



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	OVERVIEW AND SCRUTINY COMMITTEE - 4 FEBRUARY 2020
Report Number	AGENDA ITEM 11
Subject	MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2020/21
Wards affected	ALL
Accountable member	Cllr Mike Evely, Deputy Leader and Cabinet Member for Finance Email: Mike.Evely@cotswold.gov.uk
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Summary/Purpose	This report provides an update to the Overview and Scrutiny Committee on the budget proposals for 2020/21 and the associated Medium Term Financial Strategy.
Annexes	Annex A1 – A5 – Draft MTFS 2020/21 to 2029/30 Annex B – Detailed Budget 2020/21 PAGES TO FOLLOW Annex C – Budget Consultation Responses PAGES TO FOLLOW
Recommendation/s	a) <i>That the budget proposals 2020/21 and the Medium Term Financial Strategy be considered, and feedback provided to the Cabinet and Council.</i>
Corporate priorities	The budget for 2020/21 supports the new Council Strategy, as approved by Council in September 2019.
Key Decision	No, as the ultimate decision rests with Council.
Exempt	NO
Consultees/ Consultation	The Medium Term Financial Strategy and draft Budget for 2020/21 has been developed in consultation with Publica management, Ubico management, and members of the Cabinet. Consultation has been carried out with members of the Overview and Scrutiny Committee and with the District's residents, businesses and community organisations.

1. BACKGROUND

- 1.1. Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2029/30 and the associated budget proposals for 2020/21 for consultation on 2nd December 2019. The Overview and Scrutiny Committee considered the proposed MTFS and 2020/21 budget on 3rd December 2019. The budget and MTFS have now been updated to reflect the following:
 - A. The government's announcement of the provisional local government settlement 2020/21;
 - B. Estimates of the income from the Business Rates Retention Scheme 2020/21;
 - C. Estimated collection fund deficit from council tax collection 2019/20;
 - D. Provision for budget changes which have arisen since 2nd December 2019;
 - E. Implications of the opportunity to make pension fund deficit contributions to the Local Government Pension Fund early in 2020/21 rather than at monthly intervals over the course of the next three financial years.
- 1.2. The updated MTFS, attached as Annex A, reflects all of the above changes.
- 1.3. Changes to the report considered by the Overview and Scrutiny Committee on 3rd December 2019 are highlighted in yellow below. The Committee is asked to consider the updated MTFS and detailed budget proposals for 2020/21 and to provide feedback to Cabinet and Council as part of the budget setting process.

2. MAIN POINTS

National Funding Position

- 2.1. The previous MTFS outlined the following changes to the way local government is funded:
 - A. the Government will have completed a new Spending Review to establish its spending priorities post 2020;
 - B. the Government will implement the outcome of the Local Government Fairer Funding Review, which will establish how the funding for local government (from the Spending Review) will be allocated to individual local authorities;
 - C. the new 75% Business Rates Retention system will come into effect; and
 - D. the Business Rate baseline will be reset and there is the potential for the Council to lose its share of the financial benefit from growth in business rates in the District since 2013.
- 2.2. These changes were due to come into effect from April 2020.
- 2.3. On 4th September, the Chancellor of the Exchequer announced the outcome of the Spending Review 2019. The key announcements, for district councils included:
 - A. Funding (known as the funding baseline) would be increased in line with inflation;
 - B. Councils impacted by "negative Revenue Support Grant", which includes this Council, would continue to be protected from this funding cut;

- C. New Homes Bonus funding will continue for 2020/21 but the grant will be for one-year only, as opposed to the previous grants which were awarded for four years;
- D. The proposed changes to local government funding set out at 2.1 were delayed for a year to April 2021.

2.4. The Secretary of State for Communities and Local Government announced the provisional local government settlement for 2020/21 in December 2019. The announcement reflected the Spending Review 2019 commitments as set out at 2.3. The level of New Homes Bonus awarded to this Council was £95,448 higher than anticipated in the draft 2020/21 budget at £3,169,266 rather than £3,073,818. The increase reflecting delivery of affordable homes which attract £350 of New Homes Bonus each.

