

# Public Document Pack



**COTSWOLD**  
DISTRICT COUNCIL

Tuesday, 31st January 2023

Tel: (01285) 623553 or 623181  
e-mail - [Democratic@cotswold.gov.uk](mailto:Democratic@cotswold.gov.uk)

## **SUPPLEMENTARY PACK FOR OVERVIEW AND SCRUTINY COMMITTEE 1 FEBRUARY 2023**

Reports included for the following agenda items;

- 8. **Call in of Cabinet Decision relating to the Lease of Land at Station Road Kemble (Pages 5 - 22)**
- 10. **Budget (Pages 23 - 164)**
- 13. **Peer Review - Recommendations Relating to Overview and Scrutiny (Pages 165 - 176)**



# Agenda Item 8



**COTSWOLD**  
DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>OVERVIEW &amp; SCRUTINY COMMITTEE 1st FEBRUARY 2023</b>
Subject	<b>CALL-IN OF CABINET DECISION LEASE OF LAND AT STATION ROAD, KEMBLE</b>
Wards affected	Kemble
Accountable member	Cllr Lisa Spivey - Cabinet Member for Corporate Services Email: <a href="mailto:lisa.spivey@cotswold.gov.uk">lisa.spivey@cotswold.gov.uk</a>
Accountable officer	Claire Locke - Assistant Director Property & Regeneration Tel: 01285 623427 Email: <a href="mailto:claire.locke@publicagroup.uk">claire.locke@publicagroup.uk</a>
Summary/Purpose	To respond to the call-in of the decision to lease land at Station Road, Kemble, as allotments and community gardens to the local community and de-allocate this site within the adopted Cotswold District Local Plan (2011 to 2031) as a site for housing development.
Annexes	Annex A – Report to Cabinet January 2023 - Lease of land at Kemble Annex B – Extract of draft minutes of the January Cabinet meeting Annex C – Call in proforma – Land at Station Road, Kemble
Recommendation(s)	That the Committee, considers the additional information presented in this report and decides whether, (a) They are satisfied that the detail presented here does not fundamentally change the decision that has been made and therefore no further action is taken, or, (b) To refer the matter back to Cabinet for further consideration. (c) The matter requires a Full Council decision, that there are sufficient grounds to refer it to Council and a request is therefore made for it to be added to the next Council agenda.
Corporate priorities	<ul style="list-style-type: none"> <li>● Delivering our services to the highest standards</li> <li>● Responding to the challenges presented by the climate crisis</li> <li>● Providing social rented homes</li> </ul>



Key Decision	No
Exempt	No
Consultees/ Consultation	Chief Executive, Chief Finance Officer and Monitoring Officer Leader Deputy Leader and Cabinet Member for Finance Planning



## **1. BACKGROUND**

- 1.1. In January 2023 Cabinet agreed (Minute CAB.26 refers) to de-allocate a housing site, at Station Road Kemble, which was allocated in the Cotswold District Local Plan (the Local Plan) for the delivery of eight affordable homes. Cabinet also agreed that the site should be leased to the community for allotments and community gardens and that this use would be set out in the amendment to the Local Plan, which is currently being reviewed.
- 1.2. The report did not contain the financial calculations which show that the housing development scheme is not viable. Instead a reference was made to a high level financial assessment, which indicated the level of subsidy to deliver social rented homes at this site was high. There were also a number of other factors listed in the report, including site ecology, which contributed to the decision to retain the site as green space.
- 1.3. Whilst the report referred to the Local Plan it did not refer to the Kemble and Ewen Neighbourhood Development Plan (the NDP), which covers this site.
- 1.4. The lack of financial detail and the lack of reference to the NDP were the grounds for the call-in of this Cabinet decision.

## **2. NEIGHBOURHOOD DEVELOPMENT PLAN AND LOCAL PLAN**

- 2.1 The NDP was made by the Council in May 2021. The NDP does not allocate development sites but it does have legal status and is used to determine planning applications in the area alongside Local Plan and national planning policies and guidance. The Local Plan provides the strategic development framework for the district and in doing so identifies Kemble as a Principal Settlement (Policy DSI). The Local Plan, within its “Delivering the Strategy” chapter has a bespoke development policy for Kemble, which identifies the Community Gardens at Station Road as one of three allocated sites in the village. The Council has sought to positively allocate land in the village to meet local and the wider district housing needs. The Council’s annual housing land statistics report and housing land supply reports provide up-to-date information on build-out rates.
- 2.2 The NDP does not include bespoke policies on the delivery of new housing within the parish although it does provide a design guide for all three Local Plan site allocations (policy KE7) to help shape the look and function of future development. The NDP sets out a series of key considerations within various policies that would need to be weighed in the planning balance (whether allocated in the Local Plan or small scale windfall development through the Development Management process) when determining planning applications. For example matters relating to landscape and greenspace, community facilities, natural features, sustainable drainage, heritage, archaeology, design, access and proportionality of development.

Whilst helpful, these are well understood principles and material considerations and they are not unique to the Community Gardens site.

- 2.3 The Local Plan provides the development framework for the Parish and it is the principal planning document in the decision to de-allocate the site. Although an important planning document in the Development Management process, the NDP only contains policies that seek to protect and enhance locally important assets and characteristics within Parish. It does not provide a development strategy e.g. policies that seek to allocate development sites or alter allocations within the Local Plan.
- 2.4 The Council's draft Green Infrastructure Strategy recognises opportunities for Green Infrastructure enhancement on the Community Gardens.
- 2.5 Meeting housing needs does not sit in isolation of other factors and ultimately a balance has to be struck. There are clear and obvious environmental and community benefits to securing and enhancing the existing use of the site, a matter that was explored in some detail at the Local Plan public examination in 2017. Also market conditions have changed since the Local Plan was adopted and it would require significant public finances to bring forward the site.
- 2.6 The Local Plan, as a requirement of national planning policy, ensures there is a flexible supply of housing to accommodate such changes. The Council has identified a supply of 9,965 homes to the end of the Local Plan period against a housing requirement (a target contained in Policy DSI) of 8,400 new homes. The removal of this allocated site from the Local Plan does not affect the ability of the Council to meet its housing needs, therefore a replacement site does not need to be identified within the village or elsewhere in the District.
- 2.7 The decision to retain this land as green space was based on balancing meeting housing needs locally, supporting the protection of Green Space, which is another key objective within the NDP, and being financially responsible.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The Council has not employed consultants to develop a costed scheme at this site. Instead an experienced officer who is involved in the cost modelling of two current affordable housing schemes, prepared high level cost estimates. Had these estimates indicated viability or even borderline viability a decision would have been taken on investment to develop the scheme and prepare more detailed proposals and scheme costs. However, in this case due the constraints of the site, the ecology and the small number of homes that could be delivered , social rented homes would need a substantial subsidy.
- 3.2 Housing development cost appraisal considers land value, build costs and the resulting value of the built properties. Whilst the Council owns the land, it is required to include the land value

in its assessment, as this reflects the value of the asset which would be transferred to a Housing Association once the homes are built.

- 3.3 The table below sets out the high level calculations for two options, eight, three-bedroom houses and four, one-bedroom flats. Unfortunately due to the land value and basic development costs, different variations of unit type and number will not produce a viable option, as there simply is not the economy of scale needed to recoup the costs involved in development.
- 3.4 The previous external valuation of this site valued the land at £1.3M. The view of the Assets team is that this valuation is high and a re-valuation is needed. To reflect this and ensure that the high level cost model was not skewed by over inflated valuation figures a very moderate land value of £0.5M was used. It is estimated the land value has a minimum value of £0.5M but this would increase once planning permission is granted. By using this lower land value in the calculations, the minimum cost has been used. If the land value is assessed as being higher the overall capital costs increase and so does the subsidy. Therefore, the figures below may be an underestimate but are unlikely to be lower.
- 3.5 Development costs have risen sharply nationally in the last 12 months with costs increasing from 15 - 25% generally. Whilst costs have increased, property values have also increased so both factors will have changed since this site was originally considered by the Council for development.
- 3.6 The viability of the site (eight, three-bedroom affordable houses) was considered for the three main types of affordable housing.

	Social Rent	Affordable Rent	Shared ownership
Sales Income (25%)	-	-	£900,000
Operating Income	£978,432	£1,223,040	£708,750
Grant/Other Income	£400,000	£360,000	£280,000
Gross Development Value (GDV)	£1,378,432	£1,583,040	£1,888,750
Build Cost	£1,248,000	£1,344,000	£1,408,000



Build Cost (sqm)	£1,950	£2,100	£2,200
On Costs	£499,200	£537,600	£563,200
Total Build Cost	£1,747,200	£1,881,600	£1,971,200
Land Value	£500,000	£500,000	£500,000
GDV Margin	(£868,768)	(£798,560)	(£582,450)

- 3.6 Assumptions - These figures are based on eight, three-bedroom houses with a market value of £450,000, affordable rent at Local Housing Allowance (LHA) cap and social rent based on 80% of LHA. The Operating income is based on a 30 year Net Present Value calculation. The Grant/Other Income being assumed is Homes England grant allocation. The build cost increases per tenure due to the level of finish required. On-costs are based on 40% of build due to size and location of build. On-costs would include site surveys and valuation, professional fees – architects, engineers, legal, planning, employers agent, clerk of works, surveyor, CDM, prelims, infrastructure, site overheads, abnormals, site clearance, warranties, insurance and developer's margin.
- 3.7 Each affordable tenure is not financially viable over a 30 year period, with eight Shared Ownership homes producing the best return, with a £582,450 loss (£72,806 per home). The Council's ambition is to deliver Social rented homes, this would require a subsidy of £868,768, which equates to £108,596 per home.
- 3.8 A viability was also undertaken for the second option - a smaller scale development of four, one-bedroom flats.

	Social Rent	Affordable Rent	Shared ownership
Sales Income (25%)	-	-	£280,000
Operating Income	£316,992	£396,240	£220,500
Grant/Other Income	£200,000	£180,000	£140,000
Gross Development Value (GDV)	£516,992	£576,240	£640,500
Build Cost	£487,500	£525,000	£550,000
Build Cost (sqm)	£1,950	£2,100	£2,200



On Costs	£195,000	£210,000	£220,000
Total Build Cost	£682,500	£735,000	£770,000
Land Value	£500,000	£500,000	£500,000
GDV Margin	(£665,508)	(£658,760)	(£629,500)

- 3.9 In this model each social rented flat would require a subsidy of £166,377.
- 3.10 Whilst affordable homes routinely require some level of subsidy the amount is usually £25,000 - £40,000 per standard unit. The Council is supporting the redevelopment of Stockwells, Moreton in Marsh to provide 28 affordable homes, with a subsidy of £550,000 (£19,643 per dwelling). For Sunground, Avening the Council agreed up to a maximum of £40,000 for carbon reduction per dwelling (14 houses). The carbon zero social rented housing scheme at Broadleaze, Down Ampney is likely to require a subsidy in the region of £40,000 per home.
- 3.11 The Council is working in partnership with Bromford Housing Association to deliver the innovative carbon zero social rented homes development at Down Ampney and discussed the Kemble scheme with them. This does not prevent the Council working with any other Housing Association or Developer. However, in this case the high level costs indicate the scheme is not viable, so discussion with multiple potential partners would not change this.

## 4.0 LEGAL IMPLICATIONS

- 4.1 The decision on this site has been called-in. The Constitution states that:

*“Where it is considered that the proposed action is contrary to, or not in accordance with, the Council’s policy, or the Cabinet, individual Member of the Cabinet or an Officer acting under Delegated Authority from the Cabinet did not take the decision in accordance with the principles set out in Article 12 (Decision Making) or was contrary to Officer advice”*

The reasons indicated for the call-in are:

- due consultation and the taking of professional advice from Officers and/or appropriately qualified consultants
- a presumption in favour of openness (including compliance with the Access to Information provisions)

They relate to a lack of transparency in absence of information about viability of the site in terms of finance and ecology and seek to put that right by obtaining professional opinion about the viability and the NDP. These reasons are therefore within the Principles of Decision Making listed at Part C1 of the Constitution and referred to in Article 13 (not Article 12 as the Call In procedure states).

4.2 The Council will follow set processes for de-allocating the site within the Local Plan, as part of the Local Plan Partial Update.

4.3 If the decision to lease the site to the community is confirmed, the Council will enter into a lease agreement with the Parish Council.

## **5. RISK ASSESSMENT**

5.1 There are no identified risks, subject to the appropriate lease agreement being put in place.

## **6. EQUALITIES IMPACT**

6.1 There are no identified equalities impacts from this decision. The Local Plan Partial Update is supported by an Integrated Impact Assessment which considers requirements contained within the Equality Act 2010.

## **7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

7.1 None associated with the call-in of decision.

## **. ALTERNATIVE OPTIONS**

8.1 None associated with the call-in of decision.

## **9. BACKGROUND PAPERS**

9.1 None

(END)

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>CABINET JANUARY 2023</b>
Subject	<b>LEASE OF LAND AT STATION ROAD, KEMBLE</b>
Wards affected	Kemble
Accountable member	Cllr Lisa Spivey - Cabinet Member for Corporate Services Email: <a href="mailto:lisa.spivey@cotswold.gov.uk">lisa.spivey@cotswold.gov.uk</a>
Accountable officer	Claire Locke - Assistant Director Property & Regeneration Tel: 01285 623427 Email: <a href="mailto:claire.locke@publicagroup.uk">claire.locke@publicagroup.uk</a>
Summary/Purpose	<p>Having considered the options for provision of social rented or affordable homes on this site, the substantial subsidy that would be needed to deliver these homes and the ecological constraints, it has been concluded housing development is not viable. The future use has been reviewed in the context of the Cost of Living Crisis and a particular need for more allotments in the District.</p> <p>Based on these factors, the report seeks support to enter into a lease with a Community Group, for the use of the land at Station Road, Kemble, as allotments and community gardens. With the land allocated in the adopted Local Plan for new homes to be deallocated to secure the continued and long term use as allotments and community gardens.</p>
Annexes	None
Recommendation(s)	<p>That Cabinet,</p> <p>(a) agrees to enter into a lease arrangement on mutually agreeable terms for land at Station Road, Kemble for use as allotments and community gardens.</p> <p>(b) notes that the terms of the lease will be agreed in consultation with the Deputy Chief Executive and S.151 Officer in consultation with the Cabinet Member for Corporate Services and the Deputy Leader and Cabinet Member for Finance.</p>

	(c) agrees to instruct the Forward Planning Manager to deallocate the residential site allocation K_2A Land at Station Road, contained with the adopted Cotswold District Local Plan (2011 to 2031), via the Local Plan Partial Update programme of work.
Corporate priorities	<ul style="list-style-type: none"> <li>• Delivering our services to the highest standards</li> <li>• Responding to the challenges presented by the climate crisis</li> <li>• Helping residents and communities access the support they need for good health and wellbeing</li> </ul>
Key Decision	No
Exempt	NO
Consultees/ Consultation	Chief Executive, Chief Finance Officer and Monitoring Officer Leader Deputy Leader and Cabinet Member for Finance Planning

## I. BACKGROUND

- 1.1. In September 2020 Cabinet agreed (Minute CAB.26 refers) to proceed with a development at Station Road, Kemble on Council owned land to deliver 8 affordable homes:

*Cabinet agreed to:*

*(a) progress with a planning application for housing on the site;*

*b) investigate further the option for delivery of housing on the site directly in line with the draft affordable housing delivery strategy and the Council's general powers to develop;*

*c) subject to agreement to (a) above, agree the delegation of the final detail and submission of a planning application for housing at the site to the Interim Chief Executive in consultation with the Monitoring Officer, Section 151 Officer, Cabinet Member for Housing and Homelessness and Deputy Leader;*

*d) require the development to be net zero carbon in its build and lifetime to facilitate low carbon living by the occupants.*

- 1.2. In February 2021 as part of a broader Affordable Housing Delivery Strategy the Council agreed to procure a Registered Provider to prepare a planning application and develop a detailed business case for the delivery of affordable, carbon zero homes on the Council's land at Station Road, Kemble:

*(c) subject to satisfactory [legal] advice received that delegated authority is granted... to progress the procurement of a suitable partnership with a Registered Provider and specialist Carbon consultant to bring forward exemplar schemes and test opportunities to deliver carbon zero social rented homes, which are financially sustainable for providers/developers and agree final terms of this agreement;*

- 1.3. Following this decision, the Council appointed Bromford Housing Association as a partner to bring forward affordable, net carbon zero homes on land that either partner owned or acquired in the future. The focus being in accelerating delivery of good quality social rented homes that offered not only affordable rent but affordable living costs with low carbon, low cost heating, lighting and power.

- 1.4. Whilst the Station Road, Kemble site had already been earmarked for this sort of development and the Council had agreed to progress this scheme, the site was known to present a number of ecological challenges. The presence of slow worms and the Council's strong commitment to tackling the ecological emergency meant that substantial preparatory work would be needed to not only build a new habitat and relocate the slow worms but seek to enhance the ecology and biodiversity on the developed site.

- 1.5. Recognising the challenges presented by the site and having identified another site at Broadleaze, Down Ampney that presented a simpler option for development, the decision

was made by Officers in consultation with lead Members, to progress the Down Ampney site first and then to review options for the Kemble site.

- 1.6. Having reviewed the affordability of net carbon zero social rented housing delivery on this site, alongside a range of other factors including the ecological sensitivity of the site and the community need for allotments and access to Green Infrastructure, it has been concluded that the delivery of the tenure of housing to a standard and design that would meet Council's corporate objectives is not practical or affordable on this site.

## **2. MAIN POINTS**

- 2.1 Following several public engagement sessions, good progress is now being made with proposals to develop net carbon zero social rented homes at Broadleaze, Down Ampney. In November 2022 the Council agreed to enter into a Collaboration agreement with Bromford Housing Association to ensure the Council's objectives for this innovative development are met. The legal transfer of the land to Bromford, once Planning Permission has been obtained, was also agreed. A Planning application is expected to be submitted in January 2023.

2.2 Officers have reviewed options for the site at Station Road, Kemble to consider whether initial proposals for housing development should be progressed. Considerations have included:

- The options and viability of housing delivery which have included provision of social rented, affordable or self build homes to meet specific local housing needs, together with the related financial challenges that delivery of this tenure of housing would have (due to the additional costs involved in development of such a sensitive site).
- The availability of alternative Council owned sites for housing development across the district which do not have the same ecological constraints.
- Bromford Housing Association's expertise in delivering such sites, (who have concluded the site would be extremely challenging to develop).
- The site ecology
- The limited number of homes that would be provided
- The Council's recent focus on the Cost of Living Crisis, with allotment provision to facilitate locally grown, affordable food being identified as a desired outcome.
- The views expressed to-date by local residents and the Parish Council on the development of the land for housing
- The demand for allotments and desire for Community gardens in Kemble.
- The request from the Parish Council to take ownership of the land to provide community uses.

2.3 Having considered these issues and based on a combination of all of these factors, the best option is considered to be a lease of the land to the community for use as Allotments and Community Gardens. Cabinet are also requested to withdraw proposals for housing development and amend the allocation of this site within the Local Plan.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The Council will lease the land to the Community on mutually agreeable terms based on Heads of Terms which will be agreed by the Deputy Chief Executive and S.151 Officer in consultation with the Cabinet Member for Corporate Services. The Council's constitution and Financial Procedure Rules set out the decision making process based on financial limits. A further report to Cabinet and/or Council may be required to agree any lease arrangements.
- 4.2 The terms of the lease, will set out maintenance obligations which will fall predominantly to the leasee. However, the intended use means the maintenance will be an integral part of the land's use as allotments and gardens. Neither the community nor the Council are likely to incur significant repair or maintenance costs.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 A lease agreement will set out the terms of the lease. The site will be restricted to use as Allotments and Community Gardens.

## **6. RISK ASSESSMENT**

- 6.1 There are no identified risks, subject to the appropriate lease agreement being put in place.

## **7. EQUALITIES IMPACT**

- 7.1 There are no identified equalities impacts from this decision. The Local Plan Partial Update is supported by an Integrated Impact Assessment which considers requirements contained within the Equality Act 2010.

## **8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

- 8.1 The decision to lease this site for community use, protects the ecology on the site and also provides the opportunity to extend the allotment provision allowing local community based food production. There are significant benefits from this activity including zero food miles, less food waste and community cohesion and wellbeing.

## **9. ALTERNATIVE OPTIONS**

- 9.1 The Council could decide to transfer the site to the Parish Council or a legally constituted community group. However, the land has a significant value of £1.3M and transfer would create legal and financial issues associated with land disposal without achieving best value for the Council.
- 9.2 Alternatively, the Council could develop the site for housing. However, this would require significant investment with no viable business case. This option has been considered against the option to deliver on alternative sites that would potentially provide better value.

## **10. BACKGROUND PAPERS**

### **10.1 None**

(END)

## **Extract from draft minutes of the Cabinet meeting held on 9 January 2023**

### **Lease of Land at Station Road, Kemble**

The purpose of the report was to seek support for the Council to enter into a lease arrangement with a Community Group, for the use of the land at Station Road, Kemble, as allotments and community gardens, and that land allocated in the adopted Local Plan for new homes should be deallocated to secure the continued and long term use as allotments and community gardens.

The Cabinet Member for Corporate Services introduced the report and provided context for the recommendation that, having considered the substantial subsidy required to build a limited number of social rented or affordable homes on part of the site, and the huge social, ecological, environmental and wildlife enhancing value of the gardens, allotments and land, it had been concluded that enabling local Community Group to protect and improve the site as a local asset was preferred.

Cabinet noted that the local community was in favour of retaining the site, gardens and allotment green area within the village.

The Forward Planning Manager stated that the site was small within the Local Plan with only 8 dwellings (originally 12) and should they not be developed at this site they would be developed elsewhere as part of the District's 8,500 property target outlined within the Local Plan. It was also more likely that the planned properties could be developed more cost effectively at other locations within the District where economies of scale could be achieved. It was also stated that this was also the only site chosen by the inspector for a site visit, in order that the small development site could be evaluated in conjunction with neighbouring protected green areas.

