in managing the Council's finances.
- 6.18** The level of reserves included in the budget and discussed throughout this report is adequate. As discussed, there is sufficient cover in place to meet both financial challenges and provide funding for priority projects.

6.19 Overall, this budget process has been one of fundamental challenge. The economic shocks created by inflation are severe. However, a better than expected settlement and a sustainable financial base places the Council in a good position to meet that challenge. It has also allowed the inclusion of growth items within this budget to better work towards some of the objectives in the Council Plan. The outlook after the next two years however, is far from certain. It is vital that all those involved in the leadership of the Council continue aware of the challenges and work together to meet them.

7. IMPLICATIONS

4.1 Financial Implications

The whole report is of a financial nature.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

4.2 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.

One Legal

Tel: 01684 272012 Email: legalsevices@onelegal.org.uk

4.3 Equality Implications

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

4.4 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
- Extending the funding arrangements for carbon reduction officers
- Support for both the administration and major projects of Climate Leadership Gloucestershire through providing £32k to be pooled with contributions from partners
- An additional £500k of support for walking and cycling projects across two years
- A total of £764k of support for the installation of renewable energy powered heating systems in leisure sites.