New Council

- 2.5. Following the elections in May 2019, the new Administration has set out a new set of Council Priorities.
- 2.6. At the Council meeting on 25th September 2019, Councillors approved the following motion relating to the Council finances which was proposed by the Deputy Leader and Cabinet Member for Finance:

“This Council notes:

- *that its Revenue Budget Medium Term Financial Strategy endorsed in February 2019 by the previous administration contained £1m in unidentified savings for 2020/21 and also required the Council to use £900k from its General Fund Balance;*
- *that its revenue budget is highly dependent upon the scheme for retention of business rates and New Homes Bonus;*
- *That the New Homes Bonus can vary greatly or even be withdrawn by HM Government in each year’s funding announcement;*
- *That the value of the retained business rates is highly likely to significantly reduce when the scheme is reset; and*
- *that the share of its revenue from the Council Tax paid by its residents is just 8% compared with the average for Gloucestershire districts of 10% and the national district council average of 11%.*

This Council is committed to building its financial stability and resilience and recognises that this requires the Council to grow its income as well as manage its costs. It is also committed to providing a range and levels of services that the District’s residents, businesses and community organisations expect and deserve.

This Council believes that it can grow income and meet its policy goals through making better use of its capital and revenue reserves as well as by prudent financial management.

This Council therefore instructs the Deputy Leader and Cabinet Member for Finance to work with Officers to present a proposed budget for 2020/21 which:

- *strengthens the Council's financial stability and resilience*
- *identifies opportunities to increase revenues and/or reduce costs to close the £2million budget gap*
- *explores opportunities to use its investments and access to low cost finance and grant funding to meet its policy goals."*

2.7. These budget proposals are responding to the approved motion.

2.8. The MTFs and budget proposals for 2020/21 have been updated to include financial implications of the Council's new priorities. In particular, annual funding has been made available for the following:

- A. An officer to develop and lead for the delivery of an action plan to address the Council's Climate Change Emergency declaration - £70,000 per annum;
- B. Provision for enhancement of strategic financial support to the Council £50,000;
- C. £85,000 to enable a new scheme to be implemented which will enable community organisations to submit bids for grants which will be assessed corporately against the Council's priorities, with allocations being determined accordingly. This will replace the current Community Activity Support Grant scheme.
- D. Provision has been made available to enhance transparency of the Council's political processes by enabling webcasting of Council, Cabinet and Committee meetings, as supported by Council in the motion "Democratic Renewal" passed on 3rd July 2019. The annual revenue cost is estimated at £20,000;
- E. Moving to a genuinely renewable energy supply for gas and electricity to the Council, as requested by Council in the "Climate Emergency" motion passed on 3rd July 2019 is estimated to require additional funding of £6,100 per annum;
- F. The Council is also working with other authorities in Gloucestershire and Severn Wye Energy on a business energy efficiency program to help small and medium-sized businesses identify and reduce their energy costs and impact on the environment through the installation of energy efficiency measures. The budget proposes contributing £3,000 per annum to this programme.

2.9. One-off funding from earmarked reserves is also being made available to support the new Administration's priorities as follows:

- A. Funding for climate change studies £105,000, as agreed by the Council on 25th September 2019;
- B. A review of the local plan. An allocation of £850,000, to be spent over the next 3 to 4 years, has been earmarked within the Council Priorities Fund for this review. Although the Local Plan was adopted in 2018, the following drivers require a review to be carried out over the course of the next 3-4 years:

- a. The Local Plan applies from 2011, but was not adopted until 2018, this is out of sync with neighbouring authorities and makes the duty to co-operate difficult;
 - b. The National Planning Policy Framework was updated weeks after the Local Plan was adopted;
 - c. The current plan runs up to 2031 but requires a 15 year planning horizon therefore the Plan timeframe needs to be extended;
 - d. Ministry of Housing, Communities and Local Government housing targets have increased, leading to a risk around housing supply numbers and therefore, the potential for speculative planning applications; and
 - e. To reflect the climate change emergency in Local Plan policy.
- C. Development of a Health, Wellbeing and Leisure Strategy - £50,000;
- D. Resources to support fundraising for the Corinium Museum – £20,000. On 25th September, Council passed a resolution to increase funding for works which are currently taking place to improve the Museum. As the owner of the Museum, the Council retains the residual liability for any overspend on the project. This resource will enable the Council to mitigate against this risk and any further requests for funding for the Museum project;
- E. Resources to support the development and implementation of a Commercialisation Strategy, including enhanced support for economic development activity. This will enable the Council to increase its income base, to replace central government funding and invest in its priorities, particularly actions to tackle climate change and the delivery of social rented housing - £350,000;
- F. Funding of £50,000 for property option appraisals as agreed by Cabinet on 4th November 2019;
- G. Funding to increase car parking provision in Cirencester of £60,000 for each of the next three years, as agreed by Cabinet on 2nd September 2019;
- H. Provision of £5,000 for the implications of the new discretionary elements of the Disabled Facilities Grant Policy which are revenue in nature e.g. relocation costs in circumstances where it is more beneficial for the person to move to alternative accommodation.

Budget Pressures

- 2.10. The MTFS assumes a provision for pay award (retained Officers and Public Officers) of 2.5% per annum with effect from 2020/21. The Council is facing the following budget pressures in 2020/21:
- A. The revised waste service will increase costs by £677,000. In addition, provision for inflationary increases on the Ubico contract has increased over the life of the MTFS to reflect both contract inflation on the increased contract sum and to reflect the fact that cost pressures will increase as the Ubico vehicle fleet ages over the life of the MTFS.
 - B. The Council has been debt-free since the transfer of its housing stock in 1994 to Fosseway Housing Association (now Bromford). In the past, the

Council's capital investment programme has been funded from the capital receipts which were largely generated by the transfer of the housing stock. These capital receipts are no longer sufficient to fund the Council Capital Programme and the Council will need to borrow to fund some of the future capital programme. The Council needs to make a revenue provision for the repayment of debt, known as Minimum Revenue Provision (MRP). It was inevitable that the Council would need to re-introduce MRP into the revenue budget to provide for the financing costs of assets on a cyclical basis - for example replacement waste and recycling vehicles and investment in its operational property assets. The current MTFS included provision for MRP, this has been updated to include the impact of the revised Capital Programme;

- C. The Council decision to increase Members allowances on 12th May 2019 will cost £47,005 per annum;
- D. The Council makes an annual provision for the cost of district and town/parish council elections. These elections take place every four years and the Council makes an annual contribution to reserves so that funding is available. The annual provision needs to increase by £10,000 to reflect increased postage costs, an increasing number of postal votes along with some inflationary pressures.
- E. The Council has recently renewed its insurance policies and additional insurance cover for cyber risks has been included at a cost of £14,500. The financial impact of claims history and inflationary pressure has further increased costs by £9,000.
- F. The number of planning applications received has reduced resulting in a reduction to planning income. While the service will review its pre-application advice service and the associated charges, the impact upon income is forecast to be a reduction of £200,000 per annum. This will be partially mitigated by an increase in income from pre-application advice estimated at £100,000.
- G. Food waste incentive scheme Income from Gloucestershire County Council is expected to reduce by £45,000. This has been carried over from the previous MTFS.
- H. The budget for treasury management investment income will be reviewed in the next stages of the budget process (in January 2020) as the capital strategy, treasury management strategy, investment strategy and emerging commercialisation strategy are updated to reflect the proposals set out in this report.

2.11. Cabinet proposed its draft budget in December 2019. Since then the following items have been considered which have a budgetary impact as set out below:

- A. Gloucestershire County Council has offered this Council the opportunity to make a lump sum payment, to be made early in 2020/21, in to the Gloucestershire Local Government Pension Scheme. The lump sum would be equal to this Council's total three year contribution towards its

pension fund deficit, £4.9 million. In the past, the deficit contribution has been set for each of the next three financial years and paid monthly to the County Council. In return for the lump sum payment, the value of the annual deficit contribution has been reduced from £1,715,000 to £1,634,000 for each year. The Council's current budget for the deficit contribution is £1,858,000 per annum. By making the lump sum contribution there will be an annual budget saving of £224,000. This will be offset by a reduction in investment income estimated to be £40,000 in 2020/21, £24,000 in 2021/22 and £8,000 in 2022/23.