Cabinet noted that the terms of the lease arrangements and any associated aspects (e.g. insurances) would be the subject of negotiations.

The Chair invited the Ward Member to comment, who stated that the Parish Council had only recently been made aware of the proposal, and there were positives and negatives with both developing much needed social housing and alternatively providing and securing a popular local amenity

**RESOLVED:** Cabinet agreed to:

- (a) Enter into a lease arrangement on mutually agreeable terms for land at Station Road, Kemble for use as allotments and community gardens.
- (b) Note that the terms of the lease will be agreed in consultation with the Deputy Chief Executive and S.151 Officer in consultation with the Cabinet Member for Corporate Services and the Deputy Leader and Cabinet Member for Finance.
- (c) Instruct the Forward Planning Manager to deallocate the residential site allocation K\_2A Land at Station Road, contained within the adopted Cotswold District Local Plan (2011 to 2031), via the Local Plan Partial Update programme of work

Voting Record – For 8, Against 0, Abstentions 0, Absent 0,

This page is intentionally left blank

## CALL-IN OF EXECUTIVE DECISION

Notice of a call-in must be received by the Chief Executive within 5 working days of the publication of the relevant Cabinet/Cabinet Member Decisions Sheet

1. Decision 'called-in': Item Reference: 

8. Land at Station Road Kemble
--------------------------------

2. Call-in invoked by: (please state)

Names:

Cllr Stephen Andrews
Cllr Nikki Ind
Cllr David Cunningham

3. Reason(s) For 'Call-in':  
(Refer to Article 13.02 Principles of Decision Making)

That the decision failed to satisfy one or more of the following principles of decision-making:- (please tick relevant principles)

- |   |                                     |
|---|-------------------------------------|
| (a) the rule of law   | <input type="checkbox"/>            |
| (b) clarity of aims and desired outcomes  | <input type="checkbox"/>            |
| (c) proportionality (i.e. the action must be proportionate to the desired outcome)                                  | <input type="checkbox"/>            |
| (d) due consultation and the taking of professional advice from Officers and/or appropriately qualified consultants | <input checked="" type="checkbox"/> |
| (e) respect for human rights  | <input type="checkbox"/>            |
| (f) a presumption in favour of openness (including compliance with the Access to Information provisions)            | <input checked="" type="checkbox"/> |
| (g) not within policy   | <input type="checkbox"/>            |
| (h) not within budget   | <input type="checkbox"/>            |

4. Explanation of why the decision is considered not to have satisfied the above criteria:

It is considered that there was a lack of information in the Decision Paper presented to Cabinet. In particular, the paper failed to address:

- a. The “made” Kemble and Ewen Neighbourhood Development Plan (NDP). The NDP included the completion of a referendum on the 6<sup>th</sup> May 2021 and passed with 89% voting in favour of the plan. It recognised the following key issues:
- The management of the future growth of the village so that it is appropriate in size and scale to retain distinct village identities and to ensure development is appropriate when considered in relation to existing and potential future infrastructure; and,
  - The need ensure that any future growth is managed in a way so that it is appropriate in relation to the neighbourhood area’s existing and potential future infrastructure.

The objectives of the NDP included:

- OBJECTIVE 3 - To retain the scale of the villages and help manage future change  
The NDP recognised Policy S6 of the Local Plan which allocated three sites for housing development including K\_2A – Land at Station Road (8 Dwellings net), subject to securing the long-term protection of the Community Gardens (Refer to Policy EN3 and Local Green Space LGS7).

Although not included in the NDP, it is understood that it was intended to develop affordable/social rent housing that would be small in size within the heart of the settlement that would meet the needs of local residents wishing to downsize or occupy “starter homes”.

[Comment: The Decision Paper should address the impact that any decision might have upon the NDP and the use for the site implied through its link to the Local Plan for Development in order that the decision can consider, and be seen to have considered, that impact upon Kemble and its NDP.]

- b. There is no visibility of the information alluded to in the Decision Paper on the viability of the site for development as envisaged in the NDP and Local Plan. This includes:

- a lack of any financial information;
- a lack of any supporting evidence on the issues/costs of addressing the ecological and biodiversity issues alluded to in the Decision Paper (including slow worms); and,
- the apparent reliance upon the assessment of a single Housing Association (Bromford) in assessing the viability of the site.

[Comment: The Decision Paper should include financial information related to the viability of the site together with an accompanying narrative in order that the decision can consider, and be seen to have considered, the reasons for the site viability being questioned.]

Signed:


Date:

18<sup>th</sup> January 2023



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 06 FEBRUARY 2023
Subject	2023/24 REVENUE BUDGET, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY
Wards affected	All
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.every@cotswold.gov.uk">mike.every@cotswold.gov.uk</a>
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>
Report Author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>
Summary/Purpose	The purpose of this report is to present the budget for 2023/24.
Annexes	Annex A – Report of the Chief Finance Officer (Section 25 Statement) Annex B – Medium Term Financial Strategy Annex C – Savings Plan Items Annex D – Capital Programme 2023/24 to 2026/27 Annex E – Annual Capital Strategy 2023/24 Annex F – Annual Treasury Management Strategy and Non-Treasury Management Investment Strategy 2023/24 Annex G – Detailed Revenue Budgets 2023/24 Annex H – Strategy for the Flexible Use of Capital Receipts Annex I – CDC response to the Local Government Finance consultation Annex J – Pay Policy Statement 2023/24
Recommendation(s)	<p><i>Cabinet are requested to consider and approve for recommendation to Council:</i></p> <ul style="list-style-type: none"> <li><i>(a) the Medium-Term Financial Strategy set out in Annex B</i></li> <li><i>(b) the Savings and Transformation items for inclusion in the budget, set out in Annex C</i></li> <li><i>(c) the Council Tax Requirement of £6,310,795 for this Council</i></li> <li><i>(d) the Council Tax level for Cotswold District Council purposes of £148.93 for a Band D property in 2023/24 (an increase of £5)</i></li> <li><i>(e) the Capital Programme, set out in Annex D</i></li> <li><i>(f) the Annual Capital Strategy 2023/24, as set out in Annex E</i></li> <li><i>(g) the Annual Treasury Management Strategy and Non-Treasury</i></li> </ul>



	<p><i>Management Investment Strategy 2023/24, as set out in Annex F</i></p> <p><i>(h) the Strategy for the Flexible use of Capital Receipts, as set out in Annex H</i></p> <p><i>(i) the balances and reserves forecast for 2023/24 to 2026/27 as set out in Section 5 of the report</i></p> <p><i>Cabinet are recommended to approve delegation to the Council's Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Finance</i></p> <p><i>(j) for any changes to the General Fund Summary arising from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates prior to submission to Council</i></p>
Corporate priorities	<ul style="list-style-type: none"> <li>• Delivering our services to the highest standards</li> <li>• Responding to the challenges presented by the climate crisis</li> <li>• Providing good quality social rented homes</li> <li>• Presenting a local plan that's green to the core</li> <li>• Helping residents and communities access the support they need for good health and wellbeing</li> <li>• Supporting businesses to grow in a green, sustainable manner, and to provide high value jobs</li> </ul>
Key Decision	NO
Exempt	NO
Consultees/ Consultation	<p>The 2023/24 Revenue Budget, Capital Programme and Medium Term Financial Strategy has been developed in consultation with the Council's statutory officers, 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.</p>



## **I. EXECUTIVE SUMMARY**

- I.1** The budget and Medium Term Financial Strategy (MTFS) have been prepared in the context of ongoing pressures on the Council's finances.
- I.2** Uncertainty around Local Government funding from the Government in the later years of the MTFS is a significant risk within the MTFS estimates. The implementation of Local Government Finance reform (formerly known as the Fair Funding Review and changes to the Retained Business Rates system) has already been delayed from the original implementation date of April 2020 until at least April 2025 if not later. The forecast impact on Shire District Councils is likely to be significant as resources are reallocated across Local Government recognising the Social Care cost and demand pressures.
- I.3** It is very difficult to estimate with certainty the impact on Cotswold District Council. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2025/26 and beyond. However, an initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFS assumptions. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government. The impact from the external economic environment on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty
- I.4** The continued impact on the Council from pressures within the wider economy including inflation and interest rates. This will have an impact on income and expenditure budgets during 2023/24 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2023/24 with an expectation that the Business Rates base will remain volatile and may take time to recover.
  - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council.
  - Cost of services where the Council is exposed to risk sharing in contract costs
  - Energy cost pressures
  - Interest rate increases in recent months and the forecast of further base rate increases during 2023 – this will have an impact on prudential borrowing costs
- I.5** The Council's budget and MTFS were the subject of a consultation exercise during November and December 2022 with Cabinet considering the feedback from residents in January 2023.



- 1.6 It is proposed that the Council increases Council Tax by the maximum permissible level and will increase Cotswold District Council's Band D rate by £5 (just under 10p per week) from £143.93 to £148.93
- 1.7 The provisional settlement for 2023/24 was announced on 21 December 2022 and given the impact from inflation and the wider external economic environment it should be seen as a 'roll-over' settlement from 2022/23. It is worth stressing that the settlement only covers the forthcoming financial year although indicative funding levels for 2024/25 have been provided. Significant changes to local government finance have been delayed until 2025/26 with the Government indicating consultation will take place on aspects of local government finance in spring 2023.
- 1.8 The provisional settlement largely confirmed the funding expectations for local government outlined in the Spending Review 2021 and confirmed in the 2022 Autumn Statement.
- It is a one-year settlement for 2023/24, with some indications about funding for 2024/25.
  - Confirmation of the Council Tax referendum principle of 3% or £5 (whichever is higher) for shire districts and boroughs
  - New Homes Bonus scheme continues for a further year. There is no indication about the future of NHB in 2024/25 and beyond
  - Rural Services Delivery Grant maintained
  - Significant Social Care Funding – Social Care Grant of £3.852bn plus Adult Social Care Market Sustainability Fund of £562m and Discharge Fund of £300m
  - Protection of Core Spending Power (CSP) through a new grant – Funding Guarantee to ensure all Councils receive a 3% cash increase in resources.
  - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)
  - Revenue Support Grant (RSG) has been uplifted by 10.1% but there are other items rolled in (Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant).
  - Services Grant has been reduced for the National Insurance Contributions increase that was reversed with some additional redirection of funding within the settlement
  - £100 million of additional funding for local authorities to support the most vulnerable households already in receipt of Council Tax support. The provisional allocation for Cotswold District Council is £0.103m. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25.

#### Balanced Budget Requirement

- 1.9 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFs, the Council's core financial position is a balanced budget next year (after utilisation of the Financial Resilience reserve and other

transfers to reserves). However, there is a significant and increasing projected budget gap of £0.871m in 2023/24, £0.206m in 2024/25 and is forecast to increase to £3.025m in 2026/27.



**COTSWOLD**  
DISTRICT COUNCIL

**Table ESI – Summary Medium Term Financial Forecast**

	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
<b>MTFS Summary</b>				
Net Service Revenue Expenditure	13,626	13,626	13,626	13,626
Corporate Items/Non Service Income & Expenditure	(813)	(677)	(671)	(656)
Transfers to/(from) earmarked reserves	0	0	0	0
Provision for Inflation	1,811	2,336	2,897	3,477
<b>Service + Corporate Items</b>	<b>14,624</b>	<b>15,285</b>	<b>15,852</b>	<b>16,447</b>
Budget Proposals	762	602	564	564
Risk Items	500	500	500	500
Savings and Transformation Plan items	(1,510)	(2,358)	(3,323)	(3,351)
<b>Draft Net Revenue Budget</b>	<b>14,376</b>	<b>14,029</b>	<b>13,593</b>	<b>14,160</b>
<b>TOTAL Funding</b>	<b>(13,504)</b>	<b>(13,823)</b>	<b>(11,771)</b>	<b>(11,134)</b>
<b>Budget Gap / (Surplus)</b>	<b>871</b>	<b>206</b>	<b>1,822</b>	<b>3,025</b>

- 1.10** An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Corporate Strategy and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 1.11** The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
  - manage financial resilience to meet unforeseen demands on services
  - manage unexpected shocks in their financial circumstances
- 1.12** The newly created Cabinet Transform Working Group (CTWG) is developing a revised approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. The programme will set out a revised process for how transformation projects and savings are identified, evaluated, and approved, with clear reporting and monitoring and governance arrangements. This approach will need to be undertaken by officers and members over the course of the 2023/24 financial year to be implemented to cover the new MTFS period.
- 1.13** The CTWG approach will look at the design principles required to achieve a robust and balanced and proportionate plan. It is expected that any programme will include a mix of cost savings and additional income. The programme will consider and review service delivery options, organisational redesign programmes, improved procurement outcomes, and how to

embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.

- 1.14** Whilst the focus of CTWG's programme will be on ensuring the budget gap over the MTFS period can be addressed, in-year savings opportunities will be reviewed and implemented to reduce the reliance on the Financial Resilience reserve in 2023/24.

#### Budget Pressures, Inflation and Risk

- 1.15** The table below sets out the impact on the Council's budget from demand and inflationary pressures, impact on fees and charges income, and the risk allowance included in the revenue budget and MTFS for major contracts.

**Table ES2 – Pressures and Inflation**

<b>Item &amp; Summary</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
<u>Budget Pressures</u>				
Expenditure Pressures	435	275	237	237
Income Pressures	326	326	326	326
	<b>762</b>	<b>602</b>	<b>564</b>	<b>564</b>
<u>Provision for Inflation &amp; Contract Growth</u>				
Contract Inflation	1,121	1,665	2,227	2,806
Pay Inflation	40	21	21	21
Energy Cost Inflation	300	300	300	300
Contract Growth (Ubico)	350	350	350	350
	<b>1,811</b>	<b>2,336</b>	<b>2,897</b>	<b>3,477</b>
<u>Risk Items</u>				
Leisure and Culture Risk	300	300	300	300
Modernisation of Planning (IDOX System)	200	200	200	200
	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
	<b>3,072</b>	<b>3,437</b>	<b>3,961</b>	<b>4,540</b>

#### Savings Plan

- 1.16** In order to mitigate the budget pressure outlined above and to set a balanced budget for the year, the draft budget proposals included expenditure savings of £1.095m and Fees and Charges income of £0.415m.
- 1.17** Savings proposals have been reviewed to ensure they are robust and can be delivered. The table below provides a summary of the savings included in the MTFS with Annex C providing further detail.

Table ES3 – Savings

<b>Savings</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
Third Party Contract Savings	(500)	(856)	(1,613)	(1,613)
Corporate Savings	(139)	(335)	(531)	(531)
Other Expenditure Savings	(456)	(601)	(613)	(641)
Corporate Income	0	(151)	(151)	(151)
<b>Subtotal</b>	<b>(1,095)</b>	<b>(1,943)</b>	<b>(2,908)</b>	<b>(2,936)</b>

<b>Fees and Charges</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
Other Fees and Charges - Cost Recovery	(186)	(186)	(186)	(186)
Garden Waste - fee increase	(229)	(229)	(229)	(229)
<b>Subtotal</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>

#### Balances and Reserves

- 1.18** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council. The review has taken into account guidance published under CIPFA LAAP Bulletin 99: Local Authority Reserves and Balances (July 2014).
- 1.19** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 1.20** The review of reserves and balances recommends a distinction between the General Fund Balance and Earmarked Reserves.
- 1.21** The General Fund Balance has been assessed taking account of the strategic, operational and financial risks facing the authority and the underlying budgetary assumptions. This includes
- The treatment of inflation and interest rates
  - Level and timing of estimated capital receipts
  - Treatment of demand-led pressures
  - Treatment of planned efficiency savings
  - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
  - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
  - The general financial climate to which the authority is subject

- 1.22** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is adequate.
- 1.23** However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 1.24** The Council holds a Council Priorities Fund (CPF) revenue reserve. This funding is available for investment in initiatives which support delivery against the Council's priorities. The fund has been utilised over the last two years with a balance of £1m expected by the end of the current financial year. New initiatives will require Members to review existing commitments against earmarked reserves and to reallocate funds accordingly.
- 1.25** The Balances and Reserves Strategy adopts a different approach to previous financial years and recognises the financial risks facing the Council over the MTFS period. A key consideration is to ensure financial resilience and sustainability can be supported through the strategy. Therefore, the following balances and reserves position is proposed over MTFS period:
- General Fund Balance to be maintained at minimum level of £1.760m
  - Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
  - £0.350m projected Business Rates Pool income to be allocated to Financial Resilience Reserves for financial years 2023/24 to 2025/26. No assumption made for 2026/27 and beyond as it is uncertain whether Business Rates Pools will be viable post-reset.
  - Council Priorities Fund to be held at 2022/23 forecast closing balance level of £1m (forecast makes the assumption that no further allocations are planned)
- 1.26** If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below with the Graph indicating changes to the composition of earmarked reserves over the MTFS period.

Table ES4 – Reserves and Balances Forecast

COTSWOLD  
DISTRICT COUNCIL

Reserve type	Opening Balance 01/04/2022 (£'000)	Estimated Balance 31/03/2023 (£'000)	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)
General Fund	(2,553)	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities Fund	(2,767)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Financial Resilience Reserve	0	(3,290)	(2,799)	(2,941)	(1,469)	0
Financial Resilience Reserve - shortfall (illustrative)	0	0	0	0	0	2,635
Transform Invest to Save	(218)	(100)	(100)	(100)	(100)	(100)
Property R&M/Capital Works	0	(250)	(250)	(250)	(250)	(250)
ESIP Reserve	0	(58)	(58)	(58)	(58)	(58)
Business Rates Movement Reserve	(4,120)	(4,200)	0	0	0	0
Local Plan	(819)	(554)	(95)	0	0	0
Covid-19 Reserves	(88)	0	0	0	0	0
Community-Led Housing Grant	(806)	(806)	(776)	(746)	(714)	(681)
Previously committed reserves	(1,144)	(184)	(184)	(184)	(184)	(184)
Committed reserves	(1,991)	(863)	(513)	(382)	(424)	(498)
Ringfenced	(329)	(479)	(346)	(318)	(290)	(262)
<b>Total Earmarked Revenue Reserves</b>	<b>(12,283)</b>	<b>(11,785)</b>	<b>(6,120)</b>	<b>(5,979)</b>	<b>(4,489)</b>	<b>(398)</b>
<b>Total Revenue Reserves</b>	<b>(14,836)</b>	<b>(13,545)</b>	<b>(7,880)</b>	<b>(7,739)</b>	<b>(6,249)</b>	<b>(2,158)</b>

### Capital Programme 2023/24 to 2026/27

- 1.27** The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent and sustainable over the longer-term.
- 1.28** The Council has set out its Capital Programme for the period 2023/24 to 2026/27 based on the principles of the current Capital Strategy. This is summarised in Table ES5a below and in further detail in Annex D of this report. A total capital expenditure budget of £13.899m in 2023/24 is proposed. Total expenditure decreases to £2.318m and £1.277m in 2024/25 and 2025/26 respectively, and in the final year of the current programme 2026/27 spend is estimated at £5.015m.
- 1.29** The capital programme is focussed on delivering against the Council's key priorities with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants.

**Table ES5a – Summary Capital Programme**

<b>Capital Programme</b>	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>	<b>2025/26 Budget (£'000)</b>	<b>2026/27 Budget (£'000)</b>	<b>TOTAL Budget (£'000)</b>
Leisure & Communities	428	1,387	50	50	550	2,465
Housing/Planning and Strategic Housing	2,383	4,001	1,300	700	700	9,084
Environment	961	1,956	111	377	3,615	7,020
ICT, Change and Customer Services	70	350	150	150	150	870
UK Rural Prosperity Fund	0	191	573	0	0	764
UK Shared Prosperity Fund Projects	11	28	134	0	0	173
Land, Legal and Property	516	500	0	0	0	1,016
Transformation and Investment	1,510	5,486	0	0	0	6,996
	<b>5,879</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,388</b>

**1.30** The capital programme includes £0.500m for Asset Management activities in 2023/24 (under the summary heading Land, Legal and Property) recognising the need to manage the existing assets over the initial MTFS period.

**1.31** The Council will develop a comprehensive Asset Management Strategy supported by detailed asset management plans for the Land and Buildings assets it holds and will be presented to Cabinet in July 2023. The strategy and plans will identify and provide a longer-term view (e.g. 5-10 years) of the income and expenditure profiles, tenant events, hold and disposal options. The draft core aims of the Asset Management Strategy are set out below.

- Drive efficiency through the management of our land and property assets, ensuring they provide the right space, in the right place and on the best terms. This also includes income generation and overall social value from the property portfolio through proactive asset management.
- Manage our property portfolio effectively using best practice, project and property management methodologies, adopting clear policies and action plans to meet our strategic goals; developing clear reporting processes to involve and inform Councillors, Service Managers and Project Sponsors in decision making.
- Keep our properties safe, dry and secure through the implementation of a well-managed, rigorous compliance regime; repairs and renewals programme with clear maintenance plans and efficient facilities management.
- Delivering the corporate objectives and priorities of the organisation through the management of assets
- Embed a culture of innovation that maximises best use of appropriate technologies that support new ways of working and protects the environment; utilising available financing to support implementation and meet the objectives of the Climate xxx Action Plan

**1.32** The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from

external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).



