



# COTSWOLD DISTRICT COUNCIL

Council	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>CABINET – 7 SEPTEMBER 2020</b>
Report Number	<b>AGENDA ITEM 8</b>
Subject	<b>AN INVESTMENT STRATEGY FOR RECOVERY OF COTSWOLD DISTRICT</b>
Wards affected	ALL
Accountable member	Cllr Tony Dale Cabinet Member for Economy and Skills Email: tony.dale@cotswold.gov.uk
Accountable officer	Jenny Poole Chief Finance Officer Tel:01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To set out an investment strategy framework within which the Council can invest in the infrastructure of the Cotswold District that delivers on the Council priorities whilst also ensuring a return on investment that covers debt financing costs and seeks to deliver a return that helps close the financial gap set out in the Medium Term Financial Strategy
Annexes	Annex A DRAFT RECOVERY INVESTMENT STRATEGY
Recommendation(s)	a) <i>That Cabinet recommends the strategy to Council for adoption;</i> b) <i>Delegated authority is given to the Interim Chief Executive to establish appropriate governance structures to support the strategy.</i>
Corporate priorities	Respond to the challenges presented by the Climate Change Emergency Deliver good quality social rented homes Present a Local Plan which is green to the core Ensure that all services delivered by the Council are delivered to the highest standard Help residents, businesses and communities to access the support they need to ensure a high level of health and well-being
Key Decision	YES
Exempt	NO
Consultees/ Consultation	None

## **1. BACKGROUND**

- 1.1 In September 2019 the Council approved its new priorities for the district for the period 2020-2024. Within this strategy it recognised the financial challenges facing the Council and these were set out more clearly in the budget and financial strategy approved by Council in February 2020.
- 1.2 The recent Covid 19 crisis has drawn these priorities into sharper focus – increasing still further the need to deliver on these priorities and exacerbating the financial challenges facing the Council.
- 1.3 Previously the Council has made some investments in commercial property to help deliver some of the desired financial benefits but in doing so has only delivered on that individual priority rather than trying to meet multiple priorities with that investment.
- 1.4 In addition the landscape around commercial investment by local authorities has begun to shift with a clear ‘steer’ from government and professional bodies that pure commercial investments should be avoided.
- 1.5 The strategy put forward for consideration seeks to balance the delivery of local priorities with principles of affordability and value for money. The strategy forms a framework within which the Council can operate to deliver on the priorities whilst also closing the emerging budget gap without the reliance upon wholesale service cuts.

## **1. MAIN POINTS**

- 2.1 The draft strategy attached at Annex A sets out a framework within which the council can consider investment opportunities that deliver on the agreed corporate priorities. In itself it does not present any specific opportunities but rather a mechanism by which the council can assess how opportunities are developed and how they meet the varied priorities.
- 2.2 The strategy sets out the financial context that the Council finds itself within based upon the known position in February 2020. It needs to be recognised that there were many unknowns in respect of the financial context at that time and with the continuing Covid 19 crisis these have become even less clear.
- 2.3 The financial targets with the strategy do therefore need to be taken as a guide rather than an absolute position. This relates to not only the funding gap the Council faces but also debt financing costs, return yields and therefore the level of capital investment necessary to deliver the revenue returns.
- 2.4 To ensure that the plan retains coherence with the Budget and Medium Term Financial Strategy the tactical delivery plan is set to deliver these returns. In practical terms actual delivery will be quite different to this and should earlier delivery be achievable then opportunities will be brought forward earlier.

- 2.5 The strategy identifies the key project opportunities that could be considered that meet the priorities and offer a return. The Council will need to take individual decisions on these that come forward with the overall strategy in mind. This will not mean for example sticking slavishly to investment returns on individual schemes as long as, in the round, the investment returns are being achieved.

## **2. FINANCIAL IMPLICATIONS**

- 3.1 The Council is facing a significant challenge to its financial sustainability brought about by significant real term reductions in government funding over the last ten years. This funding has been supplemented through incentivised funding streams such as Business Rates Retention (BRR) and New Homes Bonus (NHB).
- 3.2 Over the last two years New Homes Bonus has started to be phased out and the government seems committed to its eventual withdrawal. If the government continues with the Business Rates Retention scheme reset in April 2021, this will remove all the business growth received since 2013. It is unclear whether the reset will take place in April 2021, with the government having already announced delays to the implementation of the Fairer Funding Review, the change from a 50% to a 75% business rate retention scheme and business rate revaluation all of which were due to come in to effect in April 2021.
- 3.3 It is not yet known how changes to Local Government Finance planned via the Fairer Funding Formula will affect this Council but there are risks that this will alter the balance of funding in favour of Councils who provide Social Service functions.
- 3.4 The Council's Medium Term Financial Strategy, approved in February 2020, identified an overall funding gap of almost £4.6m by March 2024.
- 3.5 The impact of the Covid 19 crisis has exacerbated the scale of the near term problems as the Council is seeing a fall in some income streams, an increase in some costs, and pressure on both Business Rates and Council Tax income for some time. A refresh of the Medium Term Financial Strategy, a revised budget for 2020/21 and the draft budget for 2021/22 are to be considered at this meeting.
- 3.6 The current crisis will also impact on the opportunities available through this strategy to deliver revenue returns and this will bring further challenges to implementing this strategy. The crisis does however also potentially bring some opportunities as debt financing costs have fallen.

## **4. LEGAL IMPLICATIONS**

- 4.1 The focus of this strategy is delivering on the priorities of the Council. It is likely therefore that almost all investments will be within the boundary of the district. The Council will be reliant upon powers to invest that are related to the social, environmental and economic prosperity of the place to support its actions rather than investment powers more recently highlighted and criticised by the government and others in respect of commercial property.

4.2 Any investment brought forward will clearly state the powers being utilised – this is important to ensure that the lower rates for local government borrowing can be achieved.

## 5. **RISK ASSESSMENT**

5.1 The key risk with regard to adopting this strategy is around deliverability. It is a bold strategy which has significant borrowing and investment targets to meet. The availability of opportunities within the district to meet these targets will be challenging.

5.2 Risks around individual investments projects will be set out clearly in each business case that is presented for Council to consider at the time any proposal comes forward.

5.3 There remains a risk that the government may alter the borrowing rules to prevent Councils from borrowing for some of the potential opportunities set out in this strategy but with the focus of this strategy on place based investment that is largely mitigated.

5.4 The strategy makes a number of assumptions around borrowing rates, rates of return on investment categories, requirements for 'Minimum Revenue Provision'. All of these may change and alter the balance of funding required to deliver the revenue returns.

5.5 The review of the Medium Term Financial Strategy may alter the targets set out in this strategy and it therefore also needs to be reviewed in light of any changes and in light of any government funding announcements.

## 6. **CLIMATE CHANGE IMPLICATIONS**

6.1 Any investment opportunity brought forward will clearly set out the implications in respect of climate change.

6.2 Investment opportunities that make a positive change to the carbon footprint of the district are a fundamental part of this strategy and therefore this strategy should be seen as a key tool to help deliver this Council priority.

## 7. **ALTERNATIVE OPTIONS**

The Council could choose not to support this strategy and seek to reduce the funding gap it faces through other means such as raising Council Tax or cutting service provision.

## 6. **BACKGROUND PAPERS**

None