- B. Council, on 27th November 2019, approved a business case for investment in technology for the Council's waste and recycling service vehicle fleet. This technology will support drivers to accurately follow their collection route and reduce the risk of missed bin collections. Council approved funding of £142,000 from earmarked revenue reserves, an increase of £26,000 to the revenue budget for support of the new computer system and savings of £42,000 from the Council's contract with Ubico for delivery of the waste and recycling service. The saving expected from the Ubico contract will support delivery of the £490,000 saving target for 2020/21.
- C. A review of the Council's communication service has been carried out and investment of £30,000 has been identified to support one-off communication projects such as: car parking investment, Council Strategy, prevention of fly-tipping, and research. In addition, investment of £5,000 per annum is required to provide resources to enable the communications team to utilise modern communication tools.
- D. Council on 22 January 2020 approved a Motion which agreed to provide funding of £13,000 to enable a feasibility study to be carried out on a light railway linking Kemble Station to Cirencester. This contribution would be funded from revenue reserves.
- E. Ubico has provided a business case for investment of £52,000 in roller-brake testing equipment at the Packers Leaze Depot site. If approved, the investment which will have both financial and carbon benefits as vehicles can be tested at the depot rather than travelling to a testing station. This investment would be funded from savings on the Ubico contract sum delivered in 2019/20 but is included in the 2020/21 Capital Programme and funded from earmarked reserves in 2020/21.
- F. Each year the Council is required to value its property assets in line with International Financial Reporting Standards. The external auditor focuses extensively on this aspect of the Council's Statement of Accounts. The property services team has been struggling to effectively resource this work each year. In recent years, one-off funding from revenue reserves has been provided in order for the Council to fulfil this requirement. It is evident that additional resource is now required for this annual task. Additional budget of £10,000 per annum has therefore been included with effect from 2020/21.

Retained Business Rates

- 2.12. A key element of funding from central government comes from retained business rates. The MTFs assumes the Council will be compensated (through section 31 grant) for any negative impact upon business rates which relate to any nationally announced discounts or reliefs to businesses (such as those previously announced in the Chancellor's Autumn Statements and Budgets).
- 2.13. As set out in 2.1, the retained business rates scheme was due to be changed from April 2020. This has now been deferred for a year. The MTFs has been updated to reflect forecast income from the revised scheme using advice from Pixel Financial Management who are providing expert advice to support local authorities and national bodies such as Sparse and the Local Government Association.

The Gloucestershire Business Rates Pool

- 2.14. The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. Since 2013/14 the Pool has delivered the following surpluses/(losses):

	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Pool Surplus/(Loss)	774,862	(2,336,565)	877,948	2,138,143	3,992,000	14,270,000
Cotswold DC Share Surplus/(Loss)	25,156	(228,988)	114,854	275,600	482,179	497,975

- 2.15. For 2018/19, the Council was part of the Gloucestershire 100% business rates retention pool pilot, which included all of the Gloucestershire local authorities and aimed to maximise the retention of business in Gloucestershire. In return for the gain of retaining all of the growth above baseline funding within Gloucestershire, some of the central government grants such as Rural Services Delivery Grant and Revenue Support Grant were directly funded from the Business Rates Retention Scheme.
- 2.16. The results of the 100% pool pilot were very successful with county-wide gain being in excess of £14 million. Of this gain, 20% was set aside for strategic economic development, 50% was allocated to the County Council to reflect the higher risk to the County Council of being part of the pool and the remaining 30% was shared across the District Councils according to growth at a District Level and an equal share of the pool proportion gain so that each District gained from being part of the pool.
- 2.17. For 2019/20, the Council remains part of the Gloucestershire pool but the pool is no longer a 100% pilot, it is now based upon the original 50/50 pool. The windfall gain, i.e. not built into the Council's base budget for 2019/20, is forecast to be in the region of £350,000. The windfall gain will be allocated to the Council Priorities Fund.

2.18. It is anticipated that the Gloucestershire Business Rates Pool will continue in 2020/21. This will be reviewed later in the budget setting process (in January 2020) when estimates for business rates income will be calculated. The MTFS assumes that any windfall gain associated with the Business Rates Pool in 2020/21 will be allocated to the Council Priorities Fund.