**COTSWOLD**  
DISTRICT COUNCIL

- I.33** The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

**Table ES5b – Summary Capital Financing Statement**

<b>Capital Financing Statement</b>	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>	<b>2025/26 Budget (£'000)</b>	<b>2026/27 Budget (£'000)</b>	<b>TOTAL Budget (£'000)</b>
Capital receipts	2,817	8,036	715	240	615	12,423
Capital Grants and Contributions	2,370	1,576	1,407	700	700	6,753
Earmarked Reserves	238	0	0	0	0	238
Revenue Contribution to Capital Outlay (RCCO)	70	150	150	150	150	670
Community Municipal Investments (CMI)	384	116	0	0	0	500
Prudential Borrowing	0	4,021	46	187	3,550	7,804
	<b>5,879</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,388</b>

### Conclusions

- I.34** Despite the uncertainties around future levels of Government Funding, the impact from Covid over the last two years, the Cost of Living crisis and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.
- I.35** The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £1.760m and maintaining other usable reserves to mitigate risk and support improvement.
- I.36** The Council will need to continue to take steps to manage and address the budget gap identified over the MTFS period.
- I.37** The Capital Programme includes planned expenditure £13.899m in 2023/24 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.
- I.38** The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £143.93 per annum to £148.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.



- I.39** The newly created Cabinet Transform Working Group Council will need to develop a revised approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. The approach will look at the design principles required to achieve a robust, balanced and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.
- I.40** Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during 2026/27 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2023/24.



## **2. BUDGET REPORT – BACKGROUND**

- 2.1** Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2026/27 and the associated budget proposals for 2023/24 for consultation on 07 November 2022. The Council ran an extensive budget consultation process during November and December 2022. The Council used a wide range of communications channels to share the key budget messages and highlight the consultation to as many residents, businesses and community organisations as possible, encouraging them to take part.
- 2.2** The Council received 389 responses to the consultation, a slight reduction of 37 when compared to the 2022/23 Budget Consultation (432 responses were received) but more than the 345 received in 2020 when the consultation was last run in November and December.
- 2.3** In January 2023, Cabinet considered feedback from the consultation and has used that feedback to inform this report.
- 2.4** The budget and MTFS have now been updated to reflect the following:
- The Government's announcement of the Provisional Local Government Settlement 2023/24;
  - The estimated Council Taxbase 2023/24 and the forecast balance on the Collection Fund in respect of Council Tax collection in 2022/23; and
  - Provision for changes which have arisen since 07 November 2022.

### **Local Government Finance Policy Statement and Settlement 2023/24**

- 2.5** The Local Government Finance policy statement was published on 12 December 2022 that set out the Government's intentions for the local government finance settlement for the next 2 years (2023/24 and 2024/25). In the absence of a multi-year finance settlement, the policy statement provides councils with greater certainty on key aspects of funding to support budget setting and financial planning for the future.
- 2.6** The statement set out the Council Tax referendum principles for both years and that the core settlement principles will continue through to 2024/25. However, the policy statement indicated a review of New Homes Bonus prior to 2024/25 and set out the emerging position for the Extended Producer Responsibility for packaging (pEPR) scheme.
- 2024-25 brings with it a significant new funding stream, subject to successful delivery of the Extended Producer Responsibility for packaging (pEPR) scheme as soon as is feasible within this financial year; local authorities can expect to receive additional income from the scheme whilst being asked to submit data relevant to their waste collection services. Alongside His Majesty's Treasury and the Department for Environment, Food and Rural Affairs, will be assessing the impact of additional pEPR income on the relative needs and resources of individual local authorities in the coming year.



- The Government recognises that the position of the lower tier must be understood in the round, therefore will review the 2024-25 position of funding for lower tier authorities particularly given the possible interactions with the pEPR scheme. The Government also recognises the need to help councils plan and will set out the future position of New Homes Bonus ahead of the 2024-25 local government finance settlement.

- 2.7** Whilst the policy statement was helpful and provided an indication of the financial settlement for 2023/24 and 2024/25, it did not provide indicative allocations at local authority level.
- 2.8** The provisional settlement for 2023/24 was announced on 21 December 2022 and given the impact from inflation and the wider external economic environment it should be seen as a 'roll-over' settlement from 2022/23. It is worth stressing that the settlement only covers the forthcoming financial year although indicative funding levels for 2024/25 have been provided. Significant changes to local government finance have been delayed until 2025/26 with the Government indicating consultation will take place on aspects of local government finance in spring 2023.
- 2.9** The Government's four-week consultation on the settlement closed on 16 January 2023 with the Council's response included in Annex I. The final settlement is due to be confirmed shortly. This report has been prepared based on figures contained within the provisional local government finance settlement and are not expected to change.
- 2.10** The provisional settlement largely confirmed the funding expectations for local government outlined in the Spending Review 2021 and confirmed in the 2022 Autumn Statement.
- It is a one-year settlement for 2023/24, with some indications about funding for 2024/25.
  - Confirmation of the Council Tax referendum principle of 3% or £5 (whichever is higher) for shire districts and boroughs
  - New Homes Bonus scheme continues for a further year. There is no indication about the future of NHB in 2024/25 and beyond
  - Rural Services Delivery Grant maintained
  - Significant Social Care Funding – Social Care Grant of £3.852bn plus Adult Social Care Market Sustainability Fund of £562m and Discharge Fund of £300m
  - Protection of Core Spending Power (CSP) through a new grant – Funding Guarantee to ensure all Councils receive a 3% cash increase in resources.
  - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)
  - Revenue Support Grant (RSG) has been uplifted by 10.1% but there are other items rolled in (Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant).
  - Services Grant has been reduced for the National Insurance Contributions increase that was reversed with some additional redirection of funding within the settlement



- £100 million of additional funding for local authorities to support the most vulnerable households already in receipt of Council Tax support. The provisional allocation for Cotswold District Council is £0.103m. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25.

**Table I – Core Spending Power**

<b>Core Spending Power</b>	<b>2022/23 (£'000)</b>	<b>2023/24 Prov<sup>n</sup> (£'000)</b>	<b>Change from 2022/23 (£'000)</b>
Settlement Funding Assessment	1,879	2,083	205
Compensation for under-indexing the business rates multiplier	192	332	140
Council Tax Requirement excluding parish precept	6,129	6,356	228
Improved Better Care Fund	0	0	0
New Homes Bonus	810	290	(520)
New Homes Bonus returned funding	0	0	0
Rural Services Delivery Grant	632	632	0
Transition Grant	0	0	0
Lower Tier Services Grant	1,435		(1,435)
Funding Guarantee		2,066	2,066
2022/23 Services Grant	129	73	(57)
<b>Core Spending Power</b>	<b>11,206</b>	<b>11,833</b>	<b>627</b>

**2.11** The Table above shows an increase in Core Spending Power of £0.627m (5.6%) and assumes a higher Council Taxbase than has been estimated and used within the budget and MTFs. Taking the lower Council Taxbase into account, the overall increase in Core Spending Power is £0.369m (3.3%) and is only marginally above the Government's 3% level.

**2.12** The policy statement and settlement included reference to the level of local authority reserves with a view that the level of reserves should be reviewed and where possible released to support local service delivery.

- The Government notes the significant increase in some local authority reserves over the 2 years of the pandemic. Local authorities are encouraged to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their authorities are holding and what they are used for, the Government will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn statistics. Consultation

will be undertaken with trusted partners, including the Local Government Association, about doing this.



**COTSWOLD**  
DISTRICT COUNCIL

**2.13** The Council holds earmarked reserves for specific purposes. Members should consider the wider Reserves and Balances Strategy (as set out in Section 4 of this report) as there may be competing demands:

- maintaining financial sustainability over the MTFS period and balanced budget requirement
- mitigating financial and demand-led risks
- providing funding for planned future expenditure
- one-off funding to help maintain services

**2.14** The updated MTFS includes provision of a risk-based General Fund balance of £1.760m being the minimum expected level for total working balances

### **3. 2022/23 BUDGET**

**3.1** The original net revenue budget for 2022/23 was £12.595m. Cabinet has considered the forecast outturn position during the year with the last forecast outturn position of £13.976m reported in the Financial, Council Priority and Service Performance Report – 2022/23 Quarter Two. This highlighted a forecast adverse variation of £1.381m against the budget as reported at the time.

**3.2** The MTFS has assumed that £1.240m of the General Fund Balance will be required in the current year to achieve a balanced position at year end based on the estimate included in the Draft Budget and Medium Term Financial Strategy considered by Cabinet in November 2022.

**3.3** Given the level of uncertainty in the forecast outturn position, largely due to the external economic environment, service budgets have not been revised for the current financial year.

**3.4** The Q3 forecast will be considered by Cabinet at their meeting in March 2023 and should be viewed as a draft outturn position. Should there be a material change in the outturn forecast, there will need to be an equal adjustment to the level of the General Fund balance drawn down to achieve a balanced position.

### **4. MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27**

**4.1** As stated earlier in the report, budget and MTFS have been prepared in the context of ongoing pressure on the Council's finances. The impact from the external economic environment on service expenditure and income, and the continuation of constraints in government funding



(both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.

- 4.2 Cabinet considered the *Draft Budget Proposals 2023/24 and Latest MTFS Forecasts* report [\[draft budget report\]](#) at their meeting in November 2022. The report set out the broad approach for the 2023/24 budget and a number of draft revenue budget proposals and indicative estimates of funding.
- 4.3 This report updates the estimates and budget proposals following the budget consultation process in November and December 2022 and the Provisional Local Government Finance Settlement published on 20 December 2022 (as set out in Section 2 of the report).
- 4.4 Service budgets have been updated for 2023/24, along with forecasts of Corporate Items. Given the volatility in the economy and uncertainty around future prices, inflationary provision has been included as a separate item and assumes:
- Pay inflation of 4% and an assumption of the impact of pay increments
  - Price inflation on major contracts (Publica and Ubico), utilities, and IT costs (in-line with the approach set out in the Budget Strategy). Additional inflationary provision has been made in the budget and across the MTFS period recognising energy price rises
- 4.5 Fees and Charges have been reviewed in accordance with the agreed approach of cost recovery with the 2023/24 Fees and Charges report at this meeting of Cabinet setting out in detail the fees and charges proposed for 2023/24. This report has been prepared on the basis of the proposed fees being approved by Cabinet.
- 4.6 An increase of £0.186m has been reflected in fees and charges that have been subject to review or increased in-line with the annual increase in the CPI inflation rate. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.

#### **Budget Pressures**

- 4.7 The table below provides an overview of the material service budget changes by service area and a brief outline of the reason for the budget change. For the purposes of this report, a material change is considered to be a change in the net budget of +/- £x. There are likely to be several factors behind a net change in each budget line set out in Annex G – impact of inflation, changes in income projections, virements between different cost centres within a service area
- 4.8 Income pressures have been grouped in the table and have been included as a budget pressure due to the shortfall in income or where there is a technical change to funding streams (Local Council Tax Support Administration Subsidy, Council Tax Annex).



**Table 2 – Budget Pressures**

<b>Item &amp; Summary</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
<u><b>Budget Pressures</b></u>				
ICT Cyber Security	47	47	47	47
Support for Race Commission	5	5	5	5
Elections (New Burdens Funded)	25	25	0	0
Climate Change - Gloucestershire-wide	13	13	0	0
Options Appraisal for Housing Delivery	10	0	0	0
Modernisation of Planning (IDOX System)	150	0	0	0
Finance Service - Additional Capacity	20	20	20	20
Publica Contract adjustments	74	74	74	74
Other minor budget adjustments	(3)	(3)	(3)	(3)
Bulky Waste Budget Adjustment	13	13	13	13
Emergency Accommodation	6	6	6	6
Car Parking (Card processing charges)	33	33	33	33
Council Tax Print Costs	5	5	5	5
External Audit Statutory Audit Costs	5	5	5	5
External Audit - Housing Benefit	15	15	15	15
Internal Audit (3% increase in fee)	3	3	3	3
Communications	15	15	15	15
<u><b>Income Pressures</b></u>				
Household Waste - Income Adjustment	45	45	45	45
Planning Fee Income - pressure	70	70	70	70
Recycling Income - Adjustment	25	25	25	25
Council Tax Fines/Court Cost (Income adj)	44	44	44	44
Land Charges Income base Reduction	20	20	20	20
Reversal of LCTS Subsidy/CT Annex Grant	122	122	122	122
<b>TOTAL</b>	<b>762</b>	<b>602</b>	<b>564</b>	<b>564</b>

**4.9** Budget Pressures have been reviewed, challenged and validated and only included in the MTFs where there is a clear business need or a wider strategic requirement to invest in service delivery. Budget Pressures can broadly be categorised as the follows:

- Unavoidable cost pressures: External Audit Costs, Council Tax printing
- Demand-led cost pressures: Emergency Accommodation, Car Parking Bank Charges
- Agreed Service Investment with Publica: ICT Cyber Security, Planning, Finance, Housing Delivery, Communications, Elections
- Budget Adjustments and Corrections: Bulky Waste, Public Contract adjustments
- Contributions to County-wide schemes: Race Commission, Climate Leadership

**4.10** As part of the wider review of service budgets, a number of income pressures have been identified, largely where the current income budget is forecast to be unachievable due to changes in behaviour or demand.

### Inflation

- 4.11** The main budget pressure facing the Council in 2022/23 and 2023/24 is inflation. The MTFs includes provision for inflation major contracts (Publica and Ubico) and energy costs. Provision has also been made for the annual pay award either directly (for Council officers and Members) or indirectly through the Publica and Ubico contracts.
- 4.12** The inflation rate has increased significantly over the last 12-months to a 40-year high driven by a number of economic factors including higher energy and raw material costs. The Office for Budget Responsibility outlined the key drivers of inflation in their November 2022 report:
- **Gas and Electricity bills** are a significant factor. The Energy Price Guarantee (EPG) limits the contribution of household gas and electricity bills to around 2 percentage points in 2022 and 2023 (so, CPI inflation is 2 percentage points lower in the final quarter of 2022 and around 1 percentage point lower on average across 2023). As wholesale gas and electricity prices surged, the Ofgem price cap rose 54 per cent from £1,277 in October 2021 to £1,971 in April 2022, and would have risen a further 80 per cent to £3,549 this October were it not for the EPG limiting the unit price of gas and electricity. As a result, the average household will pay an annualised rate of £2,500 from October – a 27 per cent rise from the April 2022 cap. The EPG then rises by 20 per cent in April 2023 to an annualised rate of £3,000 – still significantly lower than the around £4,000 Ofgem cap that would be implied in that quarter by wholesale futures prices. Those futures prices fall across 2024 and 2025, with household energy bills evolving in line with these prices after the EPG ends.
  - **Food, beverages, and tobacco** are expected to contribute 1.5 percentage points to inflation in 2023 as a whole. The weaker pound also raises food prices as the UK imports around half of its food. Food, beverages, and tobacco price inflation eases significantly at the end of 2023, with prices broadly flat through to 2025 before contributing modestly (around 0.3 percentage points) to headline inflation in the final two years of the forecast
  - **Other tradable goods and services** inflation has contributed around 2.5 percentage points to headline inflation so far this year due to global supply bottlenecks, combined with the depreciation of sterling. The OBR expect this to fade gradually during 2023, when its contribution falls to 1.7 percentage points before turning negative in 2024, as supply bottlenecks ease, energy prices fall, and this reduced input price inflation is passed on to consumers. This contributes to falling CPI inflation in the medium term
  - **Other non-tradable goods and services** inflation has risen over the past year as a tight labour market and increases in living costs push up nominal wage growth. This adds 2.8 percentage points to overall inflation in the final quarter of 2022, before falling back by mid-2023 as energy prices fall, spare capacity in the economy builds, and wage growth moderates
- 4.13** The main cost pressure facing the Council is the Pay Award which has been forecast at x% across the MTFs period recognising the wider drivers of inflation outlined above. The table

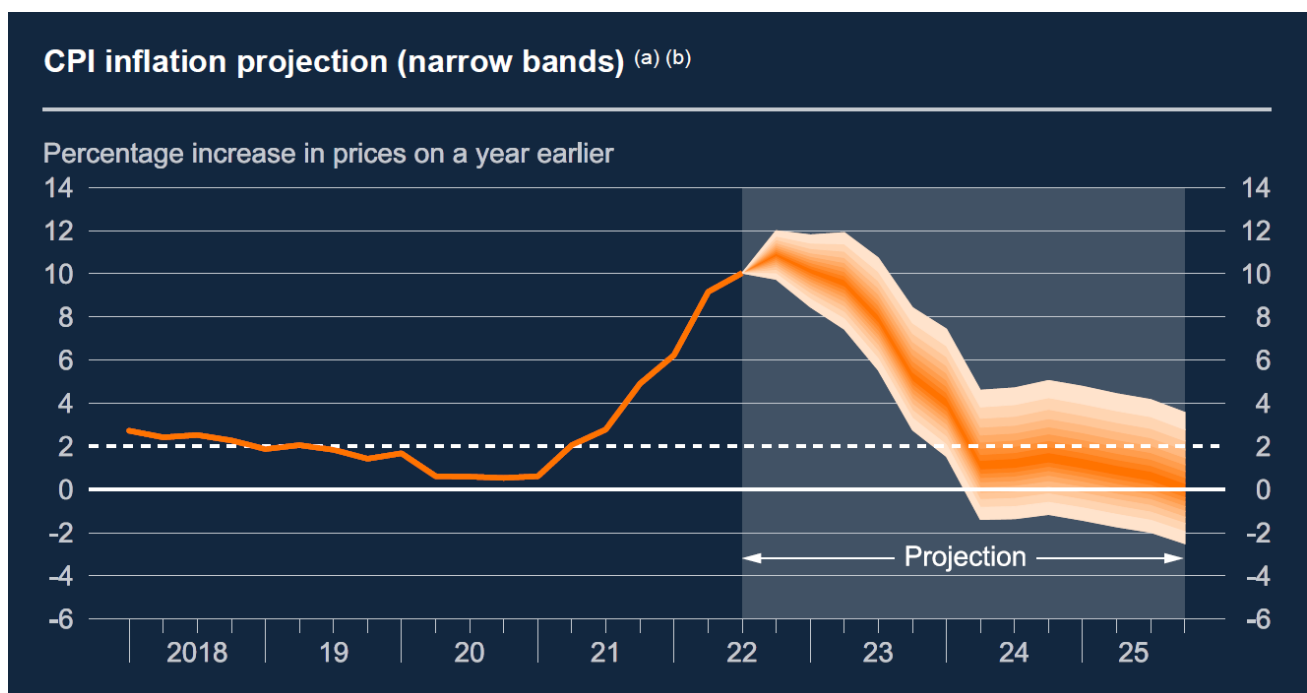


and graph below set out the forecast for inflation over the MTFS period. Clearly, there remains significant uncertainty in the short-term around inflation and there is some risk around the level and extent of inflation provision made.

**Table 3 – Inflation Forecast (Office for Budget Responsibility, November 2022)**

		<b>OBR Forecasts, November 2022</b>			
	<b>Dec-22</b>	<b>2022 Q4</b>	<b>2023 Q4</b>	<b>2024 Q4</b>	<b>2025 Q4</b>
Consumer Prices Index (CPI)	10.5%	9.1%	7.4%	0.6%	(0.8%)
Retail Prices Index (RPI)	13.4%	11.6%	10.7%	1.5%	(0.4%)

**Graph I – Inflation Forecast (Monetary Policy Report, November 2022)**



**4.14** The table below sets out the cash and percentage provision made within the MTFS for major contracts, energy costs and the Pay Award.



**Table 4 – Inflation Provision included in the MTFS**

Contract	Component	2022/23 Budget (£'000)	2023/24 Draft Budget (£'000)	Budget Change (£'000)	2023/24 (%)
Ubico	Employment Costs	3,869	4,634	765	19.77%
Ubico	Diesel	654	824	170	25.96%
Ubico	All other costs	2,691	2,818	127	4.72%
<b>Subtotal Ubico Contract</b>		<b>7,214</b>	<b>8,275</b>	<b>1,062</b>	<b>14.72%</b>
Publica Contract		10,236	10,645	409	4.00%
Energy Costs - Electricity		117	469	300	256.02%
Energy Costs - Gas		52			
Pay Award		996	1,036	40	4.00%

Contract/Provision	2024/25 % assumption	2025/26 % assumption	2026/27 % assumption
Ubico	4.00%	4.00%	4.00%
Publica	4.00%	4.00%	4.00%
Energy Costs - Electricity	0.00%	0.00%	0.00%
Energy Costs - Gas	0.00%	0.00%	0.00%
Pay Award	2.00%	2.00%	2.00%

**4.15** As can be seen from the tables above, contract costs for Ubico and Publica are subject to significant cost pressures for 2023/24. Ubico contract costs will increase from £7.2m in 2023/24 to £8.275m in 2023/24 (around 14.7%). This is a mix of inflationary cost increases (Pay, Fuel costs) and revisions to service costs reflecting changes in waste streams and volumes.

**Table 5a – Ubico Contract Costs**

Ubico Services	2022/23 Ubico Contract (£'000)	2023/24 Ubico Contract (£'000)	Change (£'000)
GM - Car Parks	65	63	(2)
GM - Cemetery, Crematorium and Churchyards	180	175	(5)
Garden Waste Collection	1,134	1,315	181
Household Waste	1,468	1,622	154
Recycling	2,306	2,933	627
Refuse / Recycling Organic & Food Waste	605	685	81
Street Cleaning	1,439	1,465	26
GM - Trinity Road, Offices	17	16	(0)
<b>Grand Total</b>	<b>7,214</b>	<b>8,275</b>	<b>1,062</b>

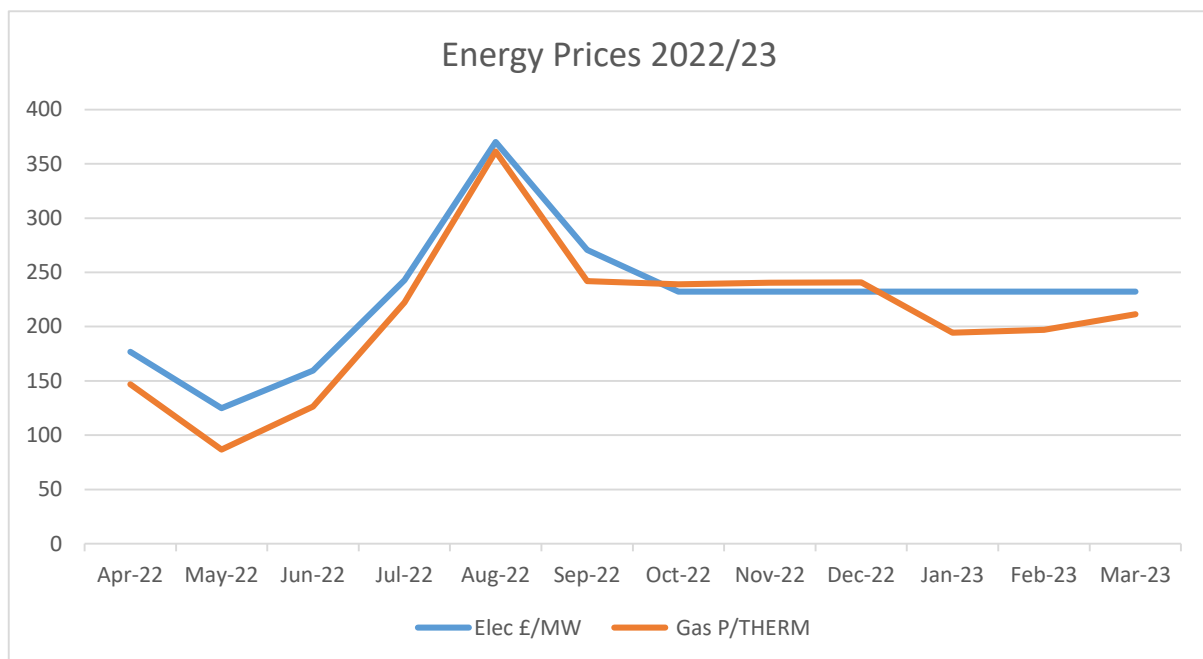


**Table 5b – Multi-Service Gross and Net Cost**

	2023/24 Budget				
	Ubico Contract (£'000)	Other Service Costs (£'000)	Gross Service Cost (£'000)	Service Income (£'000)	Net Service Cost (£'000)
<b>Waste, Recycling, Street Cleaning and Grounds Maintenance Services</b>					
Bulky Household Waste	0	57	57	(63)	(6)
GM - Car Parks	63	0	63	0	63
GM - Cemetery, Crematorium and Churchyards	175	0	175	0	175
Garden Waste Collection	1,315	37	1,352	(1,328)	24
Household Waste	1,622	158	1,780	(27)	1,753
Recycling	2,933	310	3,243	(950)	2,293
Refuse / Recycling Organic & Food Waste	685	0	685	0	685
Street Cleaning	1,465	38	1,503	0	1,503
GM - Trinity Road, Offices	16	0	16	0	16
<b>Grand Total</b>	<b>8,275</b>	<b>542</b>	<b>8,818</b>	<b>(2,305)</b>	<b>6,513</b>

- 4.16** As shown in Table 4, the inflationary element of the contract price with Publica for the provision of Council Services has increased from £10.236m to £10.645m. This has been estimated on the basis of the Local Government Pay Award for 2023/24 being 4%. Other changes to the contract cost are included in the MTFs as Budget Pressures or Savings.
- 4.17** Energy costs have increased significantly since the start of the financial year with the conflict in Ukraine leading to unprecedented increases in the wholesale energy market. Whilst prices have stabilised over the last few months as a result of Government support and reduced pricing in wholesale markets, it is difficult to forecast with certainty energy budget requirements for 2023/24.
- 4.18** The Council is part of a wider procurement position with Cheltenham, Forest of Dean and West Oxfordshire Councils with an energy broker providing an assessment of price risks and mitigation measures. Based on the latest forecast, the increase for 2023/24 is estimated at £0.263m. With the level of uncertainty prevalent in the energy market an inflationary provision of £0.300m has been included in the MTFs. This will be kept under review and updated forecasts will be included in the regular quarterly financial and performance monitoring reports to Cabinet.

**Graph 2 – Energy Prices 2022/23**



### **Risk Items**

- 4.19** The 2023/24 Budget and MTFS includes two budget items to ensure the General Fund is not exposed to undue risk from contract inflation, procurement risk, and fees and charges income fluctuations.
- 4.20** £0.300m has been included in the budget to ensure the Council can agree a new contract for the Council's Leisure Centres and Corinium Museum in March 2023. The Council is currently evaluating the tenders received from potential service providers.
- 4.21** £0.200m has been included to mitigate the risk inflationary pressure on the key Publica and Ubico contracts and to provide some budgetary headroom around fees and charges income.
- 4.22** These budgets will be held centrally and would be allocated in support of evidenced budget pressures during the year identified through the quarterly financial monitoring process. Should these budgets not be required, in part or in full, they would be returned to the Financial Resilience Reserve (in-year) and reviewed as part of the 2024/25 Budget setting process.

### **Savings**

- 4.23** In order to mitigate the budget pressure outlined above and to set a balanced budget for the year, the draft budget proposals included expenditure savings of £1.095m.
- 4.24** Savings proposals have been reviewed to ensure they are robust and can be delivered. The table below provides a summary of the savings included in the MTFS with Annex C providing further details.



Table 6 – Savings

Savings	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Third Party Contract Savings	(500)	(856)	(1,613)	(1,613)
Corporate Savings	(139)	(335)	(531)	(531)
Other Expenditure Savings	(456)	(601)	(613)	(641)
Corporate Income	0	(151)	(151)	(151)
<b>Subtotal</b>	<b>(1,095)</b>	<b>(1,943)</b>	<b>(2,908)</b>	<b>(2,936)</b>

4.25 The draft budget report assumed that any budget gap would be met from a draw down from the Financial Resilience reserve but recognised the need for further savings to reduce the budget gap.

4.26 As can be seen from the MTFS Summary table in this report, the requirement to reduce costs and balance the budget are substantial. Section 5 of this report sets out the position on budget and efficiency savings over the MTFS period as part of the balanced budget requirement.

#### Fees and Charges

4.27 The draft budget report highlighted the approach of moving to “full cost recovery” where possible for the services it provides and, given the budget pressures highlighted above, a comprehensive review of fees and charges has been undertaken. An indicative £0.565m of additional Fees and Charges income was included in the draft budget report.

4.28 The outcome from the review has been analysed and discussed with Cabinet members. The table below sets out the updated position on fees and charges income estimates for 2023/24. A detailed schedule of the Fees and Charges for 2023/24 was included as Annexes to the 2023/24 Fees and Charges Report.

Table 7 – Fees and Charges

Fees and Charges	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Other Fees and Charges - Cost Recovery	(186)	(186)	(186)	(186)
Garden Waste - fee increase	(229)	(229)	(229)	(229)
<b>Subtotal</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>

4.29 As can be seen from the table above, there is a reduced level of additional Fees and Charges income of £0.150m when compared to the draft budget report.

4.30 Cabinet received a report outlining the feedback from the budget consultation exercise at their meeting in January 2023. The consultation had sought views on the proposals around



extending charging to all Car Parks on Sundays and whether to increase existing charges by around 6%.

- 4.31** Cabinet has carefully considered the feedback from residents and whilst additional revenue from the Council's Car Parks would be welcomed to help achieve a balanced budget position Cabinet is mindful of the current economic position. Cabinet have taken into account the potential negative impact there may be on local businesses and residents and mindful of the economic pressure in the market towns. Therefore, there will be no change to the current Car Park Tariffs or a change to the charging periods in 2023/24.
- 4.32** A review of Car Park Season Ticket pricing has been undertaken with revised season ticket prices considered by Cabinet prior to this report.
- 4.33** With the current financial performance of the Car Parks indicating an income shortfall in the current financial year on fees, season tickets and fines it is proposed that the income budget for the Council Car Parks (£2.982m) is held for 2023/24 with a wider review of income performance undertaken in the new financial year taking into account the move to cashless parking.
- 4.34** A Garden Waste fee increase of £10 (£47 to £57) takes into account the projected increased cost of service delivery for 2023/24. This increase will ensure the Garden Waste service is provided on a cost recovery basis, as can be seen from the calculation below:

**Table 8 – Garden Waste Service**

	<b>2023/24 Gross Service Cost (£'000)</b>	<b>(£'000) Forecast Income</b>	<b>Net Cost (£'000)</b>
<b>Garden Waste Service</b>			
Net cost based on £47 per annum charge	1,352	(1,079)	273
Net cost based on £57 per annum charge	1,352	(1,308)	44

**Other Income changes**

- 4.35** Council approved changes to Cotswold District Council's Offices at Trinity Road, Cirencester to facilitate implementation of the Agile Working Strategy. This will reduce costs and the carbon impact of the Council's operations and create space that can be rented on a commercial basis within the building to provide income to the Council.
- 4.36** Members have been kept informed of the Agile Working project during the financial year and the delay in commencing capital works (Roof repairs and other accommodation changes). It is anticipated that the procurement process for contractors to complete these works will be concluded in the next few weeks.



- 4.37 The table below sets out the rental income forecast with £151k of rental income assumed from 2024/25. This represents a cautious view of likely income which could improve and subject to the completion of works and commencement of lease agreements with tenants.

Table 9 – Other Income

Other Income	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Trinity Road - Agile working (delay 1 year)	0	(151)	(151)	(151)
<b>Subtotal</b>	<b>0</b>	<b>(151)</b>	<b>(151)</b>	<b>(151)</b>

#### Non-Service Expenditure and Income

- 4.38 Corporate Items cover the non-service revenue expenditure and income that is included in the Council's General Fund. Non-Service budgets for 2023/24 of (£0.813m) are proposed and will reduce over the MTFS period as the revenue impact of capital financing takes effect. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned reserve transfers are set out below in more detail.

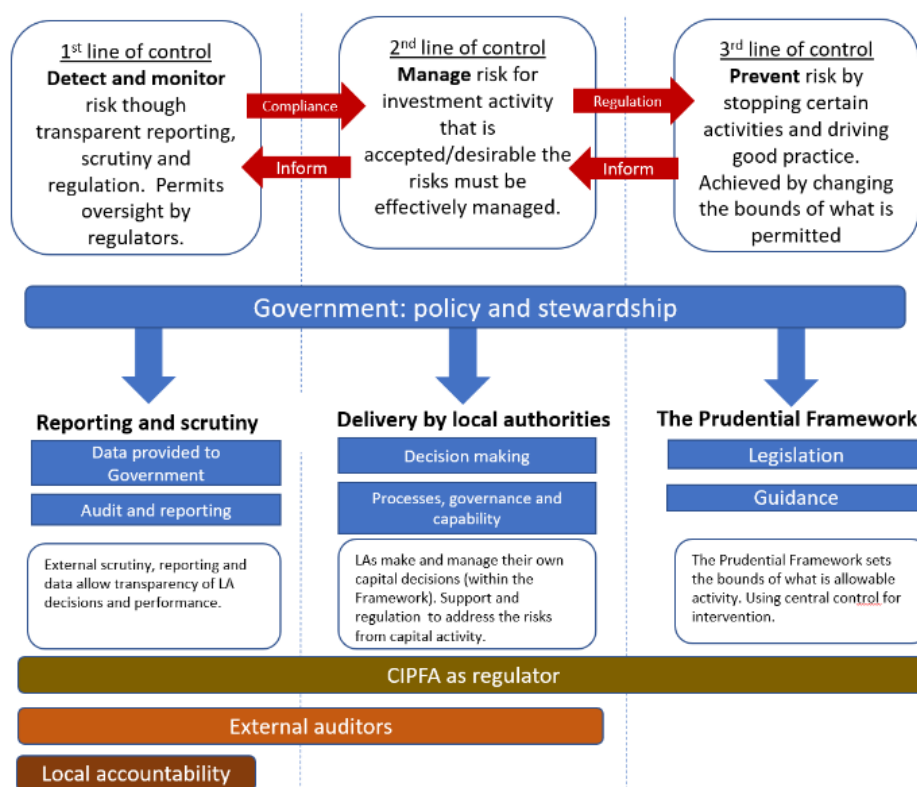
#### Treasury Management, Capital Financing and PWLB Lending Terms

- 4.39 The MTFS includes an estimate of the cost of borrowing required to support the capital programme. The Treasury Management Strategy for 2023/24 (Annex F) was considered by Audit Committee at its meeting on 26 January 2023. The report sets out the forecast for the Council's Treasury Management activities (investments and borrowing). Advice is provided from the Council's Treasury Management advisors Arlingclose, in terms of investment performance, timing of decisions, capital financing, and the wider economic outlook.
- 4.40 The Government provided further guidance and clarification on the revised PWLB Lending Terms in August 2021. The key points are set out below
- Any investment asset acquired after 26 November 2020 would result in the authority not being able to access PWLB in that financial year or being able to use the PWLB to refinance the transaction at any point in the future
  - Authorities should provide details of capital plans, regardless of funding source, covering the whole current financial year and subsequent two financial years
  - Individual projects and schemes may have characteristics of several different categories. In these cases, the Section 151 Officer or equivalent of the authority should use their professional judgment to assess the main objective of the investment and consider which category is the best fit.
  - An asset that is held primarily to generate income which is used to support wider service spending, but serves no direct policy purpose, should not be categorised as service delivery

- Authorities cannot use receipts from primarily for yield assets to buy further primarily for yield assets
- Capital expenditure to maintain existing properties or in order to increase their value where the local authority is planning to sell the property is permitted

**4.41** The Government also set out its views on the local authority capital finance framework. Whilst the Government has recognised the importance of local government capital investment, it is concerned at the risks some local authorities have taken around investment in commercial property.

**Figure 1: Three-lines of control model for strengthening the capital system**



**4.42** The Levelling-Up and Regeneration Bill contains provisions to expand the Government's statutory powers to intervene in the local government capital finance system.

**4.43** The proposed powers are intended to provide the Government with the ability to intervene should it consider excessive risk is being taken by a local authority and will require authorities to provide specific information, undertake commissioned reviews, place borrowing caps in relation to a range of risky activities or take specific actions to reduce its level of risk.

**4.44** A number of metrics are being developed which the Government will have regard to in determining whether it is appropriate to the use the statutory powers. These are being refined through working with the sector but include:



- Proportionality of debt. This would be measured as total level of debt compared to the local authority's financial capacity (the financial resources at the disposal of the local authority.)
- Proportion of capital assets which are investments taken in order to generate net financial return or profit.
- Estimates to show whether the authority is not meeting its statutory duty to make sufficient provision to repay debt.
- Proportion of debt held by the local authority where the counterparty is not local or central government. Including credit arrangements and loans.

**4.45** Further, where there is evidence of financial failure, for instance the issuance of a Section 114 notice, the Government will consider the use of these powers where capital practices have been identified as a significant contributing factor

**4.46** Following a soft launch for the 2022/23 financial year, the updated CIPFA Prudential Code on Capital Finance and Treasury Management Code of Practice are fully implemented for 2023/24. The main elements of the Codes are summarised below.

**4.47 Prudential Code** – The updated code includes the following as the focus of the substantive changes:

- Provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality is included as an objective in the Prudential Code. Provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
- Capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.

**4.48 Treasury Management Code** – The main changes to the Treasury Management code are as follows:

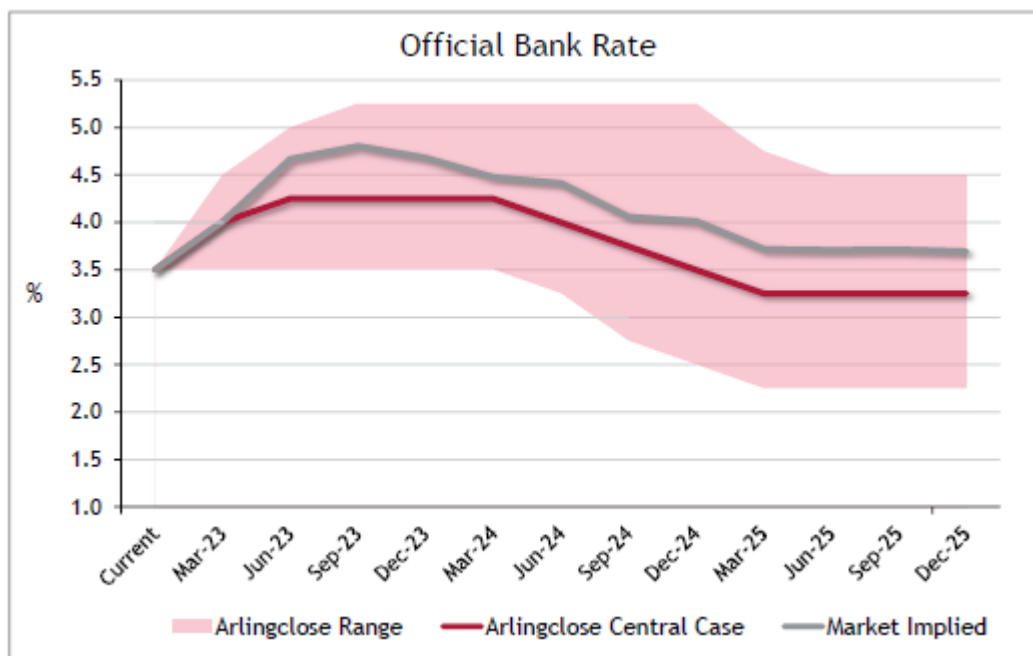
- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies.
- Environmental, Social and Governance (ESG) risks are incorporated into TMPI (Risk Management) rather than a separate TMP 13.



- The purpose and objective of each category of investments should be described within the Treasury Management Strategy

- 4.49** As set out in the Annual Treasury Management Strategy, the Council's borrowing strategy is "to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required".
- 4.50** The MTFS includes estimates of the borrowing costs arising from the financing of the capital programme.
- 4.51** Arlingclose (the Council's Treasury Management advisors) expect the Bank base rate to increase in the short-term above the current 3.50% (as set in December 2022) with the next increase likely in February 2023. Their projection in December 2022 shortly after the MPC decision to raise interest rates is for the Bank Base Rate to peak at 4.25% in the short-term with increases of 25bps forecast for February, March and May. Arlingclose's view is that the Monetary Policy Committee (MPC) will cut rates in the medium term to stimulate the UK economy, but will be reluctant to do so until wage growth eases Rate cuts are not expected until the first half of 2024.

**Graph 3 – Interest Rates Forecast**



- 4.52** The Treasury Management Strategy sets out the Council's policy on Minimum Revenue Provision (MRP) and is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans)



- 4.53** The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £16k is to be charged in 2023/24 and is forecast to increase to £63k by 2026/27.
- 4.54** The Government consulted on changes to the regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision (MRP) each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as MRP and is to make sure they can afford to repay the principal of their debt.
- 4.55** The consultation sought to address concerns around compliance by some local authorities with the duty to make prudent provision, resulting in an underpayment of MRP. Specifically, the Government highlighted two particular concerns:
- 4.56** Local authorities using sales from assets (capital receipts) in place of a charge to revenue. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
- 4.57** Local authorities not charging MRP on debt related to certain assets. The evidence is that while some authorities are making MRP for commercial investments funded by borrowing, some are still not paying MRP in relation to borrowing associated with investment assets or capital loans. The statutory guidance is clear that financing for investment assets and capital loans requires provision to be made
- 4.58** Whilst the Council has not had to charge MRP to the revenue budget, Cotswold District Council complies with the current guidance and has included prudent provision with the MTFS for the repayment of prudential borrowing undertaken to support the capital programme. The proposed changes may require the Council to consider the level of MRP in relation to capital loans made to third parties and its future capital expenditure plans.
- 4.59** The consultation closed on 08 February 2022 but there has not been a formal response by the Government.
- 4.60** Estimates of interest receivable on other investments remain positive but with some uncertainty around the wider global economy on the Council's longer-term investment returns. The Council continues to hold up to £12.5m in Pooled Funds and other longer-term investments, which have generated strong income returns. Investment income of £0.650m has been forecast for 2023/24 recognising a recovery in performance over the last 12 months whilst recognising that volatility remains a factor. The MTFS forecast assumes an increased level of return from 2023/24 due to higher interest rates. This will be kept under review in terms of the overall cash position of the authority and the impact of forecast interest rate rises.



## 5. BALANCED BUDGET REQUIREMENT

- 5.1 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFS, the Council's core financial position is a balanced budget next year (after utilisation of the Financial Resilience reserve and other transfers to reserves). However, there is a significant and increasing projected budget gap of £0.871m in 2023/24, £0.206m in 2024/25 and is forecast to increase to £3.025m in 2026/27.
- 5.2 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Corporate Strategy and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 5.3 The level of savings set out in the MTFS does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period leading to a potential deficit position (in a "do nothing" scenario") during 2026/247. The Council will need to address the scale of the budget gap to ensure a balanced budget can be set for 2024/25 and beyond. The position set out in this report is by no means complete and the budget gap may change due to assumptions being updated.
- 5.4 The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
  - manage financial resilience to meet unforeseen demands on services
  - manage unexpected shocks in their financial circumstances
- 5.5 A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings so that they are identified, agreed, planned, implemented and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.
- 5.6 In response to the adverse financial position forecast for 2022/23 in the *Financial, Council Priority And Service Performance Report – 2022-23 Quarter Two* ([Agenda Item 10, Cabinet 05 December 2022](#)), Cabinet agreed the following actions:
- Agree that if in the event the Council receives one-off income or cost savings, this is allocated to the Financial Resilience Reserve and not committed to fund existing or new/additional expenditure.



- Agree that as part of the final budget preparation process for 2023/24, a review of the Reserves and Balances strategy is undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council
- Agree that the Chief Executive oversees the creation of a Cabinet Transform Working Group, tasked primarily with receiving regular updates on progress against the Publica and Ubico savings and efficiencies target as part of an ongoing strategy to mitigate the forecast adverse financial position.

**5.7** The Cabinet Transform Working Group (CTWG) is developing a revised approach to the Council's Savings Programme to address the budget gap identified over the MTFs period. The programme will set out a revised process for how transformation projects and savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance arrangements. This approach will need to be undertaken by officers and members over the course of the 2023/24 financial year to be implemented to cover the new MTFs period.