2.19. At the time of preparing this report, estimated income from the Retained Business Rates Scheme for 2020/21 is still being prepared. The budget for 2020/21 will include the following key data from the business rates estimate for 2020/21:

	2020/21 £
Estimate of business rate income to the District (including £xx,xxx) from solar farms	
Tariff to government	
Section 31 Grants – reflecting impact of central government decisions on local government financing	
Estimated Levy Payable to Government	
Net Retained Business Rates 2020/21	
Collection Fund Surplus/(Deficit) forecast to end 2019/20	
Use of Business Rates Smoothing Reserve to offset Collection Fund Deficit (if required)	
Net Overall Income from Retained Business Rates	

2.20. The figures for the above table will be included in the Cabinet and Council papers in February 2020.

Financial Planning Assumptions

2.21. The financial planning assumptions used in the approved MTFS have been updated to reflect current economic circumstances. The following assumptions have been applied to the Council's base budget for 2019/20:

- A. provision for a pay award inflation/impact upon Publica contract sum of 2.5% for 2020/21 and each year thereafter;
- B. provision for inflation on service contracts (including Publica) at 2.5% or in accordance with the underlying agreement or experience of cost increases;
- C. investment returns are expected to be in line with existing budgetary provisions. However, this will be updated in accordance with the developing Treasury Management Strategy (in January 2020);
- D. car park charges will be reviewed for 2020/21, and thereafter every two years; the budget proposal anticipates that changes will generate around £435,000 in additional net revenue from car parking through both extra

income and cost savings. These would include the first increases in parking charges since 2010. A schedule of proposed changes to car parking day ticket and season ticket prices will be made available for the budget consultation. The proposed budget assumes a saving of around £35,000 resulting from the removal of the option to pay by cash at Council car parks, this saving is included within the overall additional net revenue of £435,000. Free parking after 3 pm in the Brewery and Forum car parks will be retained while new dedicated twenty minute free parking bays will be introduced at some of the Council car parks to enable residents to make short trips to the District's towns free of charge.

- E. growth in the Council Tax base of 1.2% per annum from 2021/22 onwards;
- F. Central government funding in line with paragraph 2.3, an inflationary increase of 1.8% has been assumed for 2020/21;
- G. The budget and MTFs assumes Council Tax increases of £5 per annum on a Band D property.
- H. The collection fund will generate income over and above the council tax estimates and the Council's share of the surplus will be £100,000 per annum, from 2021/22 onwards.

Savings Targets

2.22. The Council has plans in place to deliver the following savings:

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Leisure and Museum Contract	35	18	(3)	50
Publica Transformation Programme	268	25	25	318
Savings on business rates on public conveniences	26			26
Total	329	43	22	394

2.23. While it is difficult to forecast with accuracy the impact of changes to local government funding due to come into effect from April 2021, it is highly likely that the Council will suffer as a result of changes to New Homes Bonus and from the business rates reset which will see the loss of all business rate income growth since 2013. The savings targets contained within the MTFs has been updated in light of the postponement of changes to local government funding from April 2020 to April 2021 and other budget pressures. The MTFs now includes the following targets for the next six years. The lump sum investment in to the Gloucestershire Local Government Pension Scheme, delivers a net saving of £184,000 per annum. The table below has been updated to reflect the early delivery of savings.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Target	490	1,790	1,350	950	850	715	6,145

Change to Target	184	(184)					0
Revised Target	674	1,606	1,350	950	850	715	6,145

2.24. The table below sets out the high level targets for addressing the £6.1million gap:

Options for filling the funding gap	Potential Income/Saving £
Commercial investment/green energy/social housing	2,300,000
Growth in business rates over baseline funding/replacement New Homes Bonus Scheme	1,745,000
Funding for rural services as part of Fairer Funding Review	500,000
Service reviews/changes to policy/ Lump Sum Investment in LGPS	1,000,000
Review of recycling and waste service	600,000
Total	6,145,000

2.25. A clearer picture of the level of savings required will emerge once the government publishes its final decisions from: Spending Review 2020, Fairer Funding Review, 75% Business Rates Retention and New Homes Bonus Scheme. The Council has some General Fund Working Balance to smooth the budget gap in the short term and to provide the Council with time to develop plans to generate alternative income or deliver savings in future years should this become necessary.