**5.8** The CTWG approach will look at the design principles required to achieve a robust and balanced and proportionate plan. It is expected that any programme will include a mix of cost savings and additional income. The programme will consider and review service delivery options, organisational redesign programmes, improved procurement outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.

**5.9** Whilst the focus of CTWG's programme will be on ensuring the budget gap over the MTFs period can be addressed, in-year savings opportunities will be reviewed and implemented to reduce the reliance on the Financial Resilience reserve in 2023/24.

### **Balances and Reserves**

**5.10** A review of the Reserves and Balances strategy has been undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council. The review has taken into account guidance published under CIPFA LAAP Bulletin 99: Local Authority Reserves and Balances (July 2014). CIPFA has indicated the Bulletin will be revised and reissued shortly.

**5.11** The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

**5.12** There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:



- **Balanced Budget requirement:** England, Sections 31A, 42A of the Local Government Finance Act 1992, as amended
- **Chief Finance Officer (CFO) duty to report on robustness of estimates and adequacy of reserves** (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement
- **Requirements of the Prudential Code.**

**5.13** These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

**5.14** There has been a greater focus on financial sustainability and Councils' reserves and balances due to Section 114 notices issued by Northamptonshire County Council (2018), LB Croydon (2020), Slough (2021), and Thurrock (2022).

**5.15** The review of reserves and balances recommends a distinction between the General Fund Balance and Earmarked Reserves.

**5.16** The General Fund Balance has been assessed taking account of the strategic, operational and financial risks facing the authority and the underlying budgetary assumptions. This includes

- The treatment of inflation and interest rates
- Level and timing of estimated capital receipts
- Treatment of demand-led pressures
- Treatment of planned efficiency savings
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
- The general financial climate to which the authority is subject

**5.17** The General Fund Balance will be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is adequate.

**5.18** However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.



**5.19** The Council holds a Council Priorities Fund revenue reserve. This funding is available for investment in initiatives which support delivery against the Council's priorities.

**5.20** The Council Priorities Fund has been utilised over the last two years with a balance of £1m expected by the end of the current financial year. New initiatives will require Members to review existing commitments against earmarked reserves and to reallocate funds accordingly.

**5.21** The Balances and Reserves Strategy adopts a different approach to previous financial years and recognises the financial risks facing the Council over the MTFS period. A key consideration is to ensure financial resilience and sustainability can be supported through the strategy. Therefore, the following balances and reserves position is proposed over MTFS period:

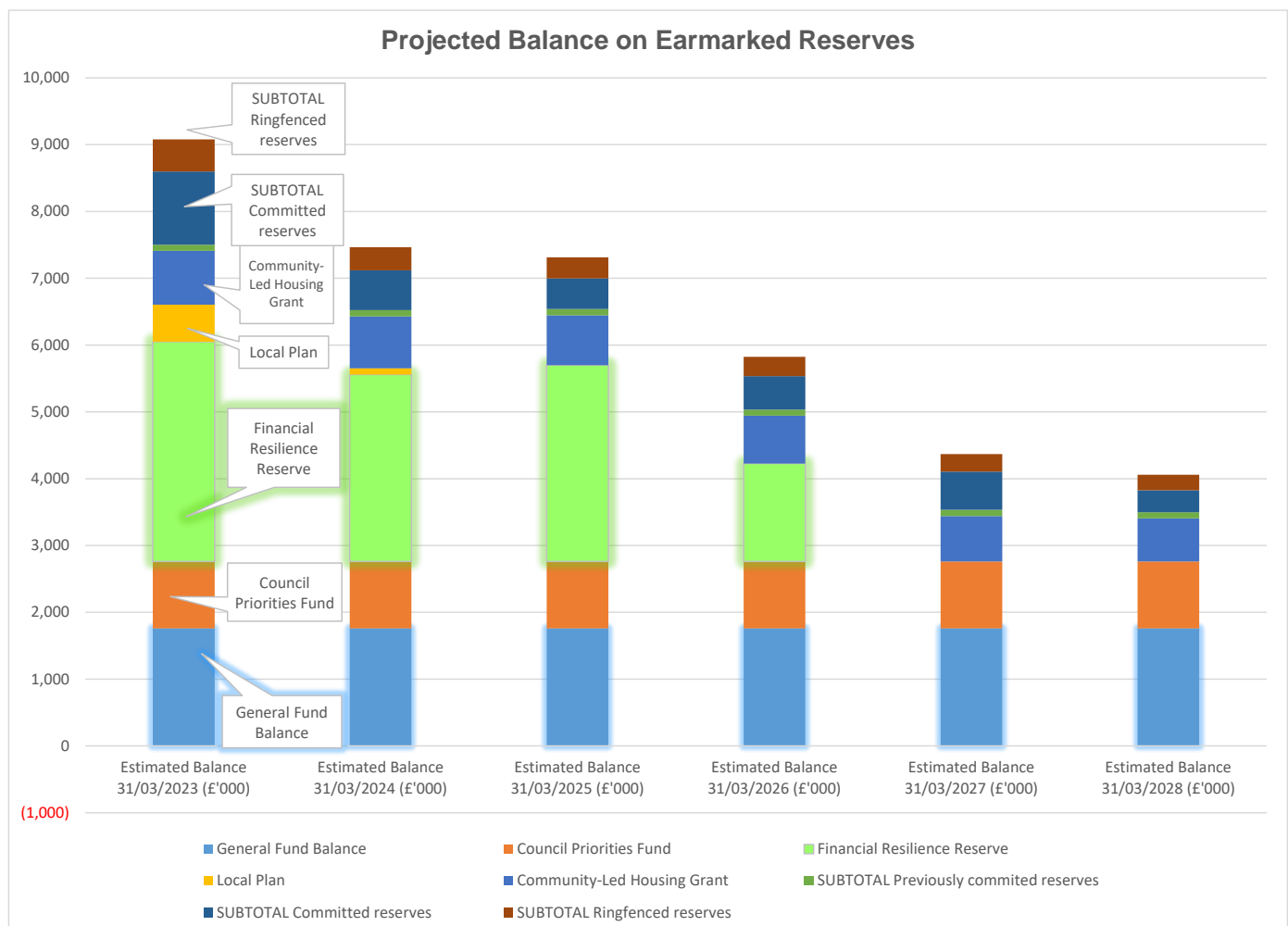
- General Fund Balance to be maintained at minimum level of £1.760m
- Financial Resilience Reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
- £0.350m projected Business Rates Pool income to be allocated to Financial Resilience Reserves for financial years 2023/24 to 2025/26. No assumption made for 2026/27 and beyond as it is uncertain whether Business Rates Pools will be viable post-reset.
- Council Priorities Fund to be held at 2022/23 forecast closing balance level of £1m (forecast makes the assumption that no further allocations are planned)

**5.22** If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below with the Graph indicating changes to the composition of earmarked reserves over the MTFS period.



**Table 10 – Reserves and Balances Forecast**

	Opening Balance 01/04/2022 (£'000)	Estimated Balance 31/03/2023 (£'000)	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)	Estimated Balance 31/03/2026 (£'000)	Estimated Balance 31/03/2027 (£'000)
<b>Reserve type</b>						
General Fund	(2,553)	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Council Priorities Fund	(2,767)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Financial Resilience Reserve	0	(3,290)	(2,799)	(2,941)	(1,469)	0
Financial Resilience Reserve - shortfall (illustrative)	0	0	0	0	0	2,635
Transform Invest to Save	(218)	(100)	(100)	(100)	(100)	(100)
Property R&M/Capital Works	0	(250)	(250)	(250)	(250)	(250)
ESIP Reserve	0	(58)	(58)	(58)	(58)	(58)
Business Rates Movement Reserve	(4,120)	(4,200)	0	0	0	0
Local Plan	(819)	(554)	(95)	0	0	0
Covid-19 Reserves	(88)	0	0	0	0	0
Community-Led Housing Grant	(806)	(806)	(776)	(746)	(714)	(681)
Previously committed reserves	(1,144)	(184)	(184)	(184)	(184)	(184)
Committed reserves	(1,991)	(863)	(513)	(382)	(424)	(498)
Ringfenced	(329)	(479)	(346)	(318)	(290)	(262)
<b>Total Earmarked Revenue Reserves</b>	<b>(12,283)</b>	<b>(11,785)</b>	<b>(6,120)</b>	<b>(5,979)</b>	<b>(4,489)</b>	<b>(398)</b>
<b>Total Revenue Reserves</b>	<b>(14,836)</b>	<b>(13,545)</b>	<b>(7,880)</b>	<b>(7,739)</b>	<b>(6,249)</b>	<b>(2,158)</b>





Note: The graph excludes the Business Rates Movement reserve balance of £4.2m. This earmarked reserve deals with the timing difference between the Council receiving Section 31 Grant as compensation of reduced business rates income (due to additional business rates reliefs) and the Council needing to finance its share of the deficit on the business rates collection fund. Section 31 Grants are received in-year whereas a deficit on the Collection Fund is financed the following financial year. It has been excluded on the basis it is not available to spend.

- 5.23** Whilst the level of reserves and balances shown in the table indicates that the Council is in a good financial position, the cumulative funding gap of £5.925m over the MTFS period - £0.871m in 2023/24 rising to £3.025m by 2026/27, would reduce the Financial Resilience Reserve to a nil balance during 2026/27.
- 5.24** Clearly, the Council will need to ensure delivery of robust, balanced and proportionate savings to mitigate the budget gap over the MTFS period, as indicated in paragraph 5.7 the newly established CTWG will ensure a Savings and Transformation Programme will be designed and implemented prior to the next MTFS period.

**Table 11 – Summary Medium Term Financial Forecast**

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>MTFS Summary</b>	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>
Net Service Revenue Expenditure	13,626	13,626	13,626	13,626
Corporate Items/Non Service Income & Expenditure	(613)	(477)	(471)	(456)
Transfers to/(from) earmarked reserves	0	0	0	0
Provision for Inflation	1,811	2,336	2,897	3,477
<b>Service + Corporate Items</b>	<b>14,824</b>	<b>15,485</b>	<b>16,052</b>	<b>16,647</b>
Budget Proposals	762	602	564	564
Risk Items	300	300	300	300
Savings and Transformation Plan items	(1,510)	(2,358)	(3,323)	(3,351)
<b>Draft Net Revenue Budget</b>	<b>14,376</b>	<b>14,029</b>	<b>13,593</b>	<b>14,160</b>
<b>TOTAL Funding</b>	<b>(13,504)</b>	<b>(13,823)</b>	<b>(11,771)</b>	<b>(11,134)</b>
<b>Budget Gap / (Surplus)</b>	<b>871</b>	<b>206</b>	<b>1,822</b>	<b>3,025</b>

## **6. FUNDING**

- 6.1** The MTFS includes a forecast of the level of funding available to support the General Fund over the medium-term which are set out in detail below.

### **Business Rates**

- 6.2** The Council was required to finalise its Business Rates estimates for 2023/24 and its initial estimate of any surplus or deficit for 2022/23 by 31 January 2023. The estimate of retained



business rates income included in this report do not take into account the final forecasts for business rates that were submitted in the NNDRI return.

- 6.3** Forecasting business rates income is complex with the impact of the economic recovery from Covid-19 and additional reliefs announced in the Autumn Statement contributing to the level of uncertainty around forecasts for the medium-term.
- 6.4** From 01 April 2023, the rateable values of all non-domestic properties in England will be updated to reflect the property market as at 01 April 2021 and will ensure business rates bills reflect changes in market conditions since 2015. However, it is conceivable that the revaluation will lead to unexpected outcomes for ratepayers, with some facing significant increases in their liability at a time of increased economic uncertainty.
- 6.5** The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2022. Forecasts have been made concerning the level of mandatory and discretionary reliefs that will be given, and an allowance made for bad debts and repayments.
- 6.6** Business rates are collected by the Council, and the proceeds are shared between Cotswold District Council, Gloucestershire County Council and the Government. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of retained business rates to be £4m in 2023/24. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation, and reliefs. The draft forecast for business rates included in this report, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs.
- 6.7** Each year the Council forecasts whether its collection of Business Rates 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.
- 6.8** Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year.
- 6.9** At the time of writing this report, the business rate estimates for 2023/24 are being finalised and will be included in the updated MTFS presented to Council on 15 February 2023. The table below should be considered as an initial forecast based on a high-level view on the impact of the revaluation and business rates reliefs.



Table 12 – Business Rates Forecast **(Not Final)**

	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)
<b>Derivation of BRR Figures for MTFS</b>		
Non-Domestic rating income (NNDR1 Estimate)	12,495	13,465
Less: Tariff Payment to Government	(12,963)	(13,925)
Less: Estimated Levy Payment to Government	(1,345)	(1,463)
Add: Renewable Energy schemes	78	78
<b>Estimated Retained Business Rates</b>	<b>(1,735)</b>	<b>(1,844)</b>
Section 31 Grant Payable	5,108	5,478
Multiplier Cap	801	859
<b>TOTAL Funding from Business Rates</b>	<b>4,173</b>	<b>4,493</b>
<b>Assumed BRR included in MTFS</b>	<b>4,000</b>	<b>4,000</b>

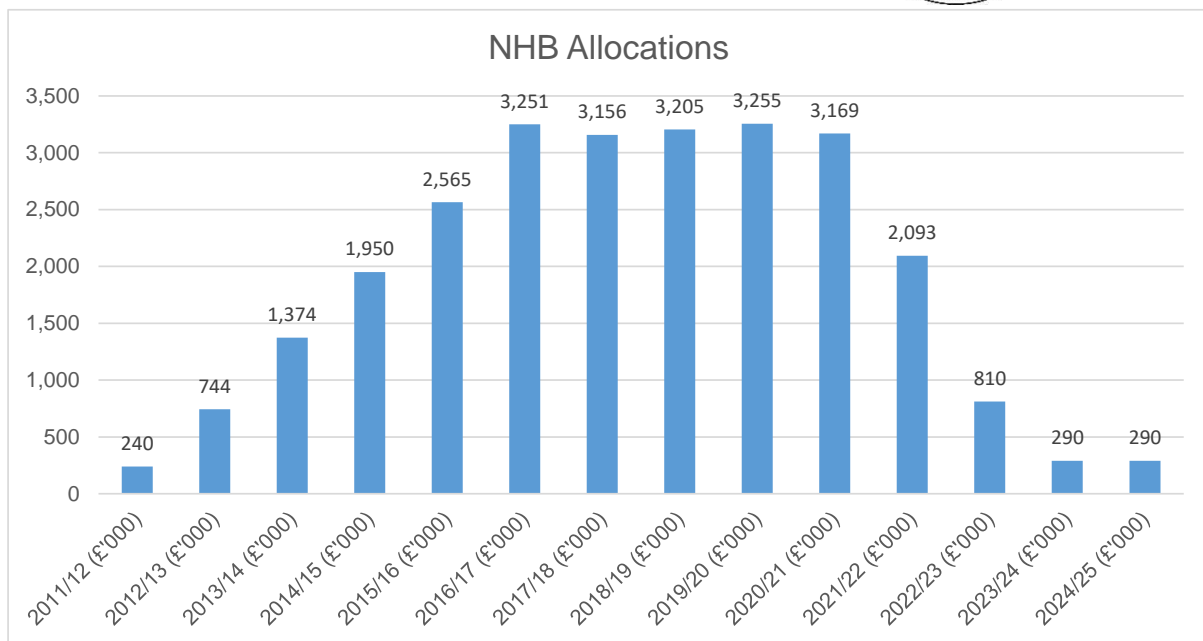
#### Gloucestershire Business Rates Pool

- 6.10 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
- 6.11 Change in the Pool Levy rate from 15% to 21% as a result of the revaluation will mean less funding remains in the County. Other things being equal, a pool surplus of £1.0m would give rise to a Pool Levy of £0.210m in 2023/24 compared to £0.150m in 2022/23.
- 6.12 Any windfall gain associated with the Business Rates Pool in 2022/23 will be allocated to the Council Priorities Fund. For financial years 2023/24 to 2025/26 any windfall will be allocated to the Financial Resilience reserve (as indicated in paragraph 5.21 on Earmarked Reserves).
- 6.13 There remains uncertainty over the future of Business Rates Pooling over the MTFS period. Local Government Reform will include a reset to business rates coupled with shorter valuation periods. Therefore, there is a risk that Pooling may not be financially viable as there may be too much risk and too little reward.

#### New Homes Bonus (NHB)

- 6.14 New Homes Bonus will continue for a further year in 2023/24 with an allocation of £0.290m included in the provisional settlement. As has been the case over the last two financial years, 2023/24 is a one-year only allocation and does not give rise to an ongoing legacy payment. The Government has indicated that set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement. The graph below highlights the reduction in the value of NHB to the Council since 2020/21.

**Graph 4 – New Homes Bonus (NHB)**



### **Funding Guarantee**

- 6.15** The provisional settlement includes a new one-off Funding Guarantee in recognition of the inflationary pressures faced by the sector and is designed to ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels.
- 6.16** The Funding Guarantee replaces the Lower Tier Services Grant (£1.435m in 2022/23) and also repurposes other funding streams. Therefore, the value of the allocation should be viewed in the context of the total funding assumed in Core Spending Power as shown earlier in Table I of this report.
- 6.17** For Cotswold, the value of the Funding Guarantee is £2.065m for 2023/24 and is forecast to increase to £2.096m for 2024/25. Whilst this funding is welcomed, it falls short of mitigating the inflationary pressures on the Council's budget.

### **Other Grants/Funding**

- 6.18** The Government has recognised the cost of service delivery in rural areas through the Rural Services Delivery Grant (RSDG) funding since 2016. This will continue for 2023/24 and 2024/25 with £0.632m included in the provisional settlement. It is worth noting that RSDG has not been uplifted to take into account inflation and can be seen as a real-terms reduction in funding for rural areas with the £0.632m allocation being unchanged from 2021/22.
- 6.19** Services Grant continues for 2023/24 and 2024/25 although the allocation for Cotswold has reduced from £0.129m to £0.073m recognising the reversal in November 2022 of the employers National Insurance increase from April 2022.



**6.20** Revenue Support Grant (RSG) of £0.135m for 2023/24 (£0.145m estimated for 2024/25) has been provided in the provisional settlement. However, this is a consolidation of 4 grants which maintain their existing distribution. These are the Independent Living Fund; Council Tax Discounts – Family Annex; Local Council Tax Support Administration Subsidy; and Natasha’s Law. The value of the rolled-in grants is broadly equal to the RSG allocation and should be viewed as replacing existing distinct funding streams rather than ‘new’ funding.

**6.21** The table below sets out the assumed level of funding included within the MTFS

**Table 13 – Funding assumed in MTFS forecast**

<b>Funding included in MTFS</b>	<b>2022/23 (£'000)</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
Council Tax	6,073	6,311	6,588	6,870	7,157
Business Rates Retention (net of risk)	3,462	4,000	4,000	3,150	3,213
Rural Services Delivery Grant	632	632	632	632	632
Lower Tier Services Grant	1,435	0	0	0	0
New Grant (was LTSG) to achieve 3% increase in CSP	0	2,066	2,095	0	0
Services Grant	129	73	73	0	0
New Homes Bonus	810	290	290	0	0
New Homes Bonus (Returned Funding)	0	0	0	0	0
Revenue Support Grant (RSG)	0	135	145	0	0
(Negative) Revenue Support Grant	85	0	0	(1,280)	(1,315)
Damping	0	0	0	2,399	1,447
Collection Fund - CT	0	(2)	0	0	0
Collection Fund - NNDR	0	0	0	0	0
<b>TOTAL Funding</b>	<b>12,627</b>	<b>13,504</b>	<b>13,823</b>	<b>11,771</b>	<b>11,134</b>
<b>Proposed Net Revenue Budget</b>	<b>12,595</b>	<b>14,376</b>	<b>14,029</b>	<b>13,593</b>	<b>14,160</b>
<b>Budget shortfall/(surplus)</b>	<b>(32)</b>	<b>871</b>	<b>206</b>	<b>1,822</b>	<b>3,025</b>

### **Council Tax**

**6.22** The referendum threshold for 2022/23 for Shire Districts including Cotswold District Council is 3% or £5 (whichever is the greater). The Core Spending Power calculation published with the Local Government Finance Settlement assumed that all authorities would raise their Council Tax towards the maximum allowable amounts. Factoring such increases into the funding assessment, removes flexibility for local authorities to take local decisions about tax levels and to use increases in local taxation to offset local spending pressures. Councils now need to make these increases just to keep total funding levels at a standstill.

**6.23** The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.

**6.24** A £5 increase in Council Tax formed part of the Budget Consultation undertaken in November and December 2022. As reported to Cabinet in January 2023, the results of the



consultation exercise indicated strong support from respondents to a £5 increase in the Band D Council Tax rate. Question 3 asked:

*To support our priorities and help us to close our expected funding gap from the Government, we plan to increase Council Tax by 10p a week (£5 a year) for a Band D property (£3.33 for Band A up to £10 for Band G). Do you agree with this approach?*

- 6.25** The response to this question was supportive. 63.2% agreed or strongly agreed with the proposed Council Tax increase. 22.5% disagreed or strongly disagreed whilst 14.3% neither agreed nor disagreed.
- 6.26** A Council Tax rise of £5 increases the Band D rate from £143.93 to £148.93 and will generate approximately £0.238m in additional Council Tax revenue annually (when taken with estimated changes to the taxbase, £0.211m when the taxbase growth is not included). The MTFS assumes an increase of up to £5 per annum. This would generate a further £0.846m over the remaining years of the MTFS period

**Table 14 – Council Tax Income**

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Taxbase	42,192.93	42,374.24	42,797.98	43,225.96	43,658.22
Assumed Band D rate (£) *	143.93	148.93	153.93	158.93	163.93

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Precept (£'000)	6,073	6,311	6,588	6,870	7,157
Increase (£'000)		238	277	282	287
Cumulative Increase (£'000)		238	515	797	1,084

- 6.27** The decision to set Council Tax remains an annual decision for Council to consider when setting the budget each year.

#### **Local Council Tax Support Scheme**

- 6.28** Council approved the Council Tax Support scheme for 2023/24 at their meeting on 16 November 2022. Revisions to the scheme included changes to income bands within the scheme to give support to households through the cost of living crisis with an increase income bands 2 to 6 for single people and couples by £10 a week, and by £20 a week for those with children.
- 6.29** The cost of the scheme will increase by approximately £58k across all preceptors, with the cost to Cotswold District Council estimated to be just over £4k. The impact of this has been reflected in the Council Tax estimate included within the MTFS.
- 6.30** The Government announced £100 million of additional funding for local authorities to support the most vulnerable households already in receipt of Council Tax support. The Government



expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.

- 6.31** Whilst the Government guidance and expectation is set out above, the Council will need to design a local scheme to support its residents using discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. The provisional allocation for Cotswold District Council is £0.103m.

#### **Council Taxbase**

- 6.32** The Taxbase for 2023/24 has been estimated at 42,374.24 and represents an increase of 181.31 (0.43%) over the 2022/23 position. For the purposes of the MTFS it has been assumed the Taxbase will grow at 1.00% per annum.

#### **Collection Fund (Council Tax and NNDR)**

- 6.33** The Council Tax Collection Fund is estimated to be in deficit by the end of the current financial year by £18k. Cotswold District Council's share is £2k and is included within the Council Tax Collection Fund deficit line within the MTFS.
- 6.34** Collection rates for Council Tax have improved throughout 2022/23. At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available collection data suggests that the Council is above the collection rate for the same period in 2021/22 and the total collected is forecast to be broadly in-line with the level precepted against the Collection Fund
- 6.35** Any surplus or deficit on the Collection Fund is shared across the major precepting authorities (Gloucestershire County Council and Gloucestershire Police and Crime Commissioner).

## **7. CAPITAL PROGRAMME 2023/24 TO 2026/27**

- 7.1** The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent and sustainable over the longer-term.
- 7.2** The Council has set out its Capital Programme for the period 2023/24 to 2026/27 based on the principles of the current Capital Strategy. This is summarised in Table 15 below and in further detail in Annex D of this report. A total capital expenditure budget of £13.899m in 2023/24 is proposed. Total expenditure decreases to £2.318m and £1.277m in 2024/25 and 2025/26 respectively, and in the final year of the current programme 2026/27 spend is estimated at £5.015m.



- 7.3** The capital programme is focussed on delivering against the Council's key priorities, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants.

**Table 15 – Summary Capital Programme**

<b>Capital Programme</b>	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>	<b>2025/26 Budget (£'000)</b>	<b>2026/27 Budget (£'000)</b>	<b>TOTAL Budget (£'000)</b>
Leisure & Communities	428	1,387	50	50	550	2,465
Housing/Planning and Strategic Housing	2,383	4,001	1,300	700	700	9,084
Environment	961	1,956	111	377	3,615	7,020
ICT, Change and Customer Services	70	350	150	150	150	870
UK Rural Prosperity Fund	0	191	573	0	0	764
UK Shared Prosperity Fund Projects	11	28	134	0	0	173
Land, Legal and Property	516	500	0	0	0	1,016
Transformation and Investment	1,510	5,486	0	0	0	6,996
	<b>5,879</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,388</b>

- 7.4** The capital programme includes £0.500m for Asset Management activities in 2023/24 (under the summary heading Land, Legal and Property) recognising the need to manage the existing assets over the initial MTFS period.
- 7.5** The Council will develop a comprehensive Asset Management Strategy supported by detailed asset management plans for the Land and Buildings assets it holds and will be presented to Cabinet in July 2023. The strategy and plans will identify and provide a longer-term view (e.g. 5-10 years) of the income and expenditure profiles, tenant events, hold and disposal options. The draft core aims of the Asset Management Strategy is set out below.
- Drive efficiency through the management of our land and property assets, ensuring they provide the right space, in the right place and on the best terms. This also includes income generation and overall social value from the property portfolio through proactive asset management.
  - Manage our property portfolio effectively using best practice, project and property management methodologies, adopting clear policies and action plans to meet our strategic goals; developing clear reporting processes to involve and inform Councillors, Service Managers and Project Sponsors in decision making.
  - Keep our properties safe, dry and secure through the implementation of a well-managed, rigorous compliance regime; repairs and renewals programme with clear maintenance plans and efficient facilities management.
  - Delivering the corporate objectives and priorities of the organisation through the management of assets
  - Embed a culture of innovation that maximises best use of appropriate technologies that support new ways of working and protects the environment; utilising available financing to support implementation and meet the objectives of the Climate xxx Action Plan



- 7.6** The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 7.7** The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

**Table 16 – Summary Capital Financing Statement**

	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>	<b>2025/26 Budget (£'000)</b>	<b>2026/27 Budget (£'000)</b>	<b>TOTAL Budget (£'000)</b>
<b>Capital Financing Statement</b>						
Capital receipts	2,817	8,036	715	240	615	12,423
Capital Grants and Contributions	2,370	1,576	1,407	700	700	6,753
Earmarked Reserves	238	0	0	0	0	238
Revenue Contribution to Capital Outlay (RCCO)	70	150	150	150	150	670
Community Municipal Investments (CMI)	384	116	0	0	0	500
Prudential Borrowing	0	4,021	46	187	3,550	7,804
	<b>5,879</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,388</b>

## **8. RISKS AND UNCERTAINTIES**

- 8.1** There are a number of financial risks that the Council will face over the medium-term. The 2023/24 Budget and the MTFs have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 8.2** The first key risk is around the nature and scope of local government funding from the Government in 2024/25 and more substantially from 2025/26. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. The forecast impact on District Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- 8.3** It is very difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2024/25 and beyond.



- 8.4** However, an initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFS assumptions from 2025/26. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).
- 8.5** A significant uncertainty in the MTFS is the assessment of when funding changes will be implemented. As discussed in paragraph 7.2, the implementation of Local Government Finance reform has already been delayed several times. The Local Government Finance Policy Statement and subsequent settlement provided information on funding for 2024/25. Whilst no indication has been provided for future settlements, there are a number of factors that may influence the timing of reform.
- General Election – if a general election is called as late as November 2024, there would only be a very short period for any new Government to consider reform and consult with Local Government on the 2025/26 settlement. This may mean reform is delayed until 2026/27.
  - Business Rates Valuation periods – HM Treasury’s final report on the Business Rates Review moved to more frequent valuations with April 2023 being the start of a 3-year valuation period. With the next valuation period commencing in April 2026, there may be some benefit to aligning Local Government Finance reforms with the new valuation period.
- 8.6** The second key risk is around the continued impact on the Council from pressures within the wider economy including inflation and interest rates. This will have an impact on income and expenditure budgets during 2023/24 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2023/24 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
  - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
  - Cost of services where the Council is exposed to risk sharing in contract costs
  - Energy cost pressures
- 8.7** The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:
- Business Rates Retention and changes to the Local Government Finance system/Levelling Up Agenda
  - Replacement of New Homes Bonus from 2024/25 at a time this Council will be continuing to delivering a significant number of new homes.



- Treasury management issues including interest rates, level of capital expenditure, use of internal resources, borrowing costs.
- External economic environment – UK and global economy.
- Financial impact of the Capital Programme on the revenue budget – the affordability of the capital programme and future schemes needs to be carefully considered.

## **9. CONCLUSIONS**

- 9.1** Despite the uncertainties around future levels of Government Funding, the impact from Covid over the last two years, the Cost of Living crisis and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.
- 9.2** The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £1.760m and maintaining other usable reserves to mitigate risk and support improvement.
- 9.3** The Council will need to continue to take steps to manage and address the budget gap identified over the MTFS period.
- 9.4** The Capital Programme includes planned expenditure £13.899m in 2023/24 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.
- 9.5** The budget includes a recommendation to Council for the current Council Tax level to increase by £5 for a Band D property (from £143.93 per annum to £148.93) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- 9.6** The newly created Cabinet Transform Working Group Council will need to develop a revised approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. The approach will look at the design principles required to achieve a robust, balanced and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.
- 9.7** Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during 2026/27 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks and uncertainties identified in this report. All reserves will be monitored and reported to Cabinet throughout 2023/24.



## **10. FINANCIAL IMPLICATIONS**

**10.1** The Financial implications are set out in detail within the report.

## **11. LEGAL IMPLICATIONS**

**11.1** None directly as a result of a review of the draft report.

## **12. RISK ASSESSMENT**

**12.1** Section 8 of this report set out the risks and uncertainties around the 2023/24 budget and MTFS forecast.

## **13. ALTERNATIVE OPTIONS**

**13.1** On 01 February 2023, the Overview and Scrutiny Committee considered the budget proposals and were encouraged to provide feedback to the Cabinet, which may include alternative options.

**13.2** Cabinet will consider any feedback from the Overview and Scrutiny Committee and will determine the final budget proposals to be presented to Council for consideration.

## **14. BACKGROUND PAPERS**

**14.1** The following background papers have been referred to within this report.

[Budget and Medium Term Financial Strategy, Cabinet \(07 November 2022\)](#)

[Financial, Council Priority and Service Performance Report - 2022/23 Quarter Two \(Cabinet, 05 December 2022\)](#)

[Budget Consultation Feedback \(Cabinet, 09 January 2023\)](#)

These documents will be available for inspection online at [www.cotswold.gov.uk](http://www.cotswold.gov.uk) or by contacting democratic services [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk) for a period of up to 4 years from the date of the meeting.

(END)

This page is intentionally left blank

- 1.1** 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 estimates included in the budget
  - and the adequacy of the financial reserves in the budget
- 1.2** The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).
- 1.3** The Council's Revenue Budget, Medium Term Financial Strategy and Capital Programme have been prepared with reference to the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on prudential property investment. As Section 151 Officer, I have also had regard to CIPFA's Financial Resilience Index and the CIPFA Financial Management Code (FM Code).
- 1.4** CIPFA's Financial Resilience Index is a comparative analytical tool that supports good financial management and provides a high-level, common understanding within a council of their financial position based on a range of measures associated with financial risk.
- 1.5** The current Financial Resilience Index 2022 was published in December 2022 and is based on the outturn data for the 2021/22 financial year and has been influenced by the pandemic, increasing inflationary pressures and significant uncertainty affecting local authority funding.
- 1.6** Cotswold's highest risks on the Index are concerned with Earmarked Reserves, when compared to the Nearest Neighbour statistical group. Business Rates Growth above Baseline (i.e., the difference between the baseline funding and the level of business rates income) and the ratio covering Council Tax Requirement (i.e. the ratio of Council Tax as a proportion of net expenditure).
- 1.7** Measures concerning Council Tax Requirement / Net Revenue Expenditure (which shows the ration of council tax as a proportion of net revenue expenditure) and Growth Above Baseline (which shows the difference between the baseline funding level and retained rates income) scored above the average in the nearest neighbour group. Gross External Debt and Interest Payable (on the external debt) scored very low given the Council's capital financing position.
- 1.8** COVID-19 and the external economic environment have had an impact on the Financial Resilience Index, as the data is drawn from the Revenue Expenditure and Financing Outturn (RO) reports. CIPFA state that "it remains difficult to assess and predict the uncertain nature of how COVID, its legacy and inflationary pressures will impact local government. The

## ANNEX A REPORT OF THE CHIEF FINANCE OFFICER



**COTSWOLD**  
DISTRICT COUNCIL

pandemic has caused extraordinary financial costs to local government and the effects of inflation on council budgets, along with cost pressures, have continued to be felt into 2022/23 with little sign that these will ease.”

- 1.9** The next release will cover the financial year 2022/23 and with the pressures on the Council’s finances from the external economic environment measures around Earmarked Reserves can be expected to be an area of focus for the Council. Some Councils may have strengthened their reserve position. While the short-term picture based on the increases in reserves may appear to suggest that local government finances are sustainable, CIPFA remain concerned with the medium and longer term outlook, which largely remains unsettled, uncertain and more risky.
- 1.10** Paragraphs 5.4 to 5.5 of the 2023/24 Revenue Budget, Capital Programme and Medium Term Financial Strategy report outlines the compliance requirements of the CIPFA FM Code. Following a transitional year that encouraged Councils to demonstrate a direction of travel and a more proportionate approach regarding compliance with the Code, the Council should assess its position on full compliance. The s151 Officer will be reviewing this position utilising the FM Code’s self-assessment tool with an Action Plan identifying actions required to address any areas of weakness.
- 1.11** CIPFA have outlined the four key areas to focus on in order to be financially resilient:
- Getting routine financial management right: financial systems and processes are working effectively
  - Benchmarking: comparing costs, income and activity levels with similar authorities
  - Clear plans for delivering savings: a single, consolidated, living document that sets out what savings have been agreed, progress in implementing the savings, with links to the budget and MTFS
  - Managing reserves: clarity on the use of reserves between one-off and on-going demands
- 1.12** There are specific financial challenges being faced by a number of Local Authorities which have either issued Section 114 notices or have been the subject of specific Public Interest Reports. Section 114 notices are issued by the Chief Finance Officer when they believe Members have or are minded to approve an unbalanced budget where expenditure in a financial year is likely to exceed the resources available. Issuing the notice immediately suspends all financial activity apart from that which is necessary to maintain statutory duties. It also initiates a 21-day period for full council to consider the report and agree urgent action to start to remedy the situation. The authority’s external auditors and the Department for Levelling Up, Housing and Communities (DLUHC) will also be notified and can step in to provide advice and support

## ANNEX A

### REPORT OF THE CHIEF FINANCE OFFICER



COTSWOLD  
DISTRICT COUNCIL

**1.13** CIPFA have also published a brief report ([CIPFA Report on s114 notices](#)) on learning the lessons from Section 114 notices. These used to be issued very rarely but members will note from that Croydon, Slough and Thurrock have issued such notices recently. It is worth stating the Council is not in financial difficulty and remains financially resilient, it is worth understanding the wider context. The main points include:

- The savings process should be effective and engaging, with budget holders actively involved in identifying and delivering savings.
- The risks around commercial activities must be clearly understood, with effective oversight of council-owned companies.
- Elected members must receive training on financial matters, improving their understanding of complex issues.
- Governance arrangements should be strengthened and include the ability to speak truth to power.
- Internal audit should review the effectiveness of financial rules and processes, and knowledge of and compliance with financial regulations.
- The quality of financial management should be assessed

#### Robustness of Estimates

- 1.14** The budget setting process at Cotswold District Council has been operating effectively over many years and have been prepared by appropriately qualified and experienced staff in consultation with management.
- 1.15** Service areas are required to undertake a review of service revenue budgets and work with the Publica Finance Team to produce detailed estimates for the forthcoming financial year. Proposed changes to service budgets are carefully reviewed, with consideration of savings and unavoidable budget pressures by senior management and Cabinet Members.
- 1.16** Budget Pressures have been reviewed, challenged and validated and only included in the MTFs where there is a clear business need or a wider strategic requirement to invest in service delivery.
- 1.17** Contract costs for Ubico and Publica are subject to significant cost pressures for 2023/24. Publica contract costs are forecast to increase by £0.400m in 2023/24. Ubico contract costs will increase by over £1m (around 14.7%). This is a mix of inflationary cost increases (Pay, Fuel costs) and revisions to service costs reflecting changes in waste streams and volumes.
- 1.18** Energy costs have increased significantly since the start of the financial year with the conflict in Ukraine leading to unprecedented increases in the wholesale energy market. Whilst prices have stabilised over the last few months as a result of Government support and reduced pricing in wholesale markets, it is difficult to forecast with certainty energy budget

## ANNEX A REPORT OF THE CHIEF FINANCE OFFICER



COTSWOLD  
DISTRICT COUNCIL

requirements for 2023/24. Inflationary provision of £0.300m has been included in the revenue budget.

- I.19 In recognition of the uncertainty around inflationary pressures on energy costs and major contracts and additional risk allowance has been included in the revenue budget of £0.200m.
- I.20 The Revenue Budget, Capital Programme and MTFS have been subject to scrutiny through the Council's Overview and Scrutiny Committee. The Annual Capital Strategy and Annual Treasury Management Strategy and Non-Treasury Investment Strategy have been subject to review through the Council's Audit Committee
- I.21 Financial management remains robust as demonstrated by the quarterly Financial, Council Priority and Service Performance Reports that are considered by Cabinet and the Overview and Scrutiny Committee. The outturn position (due to be reported in June or July 2023 subject to completion of the outturn process)
- I.22 It is important that the council is able to balance the budget over the medium term in a sustainable and manageable way through a combination of income, sensible and prudent use of reserves and a robust cost reduction and savings programme.
- I.23 The newly formed Cabinet Transform Working Group (CTWG) will adopt a revised approach to the Savings Programme to address the budget gap identified in the MTFS. CTWG will agree a revised process for how savings are identified, evaluated, and approved, with clear reporting and monitoring and governance arrangements.
- I.24 As can be seen from Section 5 of the report, the requirement to reduce costs and balance the budget are substantial. The MTFS includes significant contract savings from Publica and Ubico over the next three years. There is clearly a risk associated with delivery of these savings. Should savings not materialise at the level or within the timeframe assumed this will increase the pressure on the Council balances and reserves. The Council will need to identify the specific risks within the savings programme and take steps to minimise this risk.
- I.25 The basis on which the budget for 2023/24 and the MTFS have been prepared has been set out clearly in this report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound and reasonable assumptions.

### Risk

- I.26 As indicated in Section 8 of the report, there are a number of financial risks that the Council will face over the medium-term. The 2023/24 Budget and the MTFS have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.

## ANNEX A

### REPORT OF THE CHIEF FINANCE OFFICER



**COTSWOLD**  
DISTRICT COUNCIL

- I.27** The first key risk is around the nature and scope of local government funding from the Government in 2024/25 and more substantially from 2025/26. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. The forecast impact on District Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- I.28** It is very difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2024/25 and beyond.
- I.29** An initial estimate of a 30% reduction in the level of retained business rates income has been included in the MTFS assumptions from 2025/26. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).
- I.30** A significant uncertainty in the MTFS is the assessment of when funding changes will be implemented. The implementation of Local Government Finance reform has already been delayed several times. The Local Government Finance Policy Statement and subsequent settlement provided information on funding for 2024/25. Whilst no indication has been provided for future settlements, there are a number of factors that may influence the timing of reform.
- General Election – if a general election is called as late as November 2024, there would only be a very short period for any new Government to consider reform and consult with Local Government on the 2025/26 settlement. This may mean reform is delayed until 2026/27.
  - Business Rates Valuation periods – HM Treasury's final report on the Business Rates Review moved to more frequent valuations with April 2023 being the start of a 3-year valuation period. With the next valuation period commencing in April 2026, there may be some benefit to aligning Local Government Finance reforms with the new valuation period.
- I.31** The second key risk is around the continued impact on the Council from pressures within the wider economy including inflation and interest rates. This will have an impact on income and expenditure budgets during 2023/24 and will require timely and accurate financial reporting to Cabinet. These risks include:

## ANNEX A REPORT OF THE CHIEF FINANCE OFFICER



**COTSWOLD**  
DISTRICT COUNCIL

- Income from Council Tax and Business Rates will continue to be under pressure in 2023/24 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
- Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
- Cost of services where the Council is exposed to risk sharing in contract costs
- Energy cost pressures and the wider inflationary impact on costs and income

**1.32** The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:

- Business Rates Retention and changes to the Local Government Finance system/Levelling Up Agenda
- Replacement of New Homes Bonus from 2024/25 at a time this Council will be continuing to delivering a significant number of new homes

### Adequacy of the Reserves

**1.33** The Balances and Reserves Strategy review has set a target for the General Fund balance to be maintained at a minimum of £1.760m, with the Financial Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the budget gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is replenished.

**1.34** A number of earmarked reserves are held for specific purposes and to support the delivery of programmes in-line with the Council's priorities and to mitigate risk across the Council's budgets. Paragraphs 5.10 to 5.24 of the report set out the detailed position on the Council's balances and reserves.

**1.35** The Council actively increased the level of balances and reserves it holds over the preceding years in recognition of the risks outlined earlier in the report. This does provide the Council with options and flexibility in its approach to addressing the financial challenges over the medium-term.

**1.36** It is acknowledged that the remaining impact from Covid-19, cost and income pressures due to the external economic environment, and delivery of the Council priorities has placed pressure on the General Fund Balance in the short-term with planned deployment of the reserve in 2022/23 and 2023/24 of £2.119m. However, it is not sustainable or prudent to rely on the MTFS Equalisation reserve over the medium-term.

**1.37** The establishment of the Financial Resilience Reserve is intended to ensure a minimum risk-based balance can be maintained on the General Fund Balance whilst recognising the

## ANNEX A REPORT OF THE CHIEF FINANCE OFFICER



requirement to support the MTFS (mitigating the budget gap) over the medium-term as CTWG work through a comprehensive Savings Programme.

- I.38** The Council plans to maintain a balance of £1m in the Council Priorities Fund by the end of the 2022/23 financial year.
- I.39** The Council has utilised Capital Receipts to finance capital expenditure with the balance on the Capital Receipts Reserve forecast to be £7.2m at the end of 2022/23. As shown in the Capital Financing Statement in Section 7 of the report, the Council will fully utilise the remaining balance to support the Capital Programme over the MTFS period. Without further capital receipts the Council will require prudential borrowing in future years to finance capital expenditure.
- I.40** Whilst the level of balances and reserves shown in Table 10 of the report indicates that the Council is in currently a good financial position, the cumulative budget gap of £5.925m over the MTFS period would reduce the Financial Resilience Reserve to a nil balance during 2026/27. This will need to be addressed over the coming months as the Council will need to make significant decisions on future mitigation options
- I.41** The Council continues to hold other reserves for specific purposes in accordance with decisions taken by Council in previous years. These will be kept under review during the financial year to ensure reserve balances held remain appropriate and adequate.
- I.42** Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2023/24 and the need to ensure reserves remain adequate over the medium-term.
- I.43** In conclusion, I am able to advise Members of the robustness of the estimates and the affordability and prudence of capital estimates for 2023/24. The level of reserves remains adequate to support the 2023/24 financial position and demonstrates financial resilience. However, this is only the case provided that action is taken to ensure that the balances are set at the level of £1.760m for 2023/24 and that all savings proposals, are monitored closely and delivered as planned.