2.26. The MTFs includes provision for capital investment to support the delivery of the Commercialisation Strategy. The MTFs assumes that 50% of this investment will be funded through accessing external funding from third parties (e.g. government grants) or through the use of the Council's cash balances, known as internal borrowing; with the other 50% funded from external borrowing. The revenue implication of the net borrowing requirement has been included in the MTFs.

2.27. The Commercialisation Strategy will include a wide range of initiatives to deliver additional income to the Council or provide savings. The action plan will include the following work streams:

A. A review of the Council's discretionary fees and charges and proposals to increase income. For 2020/21, the draft budget contains proposals to increase car parking charges and this will form part of the consultation. It is also proposed that Green Waste charges will increase over time to reflect the true cost of collecting garden waste, i.e. by £5 per bin each year from 2021/22 until 2023/24.

- B. Investment in green technology which will both seek to address the climate change emergency and provide a financial return to the Council;
- C. Investment in social rented housing with a secondary aim of providing a return to the Council;
- D. Investment in economic development with a secondary aim of providing a return to the Council;
- E. Working with our strategic partners, Publica and Ubico, to review Council policies and services to secure efficiencies and improve the customer experience.

Council Tax

- 2.28. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any Council that wishes to raise its Council Tax above the limits that applies to it will have to hold a referendum.
- 2.29. For this Council, government is proposing a maximum council tax increase of 2% or £5 for 2020/21. The budget for 2020/21 proposes a council tax increase of £5, which is in line with the government's maximum increase.
- 2.30. The Collection Fund is the account where council tax income is recorded. This income is then paid out to the "precept" authorities i.e. Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, this Council and those Town and Parish Councils which have requested a precept for the year.
- 2.31. Each year the Council forecasts whether its collection of council tax will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund.
- 2.32. Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out, in the following financial year to the County Council, Police and Crime Commissioner and the District Council in proportion to their respective level of precept for the financial year. Similarly, where the Council forecasts a deficit, the deficit is recovered proportionately from the three major preceptors in the following financial year. Collection Fund surplus or deficit is not passed on to the Town and Parish Councils but is shared proportionately by the three major preceptors.
- 2.33. For 2019/20, the balance on the Collection Fund has been forecast as a deficit of £420,792. This Council's share of the deficit is £49,328 and this will be "paid" in 2020/21 as a reduction to council tax income.

Revenue Reserves

- 2.34. As at 31st March 2019, the Council held £4.9m in General Fund Working Balances and £8.3m in earmarked reserves. Of the earmarked reserves, £3.9m is held in the Council Priorities Fund, which is available to support the delivery of the Council's priorities and can be used to enable the significant change required to deliver the savings targets.

- 2.35. During 2019/20, the Council Priorities Fund is being used to finance the following significant projects:
- A. The revenue costs associated with a potential strategic property acquisition;
 - B. The transformation programme being delivered by Publica;
 - C. The Implementation of a multi-storey car park in Cirencester and the associated redevelopment of the Old Memorial Hospital site;
 - D. The review and implementation of revised waste and recycling services;
 - E. Funding increased costs of the existing waste and recycling service pending the acquisition of new vehicles;
 - F. Implementation of the Local Plan and the associated introduction of Community Infrastructure Levy;
 - G. Contributions towards the costs of improvements to the Corinium Museum;
 - H. Developing a Masterplan for Cirencester town centre;
 - I. Funding the costs of the new Climate Change Manager post, with budgetary provision for a permanent post being made available from 2020/21;
 - J. Funding climate change studies which will inform the Council's climate change action plan.
- 2.36. The MTFs has been updated to reflect the allocation of business rate pool surpluses to the Council Priorities Fund of £350,000 for both 2019/20 and 2020/21. In addition, a review of other earmarked reserves will be carried out with the aim of re-allocating £700,000 back to the Council Priorities Fund. The funding will be used to support the priorities as set out in 2.8.