David Stanley  
Deputy Chief Executive and Section 151 Officer

30 January 2023

This page is intentionally left blank

# ANNEX B MEDIUM TERM FINANCIAL STRATEGY



**COTSWOLD**  
DISTRICT COUNCIL

Medium Term Financial Strategy	MTFS Period			
	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
<b>Net Service Revenue Expenditure</b>	<b>13,626</b>	<b>13,626</b>	<b>13,626</b>	<b>13,626</b>
<b>Corporate Items/Non Service Income &amp; Expenditure</b>				
Corporate Savings	(97)	(97)	(97)	(97)
Interest Payable	99	188	194	209
Interest Receivable	(831)	(831)	(831)	(831)
Minimum Revenue Provision	16	63	63	63
Transfers to/(from) earmarked reserves tbc	0	0	0	0
<b>Adjusted Budget</b>	<b>(813)</b>	<b>(677)</b>	<b>(671)</b>	<b>(656)</b>
Contract Inflation	1,121	1,665	2,227	2,806
Pay Inflation	40	21	21	21
Energy Cost Inflation	300	300	300	300
<b>Adjusted MTFS Position</b>	<b>1,461</b>	<b>1,986</b>	<b>2,547</b>	<b>3,127</b>
<b>Service + Corporate Items</b>	<b>14,274</b>	<b>14,935</b>	<b>15,502</b>	<b>16,097</b>
<b>Budget Pressures and Growth</b>				
Contract Growth	350	350	350	350
Budget Pressures	762	602	564	564
Risk Item - Leisure and Culture Procurement, Contracts	500	500	500	500
<b>Subtotal</b>	<b>1,611</b>	<b>1,451</b>	<b>1,413</b>	<b>1,413</b>
<b>Savings and Transformation Plan</b>				
Contract Savings	(500)	(856)	(1,613)	(1,613)
Fees and Charges	(415)	(415)	(415)	(415)
Corporate Savings	(139)	(335)	(531)	(531)
Expenditure Savings	(456)	(601)	(613)	(641)
Additional Income	0	(151)	(151)	(151)
Savings Targets	0	0	0	0
<b>Subtotal</b>	<b>(1,510)</b>	<b>(2,358)</b>	<b>(3,323)</b>	<b>(3,351)</b>
<b>Net (Savings) or Growth</b>	<b>102</b>	<b>(906)</b>	<b>(1,909)</b>	<b>(1,937)</b>
<b>Draft Net Revenue Budget</b>	<b>14,376</b>	<b>14,029</b>	<b>13,593</b>	<b>14,160</b>
<b>Funded by:</b>				
Council Tax	(6,311)	(6,588)	(6,870)	(7,157)
Business Rates Retention	(4,173)	(4,493)	(3,150)	(3,213)
Business Rates Retention - Risk	173	493	0	0
Rural Services Delivery Grant	(632)	(632)	(632)	(632)
Lower Tier Services Grant	0	0	0	0
New Grant (was LTSG) to achieve 3% increase in SP	(2,066)	(2,095)	0	0
Services Grant	(73)	(73)	0	0
New Homes Bonus	(290)	(290)	0	0
New Homes Bonus (Returned Funding)	0	0	0	0
Revenue Support Grant (RSG)	(135)	(145)	0	0
(Negative) Revenue Support Grant	0	0	1,280	1,315
Damping	0	0	(2,399)	(1,447)
Collection Fund - CT	2	0	0	0
Collection Fund - NNDR	0	0	0	0
<b>TOTAL Funding</b>	<b>(13,504)</b>	<b>(13,823)</b>	<b>(11,771)</b>	<b>(11,134)</b>
<b>Budget Gap / (Surplus)</b>	<b>871</b>	<b>206</b>	<b>1,822</b>	<b>3,025</b>

# ANNEX B MEDIUM TERM FINANCIAL STRATEGY



**COTSWOLD**  
DISTRICT COUNCIL

Financial Resilience Reserve forecast based on current MTFS	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Balance b/f	(3,290)	(2,419)	(2,213)	(391)
Use of Reserve	871	206	1,822	3,025
Addition to Reserve (BRP)				
<b>Balance c/f</b>	<b>(2,419)</b>	<b>(2,213)</b>	<b>(391)</b>	<b>0</b>
<b>Overdrawn Reserve balance c/f</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,635</b>

## ANNEX C – SAVINGS PLAN ITEMS



**COTSWOLD**  
DISTRICT COUNCIL

Savings and Transformation Plan	MTFS Period			
	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
<b>Contract Savings</b>				
Publica Savings	(250)	(406)	(763)	(763)
Ubico/ESIP Savings	(250)	(450)	(850)	(850)
	<b>(500)</b>	<b>(856)</b>	<b>(1,613)</b>	<b>(1,613)</b>
<b>Fees and Charges</b>				
Other Fees and Charges - Cost Recovery				
Pre App Planning	(35)	(35)	(35)	(35)
Public Conveniences	(26)	(26)	(26)	(26)
Cemeteries	(73)	(73)	(73)	(73)
Local Land Charges	(18)	(18)	(18)	(18)
Licensing	(7)	(7)	(7)	(7)
Street Naming/Priv Water/Food H&S	(7)	(7)	(7)	(7)
Animal Warden	(11)	(11)	(11)	(11)
Bins, Sacks and Containers	(3)	(3)	(3)	(3)
Bulky Waste Collection	(6)	(6)	(6)	(6)
Garden Waste - fee increase	(229)	(229)	(229)	(229)
<b>SUBTOTAL</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>	<b>(415)</b>
<b>Corporate Savings</b>				
LGPS - Secondary Rate (PIA) (Budget savings)	(139)	(335)	(531)	(531)
<b>SUBTOTAL</b>	<b>(139)</b>	<b>(335)</b>	<b>(531)</b>	<b>(531)</b>
<b>Expenditure Savings</b>				
Town and Parish election cost recovery	0	(6)	(9)	(9)
Remove permanent funding for Crowdfunding platform	(85)	(85)	(85)	(85)
Insurance Premium	(47)	(47)	(47)	(47)
Modernisation and digital transformation of Planning	0	(94)	(103)	(131)
Shared climate change, heritage and conservation team	0	(30)	(30)	(30)
Rationalisation of Postage	(20)	(20)	(20)	(20)
Rationalisation of MFDs (Multifunction Devices)	(25)	(25)	(25)	(25)
Google / MS 365 Procurement proposal	(10)	(25)	(25)	(25)
Publica Contract - Net change in Establishment	(67)	(67)	(67)	(67)
Visitor information centre funding reduction	(27)	(27)	(27)	(27)
Internal audit days reduction	(20)	(20)	(20)	(20)
Planning Appeals Budget	(40)	(40)	(40)	(40)
Recycling Budget Adjustments	(16)	(16)	(16)	(16)
Household Waste Budget adjustments	(9)	(9)	(9)	(9)
Recycling Credits	(90)	(90)	(90)	(90)
<b>SUBTOTAL</b>	<b>(456)</b>	<b>(601)</b>	<b>(613)</b>	<b>(641)</b>
<b>Additional Income</b>				
Trinity Road - Agile working	0	(151)	(151)	(151)
<b>SUBTOTAL</b>	<b>0</b>	<b>(151)</b>	<b>(151)</b>	<b>(151)</b>
<b>Savings Targets</b>				
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>(1,510)</b>	<b>(2,358)</b>	<b>(3,323)</b>	<b>(3,351)</b>



# ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2026/27



**COTSWOLD**  
DISTRICT COUNCIL

Capital Programme by Service Area	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	TOTAL Budget (£'000)
<b>Leisure and Communities</b>						
Replacement Leisure Equipment	380	0	0	0	500	880
Investment in Leisure Centres	0	1,200	0	0	0	1,200
CLC Pool Works	0	110	0	0	0	110
Government funded decarbonisation	7	27	0	0	0	34
Crowdfund Cotswold	41	50	50	50	50	241
	<b>428</b>	<b>1,387</b>	<b>50</b>	<b>50</b>	<b>550</b>	<b>2,465</b>
<b>Housing/Planning and Strategic Housing</b>						
Private Sector Housing Renewal Grant (DFG)	1,300	700	700	700	700	4,100
Affordable Housing-Stockwells MiM	550	0	0	0	0	550
Affordable Housing - Davies Road MiM (S106)	0	479	0	0	0	479
Affordable Housing - Davies Road MiM (S106) Env Improvements	0	102	0	0	0	102
Affordable Housing - Sunground Avening (S106)	333	0	0	0	0	333
Cottsway Housing Association Loan	200	2,600	0	0	0	2,800
Bromford Joint Venture Partnership	0	120	600	0	0	720
	<b>2,383</b>	<b>4,001</b>	<b>1,300</b>	<b>700</b>	<b>700</b>	<b>9,084</b>
<b>Environment</b>						
Waste & Recycling receptacles	55	55	55	55	55	275
Litter Bin Replacement	10	10	10	10	10	50
Replace/upgrade pay and display machines/upgrade	25	0	0	125	0	150
Provision for financing of Ubico Vehicles	198	1,646	46	187	3,550	5,627
Packers Leaze Depot - Flood prevention works	13	0	0	0	0	13
Electric Vehicle Charging Points	90	150	0	0	0	240
Car Park enforcement - vehicle purchase	0	45	0	0	0	45
Car Park improvements - Rissington Road	407	0	0	0	0	407
Public Toilets - Card Payment (bc)	0	50	0	0	0	50
Changing Places Toilets	163	0	0	0	0	163
	<b>961</b>	<b>1,956</b>	<b>111</b>	<b>377</b>	<b>3,615</b>	<b>7,020</b>

# ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2026/27



**COTSWOLD**  
DISTRICT COUNCIL

	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	TOTAL Budget (£'000)
<b>Capital Programme by Service Area</b>						
<b>ICT, Change and Customer Services</b>						
ICT Capital	70	150	150	150	150	670
Replacement of Idox and Uniform System	0	0	0	0	0	0
Planning Documents and Scanning Solution	0	200	0	0	0	200
	<b>70</b>	<b>350</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>870</b>
UK Rural Prosperity Fund Projects	0	191	573	0	0	764
UK Shared Prosperity Fund Projects	11	28	134	0	0	173
<b>Land, Legal and Property</b>						
Trinity Road Carbon Efficiency Works (Council March 2022)	370	0	0	0	0	370
Corporate Properties - Capital Works (Dyer Street)	146	0	0	0	0	146
Asset Management Strategy	0	500	0	0	0	500
	<b>516</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,016</b>
<b>Transformation and Investment</b>						
Tetbury Homeless Property (Cabinet May 2022)	1,441	0	0	0	0	1,441
Trinity Road Agile Working (Council March 2022)	69	1,126	0	0	0	1,195
Strategic Property Acquisition	0	4,360	0	0	0	4,360
	<b>1,510</b>	<b>5,486</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,996</b>
<b>TOTAL Capital Programme</b>	<b>5,879</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,388</b>

## Notes:

(bc) Subject to business case

## ANNEX D – CAPITAL PROGRAMME 2023/24 TO 2026/27



**COTSWOLD**  
DISTRICT COUNCIL

<b>Capital Financing Statement</b>	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>	<b>2025/26 Budget (£'000)</b>	<b>2026/27 Budget (£'000)</b>	<b>TOTAL Budget (£'000)</b>
Capital receipts	2,817	8,036	715	240	615	12,423
Capital Grants and Contributions	2,370	1,576	1,407	700	700	6,753
Earmarked Reserves	92	0	0	0	0	92
Revenue Contribution to Capital Outlay (RCCO)	70	150	150	150	150	670
Community Municipal Investments (CMI)	384	116	0	0	0	500
Prudential Borrowing	0	4,021	46	187	3,550	7,804
	<b>5,733</b>	<b>13,899</b>	<b>2,318</b>	<b>1,277</b>	<b>5,015</b>	<b>28,242</b>

This page is intentionally left blank



## **ANNUAL CAPITAL STRATEGY 2023/24**

### **1. STRATEGIC CONTEXT AND PURPOSE**

- 1.1** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook will have had a major impact on local communities and businesses within the District. The Council has a key role to play in terms of supporting these going forward while maintaining and improving Council services
- 1.2** Key drivers of the Council's capital investment programme bring together many aspects of the Council's services and financial planning. This is driven by the Corporate Plan which sets out the Council's drivers in the development and prioritisation of the capital proposals as described below:
- Responding to climate change, including providing electric vehicle charging points, securing investments in renewable energy and support local community led and community owned renewable energy projects;
  - Economic regeneration developments including attracting investment in infrastructure to support better broadband and 5G coverage and using our investments and assets to boost the local economy;
  - Providing socially rented homes by delivery of social rented and affordable accommodation across the District;
  - Maximising opportunities for income generation within projects that support the key priorities of the Council.
- 1.3** In previous years, the Council has been able to manage funding its capital programme through the use of capital receipts but external borrowing will underpin the planned developments in future years. The Council expects to fund the majority of its capital programme going forward largely from prudential borrowing and use of capital receipts. This discussed in more detail within Section 3 of this report.

### **2. CAPITAL RESOURCES AND FINANCING**

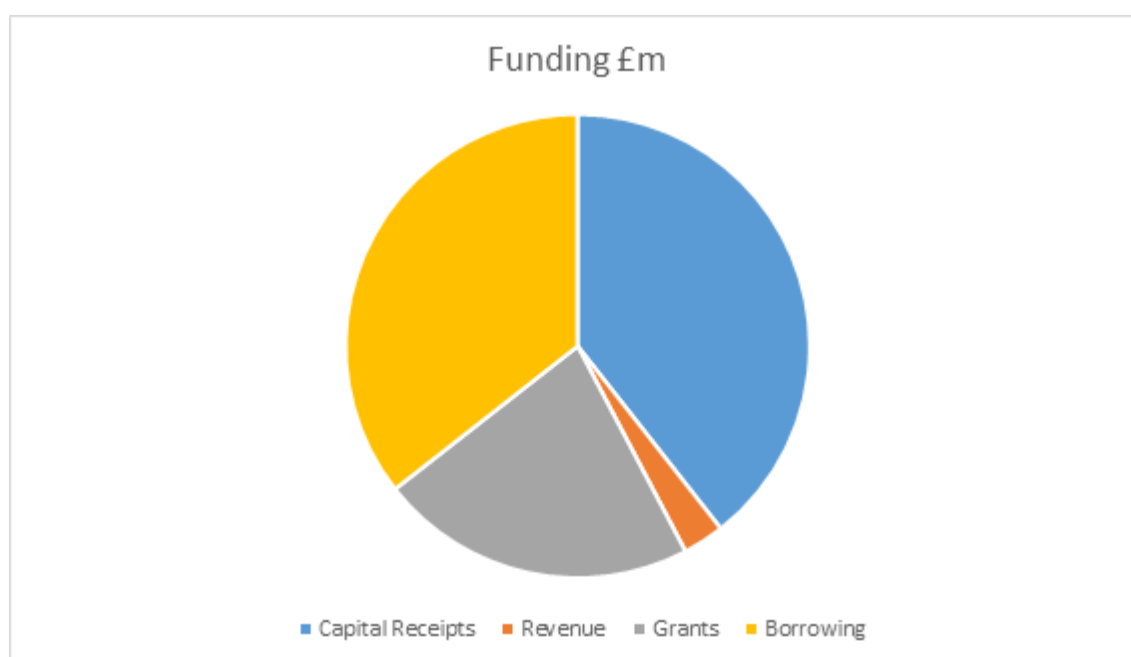
- 2.1** The capital programme is planned to be fully financed from a combination of existing resources, external grants and contributions, capital receipts, and an affordable level of borrowing. The Capital Strategy prioritises the use of external grants and funding where possible to support Council Plan priorities. Where included, capital receipts assumptions are



based on a prudent level of expected capital receipts from asset sales, loan repayments and other sources.

- 2.2** Resources of £22.5m have been identified to fund the four year capital programme from 2023/24 to 2026/27, with £7.3m of this being through prudential borrowing. The Council will ensure that any borrowing will be undertaken in accordance with the Prudential Code for local authority capital finance and within the framework and policies set out in this capital strategy.
- 2.3** Revised or additional capital budgets funded from corporate resources may be approved by Cabinet or Council, in accordance with the Council's Financial Rules. Additional prudential borrowing must be approved by full Council.
- 2.4** A breakdown of the resources utilised to fund the capital programme is shown in **Chart I** and **Table I** below:

**Chart I – Resources to fund the capital programme 2023/24 – 2026/27**



**Table I – Capital Financing**



	2021/22 Actual (£m)	2022/23 Forecast (£m)	2023/24 Budget (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)
<b>Specific Resources</b>						
Government Grants and contributions	2.1	2.4	1.9	1.4	0.7	0.7
Other specific Revenue resources	0.2	0.1	0.2	0.2	0.2	0.2
<b>SUBTOTAL Specific Resources</b>	<b>2.3</b>	<b>2.5</b>	<b>2.1</b>	<b>1.6</b>	<b>0.9</b>	<b>0.9</b>
<b>Corporate Resources</b>						
Debt	0.0	0.4	3.6	0.0	0.2	3.6
Capital Receipts	0.4	2.8	8.1	0.7	0.2	0.6
Earmarked Revenue Reserves	0.1	0.2	0.0	0.0	0.0	0.0
<b>SUBTOTAL Corporate Resources</b>	<b>0.5</b>	<b>3.4</b>	<b>11.8</b>	<b>0.8</b>	<b>0.4</b>	<b>4.2</b>
<b>TOTAL Resources</b>	<b>2.7</b>	<b>6.0</b>	<b>13.8</b>	<b>2.3</b>	<b>1.3</b>	<b>5.0</b>

### 3. CAPITAL EXPENDITURE

- 3.1** Capital expenditure is where the Council spends money on assets, such as land, property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are treated as operational expenditure and charged to the revenue budget. For details of the Council's policy on capitalisation, see the Council's accounting policy which are contained with the annual [Statement of Accounts 2021/22](#)
- 3.2** Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £13.8m in 2023/24 and £22.5m over the four year period to 2026/27 as summarised below in Table 2:

**Table 2 – Estimates of Capital Expenditure**

	2021/22 Actual (£m)	2022/23 Forecast (£m)	2023/24 Budget (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)
<b>Spend by Council Priority Area</b>						
Climate Emergency	1.3	0.5	2.9	0.6	0.0	0.0
Wellbeing	0.1	0.6	1.4	0.1	0.1	0.6
High quality services	0.3	0.8	2.6	0.3	0.5	3.8
Housing	0.9	3.9	1.3	0.7	0.7	0.7
Vibrant Economy	0.0	0.0	4.6	0.7	0.0	0.0
<b>SUBTOTAL Priority Areas</b>	<b>2.6</b>	<b>5.7</b>	<b>12.7</b>	<b>2.3</b>	<b>1.3</b>	<b>5.0</b>
Capital investments	0.0	0.2	1.1	0.0	0.0	0.0
<b>TOTAL</b>	<b>2.6</b>	<b>5.9</b>	<b>13.8</b>	<b>2.3</b>	<b>1.3</b>	<b>5.0</b>

- 3.3** New projects and priorities are identified through the Council's financial planning process and are added to the capital programme. Further detail on planned expenditure in each of the Council Priority areas is included within Annex D of the Medium Term Financial Strategy.



- 3.4** The Council manages capital risks through its business case appraisal and approval arrangements. Business cases are presented to the Capital Programme Investment Board for consideration before Cabinet or Council approval of expenditure. Capital programme expenditure and treasury management performance is regularly monitored and reported to Members at the Audit Committee, Overview and Scrutiny Committee and Cabinet in accordance with the Constitution. Capital risks have also been considered by the Chief Finance Officer as part of the annual report on the adequacy of Council reserves.



### 4. CAPITAL FINANCING – EXTERNAL RESOURCES

- 4.1 Where capital expenditure is funded from external resources such as grants and contributions the financing cost is nil.
- 4.2 The Council will continue to support the community through the allocation of Disabled Facilities Grant which is funded through a grant of approximately £0.7m per year.

### 5. CAPITAL FINANCING – INTERNAL RESOURCES

#### Financing from Capital Receipts

- 5.1 Capital receipts from the disposal of assets represent a finite funding source and it is important that a planned and structured approach to disposals is taken to support the corporate priorities of the Council. The Council's estate is managed through the Property Services Team.
- 5.2 **Asset management:** An updated asset management strategy, supported by detailed asset management plans, is being prepared. The strategy will help ensure that the Council's capital assets are maintained and developed and continue to contribute effectively to the delivery of the Council's services, support the local economy or provide income in line with expectations. Where there are opportunities to use assets more effectively to delivery Council Priorities, businesses cases are presented to the Cabinet or Council for approval.
- 5.3 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects for a further 3 years until 2024/25 (subject to guidance from Government). Repayments of capital grants, loans and investments also generate capital receipts.
- 5.4 All land and buildings which are surplus to existing use will be reviewed before any Council decision is made, to ensure the re-use or disposal of the asset provides best value in supporting the Council's objectives.
- 5.5 **Table 3** shows forecast of Capital Receipts over the medium-term.