2.37. At the end of the MTFs period, assuming that the Council is able to deliver the savings required as a result of reductions to central government funding, the Council plans to hold around £3.7m in General Fund Working Balance and £3.1m in earmarked reserves. The movement in General Fund Working Balance and Earmarked Reserves is shown in Annex 'A4'. These figures will be updated in the reports to Cabinet and Council in February 2020 to reflect the impact of the estimated income from Business Rates.

Capital

2.38. As at 31st March 2019, the Council held £14.7m of capital receipts and capital grants, which are available to fund capital projects. The detailed Capital Programme is shown in Annex 'A3' together with details of expected capital receipts and financing of the Capital Programme.

2.39. The Capital Programme includes provision for investment in the following significant projects:

- A. Investment in car parking services £13 million.

- B. Commercialisation Strategy £65 million.
- C. Replacement vehicles in the Council's waste and recycling vehicle fleet £6.4 million.
- D. Investment in leisure facilities and equipment £2.1 million.
- E. Investment in Council information technology £2.1 million.
- F. Investment in electric vehicle charging points £1.5 million.
- G. Continuation of the Community Projects Fund £0.5 million.
- H. Investment in rural broadband £0.5 million.

2.40. The Council is preparing a Commercialisation Strategy with the aim of increasing income to the Council. This will help the Council to address the predicted cuts to government funding as set out in 2.3. The Commercialisation Strategy will require capital investment and the Capital Programme has been updated to include provision for investment of £65 million. It is anticipated that this investment will be partially funded from borrowing and partially funded through grants from third parties. The Commercialisation Strategy will link in with other Council priorities of climate change, social housing provision and economic development.

2.41. This significant capital investment will be a major contributing factor to the Council's longer term financial sustainability.

2.42. A summary of the capital programme and funding is set out below:

	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000	26/27 £000	27/28 £000	28/29 £000	29/30 £000	Total £000
Capital Programme	8,115	30,405	21,155	26,155	1,155	2,155	5,655	1,155	1,155	1,155	98,260
Funding											
Capital Receipts	1,317	5,773	255	255	255	755	255	255	255	255	9,630
Capital Grants	650	5,650	650	13,150	650	650	650	650	650	650	24,000
Revenue Reserves	1,140	0	0	0	0	0	0	0	0	0	1,140
Revenue Contributions	250	250	250	250	250	250	250	250	250	250	2,500
Borrowing	4,758	18,732	20,000	12,500	0	500	4,500	0	0	0	60,990
Total	8,115	30,405	21,155	26,155	1,155	2,155	5,655	1,155	1,155	1,155	98,260

2.43. The expected balance of capital receipts over the life of the MTFS is set out below:-

	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000	26/27 £000	27/28 £000	28/29 £000	29/30 £000
Capital	7,158	2,300	2,960	3,620	4,280	4,440	5,170	5,900	6,330	7,360

Receipts										
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2.44. The draft MTFS is attached at **Annex A**.

Consultation

2.45. Residents, businesses and community organisations within the District have been encouraged to feed into the budget setting process. At the time of preparing this report, the consultation process is still ongoing. Feedback will be collated and a document "**Annex C**" will be provided to the Committee in advance of the meeting.

2.46. Comments arising from the Committee's consideration of the MTFS and budget proposals for 2020/21 will be reported to Cabinet on 10th February 2020 and Council on 26th February 2020.

3. FINANCIAL IMPLICATIONS

3.1. Subject of the report.

3.2. A summary of the impact of the budget proposals for 2020/21 is set out below:

Summary of changes to the Council's Net Budget Requirement	£
Net Budget Requirement 2019/20	11,157,040
Inflationary Pressure – expenditure budgets	378,500
Unavoidable budget pressures – expenditure (net increase)	1,707,733
Unavoidable budget pressures –income	100,000
Savings	(1,003,000)
Net Budget Requirement 2020/21	12,340,273

3.3. The Council's net budget requirement will be funded as follows:

	£	£
Net Budget Requirement 2020/21		12,340,273
Net Business Rate Income (see table at 2.18)	3,196,000	
Council tax payers @ £133.93 Band D	5,592,103	
Collection Fund Deficit	(49,328)	
New Homes Bonus	3,169,266	
Rural Services Delivery Grant	602,434	
Total Funding		12,510,475
Budget Surplus		170,202

- 3.4. The table above will need to be updated once the estimated business rates income figure for 2020/21 is available.
- 3.5. The budget proposals for 2020/21 result in a council tax of £133.93 per Band D equivalent property, an increase of £5.00 or 3.88%.
- 3.6. The budget proposals assume a budget surplus of £170,202. However, the impact of the estimated income from business rates still needs to be included and this position could change. Any change will be reflected in the papers to be considered at Cabinet and Council in February 2020. It is proposed that this surplus is used to increase the General Fund Balance.
- 3.7. The detailed revenue estimates for the Council are attached at **Annex B**.
- 3.8. Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to make a report to the Council on the robustness of the budget estimates and the adequacy of the Council reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. The Finance Officer report will be included in the Cabinet and Council reports in February 2020.

4. LEGAL IMPLICATIONS

- 4.1. The Council is obliged to undertake consultation on its budget proposals. The measures outlined in this report meet the legal requirement.

5. RISK ASSESSMENT

- 5.1. The most significant risk to the MTFs is the uncertainty regarding future central government funding to this Council. Despite the government's declaration of an end to austerity, district councils are unlikely to fare well in 2021/22. The Council's Commercialisation Strategy will detail how the Council intends to respond to both the anticipated reductions in central government funding and other unavoidable cost pressures. The MTFs includes provision for revenue and capital funding to support the implementation of the Capital Strategy.
- 5.2. With regard to Retained Business Rate income, a significant number of appeals remain with the Valuation Office from the 2010 business rate revaluations. Where appeals are successful, many businesses receive refunds back to April 2010, the refunds affect the level of business rate income received during the financial year in which the refund occurs. A significant provision for appeal losses is incorporated within the Council's financial statements. However, actual appeal losses could be higher than estimated. The appeals provision is shared between central government (50%), Gloucestershire County Council (10%) and this Council (40%). The level of provision will be reviewed as part of the preparation of the business rates estimates for 2020/21 during December/January. The 2020/21 estimates will be incorporated within the further update to the MTFs which will be considered by Members during January and February 2020.
- 5.3. The Local Land Charges Register will be transferred to Land Registry. The Local Government Association and the Local Land Charges Institute ("LLCI") are in on-

going discussions and working with Land Registry to support authorities during the transition and to ensure that the costs to all registering authorities of the Project are fully funded by way of a new burdens grant. Arrangements have been put in place to monitor costs to feed into the discussions. The implications for both the costs of the service and the income generated from the land charges services will be fed into the MTFS in due course.

- 5.4. In partnership with Cheltenham Borough Council, Forest of Dean District Council and West Oxfordshire District Council, the Council continues to implement the transformation programme through Publica. The draft MTFS anticipates savings of £318,000 to be delivered from the programme. Further savings of £175,000 are expected to be delivered from the programme post 2020/21.
- 5.5. The Council has a significant capital programme to deliver over the life of the MTFS. A significant proportion of which is to be funded from external borrowing. The capital programme figures are indicative at this stage and will be firmed up as Commercialisation Strategy and other projects develop. Should costs associated with the programme be higher than provided for in the MTFS there is likely to be an impact upon the revenue account from increased borrowing costs.
- 5.6. The Council has been advised that Gloucestershire County Council intend to award a contract for garden waste processing which will result in a change of tipping location. This means the Council's contractor Ubico will be required to drive garden waste to a site further away, resulting in increased mileage, fuel costs, carbon emissions and working hours. The full operational, financial and carbon implications of this are currently being calculated and will be fed in later to the budget setting process.
- 5.7. A risk assessment of the proposed MTFS and budget proposals for 2020/21 is shown at **Annex A5**.

6. CLIMATE CHANGE IMPLICATIONS

- 6.1. The MTFS and budget proposals for 2020/21 provide funding to take action to tackle climate change in the District, including the Local Plan refresh, ongoing funding for the Climate Change Officer and renewable energy measures.

7. ALTERNATIVE OPTIONS

- 7.1. The Council will consider any alternative budget proposals which are put forward through the consultation process. The proposals will be measured against the new priorities and against the approved Budget Motion from September 2019.

8. BACKGROUND PAPERS

- 8.1. None