Table 3: Capital receipts receivable in £m

Capital Receipts	2021/22 Actual (£m)	2022/23 Budget (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)
Asset sales*	0.9	0.6	0.2	0.2	0.2
Ubico Loans repaid for Vehicle purchase	0.8	0.9	0.9	0.9	0.9
Other Loans repaid	0.0	0.0	0.9	0.1	0.1
<b>TOTAL</b>	<b>1.7</b>	<b>1.5</b>	<b>2.0</b>	<b>1.2</b>	<b>1.2</b>

*\* Asset sale receipts includes receipts from “Right to Buy” asset disposals from Bromford Housing Association.*

- 5.6 There are no significant asset disposals planned between 2022/23 and 2025/26. Asset sales in 2022/23 includes receipt of £0.3m from sale of the Cotswold Club.
- 5.7 The Council’s Audit Committee receives information on the Council’s asset portfolio as part of consideration of the financial statements.

#### Financing from Earmarked Reserves

- 5.8 The Council’s earmarked reserves will be funding the following capital programme projects:

Table 4: Capital Programme Funded by earmarked reserves

Reserve Funding	2022/23 Budget (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)
Service Improvements	0.1	0.0	0.0	0.0
Investment	0.1	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 6. CAPITAL FINANCING – DEBT AND TREASURY MANAGEMENT

- 6.1 Local authorities are required by law to set an overall limit on their debt outstanding, including loans and other long term liabilities. This ‘prudential limit’ may not be exceeded, so the Council’s proposed limit allows for risks, uncertainties, and potential changes during the year which may need to be accommodated within this overall limit. The outstanding borrowing for the Council after use of internal resources (such as capital receipts or revenue reserves) is outlined in **Table 1**.
- 6.2 The Council’s debt liabilities and its investments arising from day-to-day cash flows need careful management in order to manage the costs and risks. This is the subject of the Council’s Treasury Management Strategy and Policies.



- 6.3 The Council has a low to moderate appetite for taking financial risk and this is reflected in this Capital Strategy. Treasury Management risks are managed through the Treasury Management Strategy and Policy.

#### Borrowing Strategy

- 6.4 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility to adapt to changes in the future. These objectives are often conflicting, and the Council will therefore seek to strike a balance between lower-cost short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 6.5 Local Authorities must not borrow more than or in advance on their needs purely in order to profit from the investment of extra sums borrowed. The Council plans to borrow in 2024/25 to invest in new capital schemes. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.
- 6.6 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 6.7 The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that debt should remain below the CFR, except in the short term. The CFR for each financial year is set out in Table 5 below, and shows that the estimated borrowing complies with this.

**Table 5 – Capital Financing Requirement by General Fund services (Council Priorities) and Capital Investments**

	<b>2021/22 Actual (£m)</b>	<b>2022/23 Budget (£m)</b>	<b>2023/24 Forecast (£m)</b>	<b>2024/25 Forecast (£m)</b>	<b>2025/26 Forecast (£m)</b>
<b>Capital Financing Requirement</b>					
Investment in Council Priorities	0.0	0.4	2.9	2.8	2.6
Capital Investments	0.0	0.0	0.0	0.0	0.0
<b>TOTAL CFR</b>	<b>0.0</b>	<b>0.4</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>

#### Liability Benchmark

- 6.8 To compare the Council's estimated borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £13m at each year-end. The liability benchmark is currently -£4m and is forecast to rise to £2.5m over the next three years.
- 6.9 Table 6 below shows that the Authority expects to remain borrowed above its liability benchmark. This is because a deliberate decision was made to borrow additional sums through a Community Municipal Investment to give local people a chance to invest in a cleaner, greener, healthier future for the Cotswolds.



### Affordable Borrowing Limit

- 6.10 The Council is also legally obliged to set an affordable borrowing limit (also known as 'authorised limit for external debt'. In line with statutory guidance, a lower 'operational boundary' is also set as a warning level should debt approach the limit.

**Table 6 - Forecast Debt and Prudential Indicators**

	Actual as at 31/03/2022 (£m)	Forecast to 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)
Outstanding borrowing / Debt / Internal Borrowing	0.00	0.40	2.90	2.80	2.60
Capital Financing Requirement	0.02	0.40	2.90	2.80	2.70
Liability benchmark	(18.10)	(4.00)	(0.10)	2.50	0.80
Authorised limit	10.00	8.00	10.00	10.00	10.00
Operational boundary	5.00	3.00	10.00	10.00	10.00

- 6.11 The Council's full MRP statement is included as Appendix I-A and is also mirrored in the Annual Treasury Management Strategy.

### Revenue Budget Implications

- 6.12 Although capital expenditure is not charged directly to revenue, the interest payable on loans and provision for repayment of loans (MRP) will be. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. This charge is known as financing costs. The proportion of financing costs to net revenue stream, i.e. the amount funded from Council Tax, Business Rates and General Government Grants is shown in Table 7.

**Table 7 – Financing costs as a proportion of revenue (£m)**

Financing costs	Actual as at 31/03/2022	Forecast to 31/03/2023	Forecast to 31/03/2024	Forecast to 31/03/2025	Forecast to 31/03/2026
Financing costs (£m)	0.000	0.006	0.115	0.251	0.257
Proportion of net revenue stream	0.00%	0.05%	0.85%	1.84%	2.31%

- 6.13 The funding available from Government from 2024/25 onwards is very uncertain due to changes due to be implemented to local government funding. The proportion indicator should therefore be treated as highly indicative.
- 6.14 Further details on the revenue implications of capital expenditure are included in the 2023/24 revenue budget.

Sustainability

- 6.15 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the net budget demand on the Council and the risks within the programme have been reviewed and are within the Council's risk appetite and tolerances.

## 7. TREASURY MANAGEMENT

- 7.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 7.2 Due to decisions taken in the past, the Authority currently has £0.5m borrowing at an average interest rate of 2.2% and £47.2m treasury investments at an average rate of 2.29%.
- 7.3 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 7.4 The Authority's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

**Table 8 – Treasury management investments (£m)**

Treasury Management Investments	Actual as at 31/03/2022 (£m)	Forecast to 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)
Near-term investments	20.4	5.8	4.1	2.6	2.6
Longer-term investments	12.5	12.5	12.5	12.5	12.5
<b>TOTAL</b>	<b>32.9</b>	<b>18.3</b>	<b>16.6</b>	<b>15.1</b>	<b>15.1</b>



- 7.5 Further details on treasury investments are included in Section 4 of the Treasury Management Strategy
- 7.6 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included within Table 4a and Section 7 of the Treasury Management Strategy
- 7.7 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Audit Committee and then Council. The Audit committee is responsible for scrutinising treasury management decisions.
8. INVESTMENTS FOR SERVICE PURPOSES
- 8.1 The Council makes investments to assist local public services, including making loans to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Total investments for service purposes are currently valued at £0.5m with the largest being a loan balance to a local charity of £0.3m, providing a net return after all costs of 2%.
- 8.2 **Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even or generate a small profit after all costs. A limit of £4.6m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 8.3 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The Chief Finance Officer is responsible for ensuring that adequate due diligence is carried out before investment is made. At this time, independent advice may be sought from organisations such as Arlingclose as Treasury Advisors.
- 8.4 Further details on service investments are in Sections 3 and 4 of the Annual Non-Treasury Investment Strategy:



## 9. COMMERCIAL ACTIVITIES

- 9.1** Commercial investments or activities are those the Council invests in purely for financial gain. With Government financial support for local public services declining, the Authority has invested in commercial property purely or mainly for financial gain. Total commercial property investments are currently valued at £5.9m, with the largest being £1.419m (Cirencester town centre property leased as retail units) at 31 March 2022 providing a net return after all costs of 8.0%.
- 9.2** With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include: vacancy periods (voids) between tenants, cost of material repairs to property, risk of fire or flood damage. These risk are managed by: acquiring properties with long leases and with tenants with a strong covenant and insuring the property. In the longer term, the changing nature of the high street for retail occupants may require the Council to review its commercial property holdings. These risks are managed by the Council's Property Services Team. The Council also has a Corporate Risk Register which is reported quarterly to the Council's Audit Committee and includes any significant risks arising from commercial investments. In order that commercial investments remain proportionate to the size of the authority, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services, these are subject to an overall maximum investment limit of £10m.
- 9.3** Decisions of commercial investments are made by the Council in line with the criteria and limits approved by Council in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the Capital Programme. The Chief Finance Officer for ensuring that adequate due diligence is carried out before an investment is made.
- 9.4** Further details on commercial investments and limits on their use are included in Section 5 of the Investment Strategy.

**Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream**

<b>PI: Net Revenue Stream</b>	<b>2021/22 Actual</b>	<b>2022/23 Budget</b>	<b>2023/24 Forecast</b>	<b>2024/25 Forecast</b>	<b>2025/26 Forecast</b>
Total net income from service and commercial investments (£m)	0.51	0.47	0.56	0.59	0.60
Proportion of net revenue stream	3.69%	3.72%	4.17%	4.34%	5.39%



### 10. GOVERNANCE

- 10.1** The CIPFA Prudential Code expects local authorities to consider and approve a number of 'prudential indicators'. These relate to the capital programme generally as well as borrowing, and are set out in the sections above.
- 10.2** The Council will use borrowing in accordance with the CIPFA 'Prudential' system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint. Prudential borrowing is an important way to fund the Council's own priorities where external funding cannot be obtained. The Council sets and monitors prudential indicators to manage its debt exposures.
- 10.3** In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e. MRP).
- 10.4** The Council is mindful of Government and CIPFA advice that commercial investments including property must be proportionate to the resources of the authority. The Council is not currently planning any investments primarily for yield. All service and commercial investments will have regard to the guidance and lending terms issued by HM Treasury.
- 10.5** The arrangements for realising investments and managing liquidity risk will depend on the purpose and nature of the investment in each case. Where investments have been made to support service purposes and have been funded from cash resources, there is not a funding pressure to have an investment exit route in place. Where investments are funded by borrowing, the Council's MRP Policy sets out the arrangements to repay debt without resorting to a sale of the investments.
- 10.6** Financial and property investment decision making will follow the Council's Business Case governance requirements, with particular attention to expert due diligence, robust financial appraisal and taking external advice in consultation with the Chief Finance Officer. New investments must reflect the Council's core priorities and must be agreed by the Chief Finance Officer before presentation of any Council decision report.
- 10.7** Decisions on incurring new discretionary liabilities are taken by the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by finance and reported quarterly to Cabinet.
- 10.8** Advisers will be used where necessary to ensure that the Council is provided with sufficient skills and understanding to support robust decision making. In particular, the Council's treasury management adviser (Arlingclose) can provide support in relation to financial investments.



- 10.9** Officer and Member training will be available through the Council's treasury advisers. Information relevant to investment decisions will form part of Council decision reports to members. Due diligence requirements for investments will ensure that officers are aware of the core principles of the prudential framework and local authority regulatory requirements. These arrangements will support the capacity, skills and culture of the Council in making and managing investments for service and commercial purposes

## **11. MANAGEMENT OF THE CAPITAL PROGRAMME**

- 11.1** In the above context of needs and resources, the Council has developed policies and high level processes to ensure the effective management of capital. This will be overseen by the Council through strong governance and assurance processes for capital planning, capital appraisal and approval, project management, and capital monitoring and review.
- 11.2** Service managers contribute annually, in the autumn, to the Council's revenue budget and capital programme. The Finance Team collates proposed changes to the Capital Programme for consideration by the Cabinet as part of the Council's budget setting process. The financing cost (which can be nil for projects funded from Council resources or external grants) is included in the Medium Term Financial Strategy and detailed budgets for the forthcoming financial year. The Council's Overview and Scrutiny Committee considers both the Medium Term Financial Strategy and the detailed budget. The comments of the Overview and Scrutiny Committee are reported to Cabinet when the Medium Term Financial Strategy and detailed budget proposals are considered. Cabinet recommends the final Capital Programme and revenue budgets to Council in February each year.
- 11.3** The Council has established a Capital Programme Investment Board which considers business cases for projects which support the priorities of the Council. Once the Board has considered business cases the Cabinet and/or Council will consider the views of the Board when approval is sought to access capital funding.
- 11.4** For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2023.
- 11.5** All use of capital resources, including capital receipts, will be prioritised across the Council as a whole in relation to the Council's key priorities.
- 11.6** The Council's MTFs sets out the financial challenges and risks which the Council is currently managing. The Council's risk appetite is moving from low to moderate and Members are prepared to consider investments with a moderate level of risk for which there is an appropriate level of financial return. A combination of the Chief Finance Officer, the Council's Legal Team, Public Finance, Group Manager and Strategic Director staff will support Council



Member governance structures in ensuring that where risks are taken, they are fully understood and proactively managed.

- 11.7** The staff responsible for making capital expenditure, borrowing and investment decisions are professionally qualified and experienced. Use is also made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors and other specialist advisors to support on specific transactions as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to the relevant skills and knowledge when required.
- 11.8** In-year revised or additional capital budgets may be approved by Cabinet or Council. The Financial Rules set out the decision making process for approving additional in-year capital budgets. The Council will decide upon changes to the prudential borrowing limits.

## ANNUAL MINIMUM REVENUE PROVISION STATEMENT

### I. MRP STATEMENT 2023/24

- I.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- I.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- I.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- I.4 For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- I.5 For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- I.6 Where former operating leases have been brought onto the balance sheet on 01 April 2023 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard
- I.7 Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead.

- 1.8** At the commencement of 2022/23 the Council had, a Capital Financing Requirement (CFR) of £0m in relation to a specific elements of capital expenditure incurred in the previous financial year (2021/22). The Council has incurred further capital expenditure in 2022/23 and has undertaken borrowing via a Community Municipal Investment (CMI). Further expenditure in 2023/24 will result in the need to engage in an element of Prudential borrowing to achieve total financing of its capital programme. Borrowing undertaken in 2022/23 through the CMI will require MRP to be charged to the Council's General Fund Revenue Account in 2023/24 and future years.
- 1.9** Capital expenditure incurred during 2023/24 will not be subject to MRP charge until 2024/25.
- 1.10** Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the MRP budget for 2023/24 has been set at (£0.017m).
- 1.11** Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.



## ANNUAL TREASURY INVESTEMENT STRATEGY 2023/24

### I. INTRODUCTION

- I.1 This report sets out the Treasury Management Strategy and policy for 2023/24. It includes: the interest rate outlook, the Council's treasury management arrangements for the year and the overall framework and risk management controls which are used in carrying out the Council's borrowing, lending and other treasury activities.
- I.2 The Council's treasury management objectives and activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:
- "The management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- I.3 Effective treasury management will provide support towards the achievement of the Council's business and service objectives. The Council is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- I.4 This Treasury Strategy forms part of the overall Corporate Planning Framework which complies with the statutory requirement to have regard to the following Codes and Guidance:
- CIPFA's **Code of Practice for Treasury Management in the Public Services** (revised December 2017 and 2021 code)
  - CIPFA's **Prudential Code for Local Authority Capital Finance** (revised December 2017 and 2021 code)
  - Government Guidance on **Local Authority Investments**
- I.5 It provides a mechanism by which treasury management decisions can be aligned with the overarching corporate priorities and objectives over the medium term.
- I.6 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- I.7 A detailed assessment of the current economic background and the forecast impact on credit and interest rates has been provided by the Council's Treasury Management advisors, Arlingclose. This is included as **Appendices I-A and I-B** to this Strategy.



### 2. PURPOSE OF TREASURY MANAGEMENT

2.1 The 2023/24 Treasury Management Strategy has been developed with the following key aims:

- To outline how the Council will manage and invest its money to ensure it will have the financial resources to support the key priorities outlined in its Corporate Strategy.
- To set out key principles on which borrowing and investment decisions are made, including how security and risk are assessed.
- To present the arrangements for managing and monitoring treasury management decisions, including assessment of outcomes and the alignment to the Corporate Strategy.

### 3. PURPOSE OF TREASURY MANAGEMENT

3.1 The Council's objectives in relation to debt and investment can be stated as follows:

*"To assist the achievement of the Council's service objectives by obtaining funding and managing the Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."*

3.2 The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

3.4 Therefore, for the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.

3.5 It is not possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:

- Interest rate risk - the risk that future borrowing costs rise
- Credit risk - the risk of default in a Council investment
- Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed



- 3.6 The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI) which targeted a £0.500m fundraise closed on the 16 August 2022, fully funded by over 450 investors. As at 1 January 2023 the Council therefore holds a £0.500m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments at a rate of 2.2% (including management fees). The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCs) around the District to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.
- 3.7 If the Council undertakes further borrowing it will be important for the Council to manage its interest rate exposure due to the risk that changes in the level of interest rates leads to an unexpected burden on the Council's finances. The stability of the Council's interest costs will be affected by the level of borrowing exposed to short term or variable interest rates. Short term interest rates are typically lower, so there can be a trade-off between achieving the lowest rates in the short term and in the long term, and between short term savings and long term budget stability.
- 3.8 As a result, the approach to risk must be implemented flexibly in the light of changing market circumstances.

#### 4. WHY AND HOW WE INVEST OUR MONEY

- 4.1 The revised CIPFA Prudential and Treasury Codes recommend that authorities' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local authority investment:
- **Treasury management investments**, which are taken to manage cash flows and as part of the Council's debt and financing activity
  - **Commercial investments** (including investment properties), which are taken mainly to earn a positive net financial return
  - **Service investments**, which are taken mainly to support service outcomes
- 4.2 The Council's Investment Strategy outlines the principles and arrangements in place for the second two categories of investment. The Treasury Management Strategy focuses on the first category. The following paragraphs set out the Council's policy for these 'treasury management' investments.
- 4.3 The Council holds significant 'treasury management' funds representing income received in advance of expenditure and reserves held. In the past 12 months, the Council's investment balance has averaged from £26m to £47m. The large range was due to the Council holding grants that were due to be returned to the Government. The average forecast investment balance for 2023/24 is estimated to be around £19.8m.



- 4.4 On 30 November 2022, the Council held £47.235m of treasury investments which are outlined in Table 1.

**Table 1 – Treasury investments as at 30 November 2022**

Treasury Investments	30 <sup>th</sup> November Actual Portfolio £m	30 <sup>th</sup> November Average Rate %
Money Market Funds/Call Accounts and other pooled funds	8.735	1.34
Short Term Investments – Bank of England DMADF	23.00	1.62
Short Term Investments – Bank deposit (Santander)	3.00	3.26
CCLA Property Investment Management	2.500	3.86
CCLA Diversified Income	1.000	3.09
Schroders Unit Trusts Ltd	1.000	7.91
M&G Securities Ltd	2.000	5.75
Ninety One (formerly Investec)	2.000	4.09
Columbia Threadneedle Fund	2.000	3.68
Federated Cash Plus Fund	1.000	0.01
Fundamentum Housing REIT	1.000	2.80
<b>Total treasury investments</b>	<b>47.235</b>	<b>2.29</b>

- 4.5 Forecast investments over the next three financial years are shown in Table 2.

**Table 2 – Investments balances**

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
<b>Short term holdings</b>					
Call Accounts	6.093	0	0	0	0
MMFs	8.703	5.685	4.000	2.500	2.500
Short Term Deposits	5.500	0.000	0.000	0.000	0.000
Current Account	0.126	0.100	0.100	0.100	0.100
<b>Total Short term</b>	<b>20.422</b>	<b>5.785</b>	<b>4.100</b>	<b>2.600</b>	<b>2.600</b>
<b>Longer term holdings</b>					
Pooled Funds	10.500	10.500	10.500	10.500	10.500
REIT	1.000	1.000	1.000	1.000	1.000
Cash + Fund	1.000	1.000	1.000	1.000	1.000
<b>Total Longer term</b>	<b>12.500</b>	<b>12.500</b>	<b>12.500</b>	<b>12.500</b>	<b>12.500</b>
<b>TOTAL INVESTMENTS</b>	<b>32.922</b>	<b>18.280</b>	<b>16.600</b>	<b>15.100</b>	<b>15.100</b>



- 4.6** The Council's policy on treasury investments, in line with the CIPFA code, is to prioritise security and liquidity over yield. This focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely to minimise risk of loss. Money held for the longer term is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both short term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy. The Council is also able to request the return of its funding at short notice with these pooled funds. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing inflation rate, in order to maintain the spending power of the sum invested.
- 4.7** Due to the continuing effects of the coronavirus pandemic, councils experienced increased levels of cash during 2022/23, mostly due to grant income that Central Government provided to the Council as it looked to use local authorities to continue to support local populations in dealing with the financial impact of the pandemic. Toward the latter end of 2022/23 grant surpluses are being repaid reducing the cash available for investment significantly for 2023/24.
- 4.8** As a result of unprecedented economic times; the war in Ukraine, the fuel crisis and the political upheaval in September, the Bank of England Base Rate has risen from 0.75% to 3.50% in the short period to December 2022. This was done primarily to impact inflation that reached a peak of 11.1% in October, and regain financial stability and confidence in the market that arose from the Liz Truss mini budget. This meant that the Council was able to take advantage of higher than expected interest rates to increase income to support key priorities. Interest rates are expected to increase again but then remain at a peak for the majority of 2023/24 before reducing.
- 4.9** Under Financial Reporting Standards (IFRS 9), the accounting for certain investments depends on the Council's business model for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.10** The Council will continue to make deposits only with institutions having high credit quality as set out in the Lending Criteria table below. These limits have been set by the Council in consultation with Arlingclose, the Council's Treasury advisors in Table 3. Further explanation of each of the categories in Table 3 are included as Appendix I-B.



Table 3 – Lending Criteria

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m
Other investments *	5 years	£1m-£3m	£10m

*\* investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*

- 4.11** Treasury investments will only be made with entities whose lowest published long term credit rating is no lower than an A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely on credit ratings, and all other relevant factors including external advice will be taken into account.
- 4.12** Money may be lent to the Council's own banker (Lloyds Banking Group), in accordance with the above lending limits. However, if Lloyds Bank does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.
- 4.13** Credit rating methodologies and credit limit requirements may change as the circumstances demand: in this event the Chief Finance Officer may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.
- 4.14** Temporarily surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12 months is envisaged, it may be appropriate to include some longer term (non-specified) investments within a balanced risk portfolio.
- 4.15** In making investments in accordance with the criteria set out in this section, the Chief Finance Officer will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will usually earn less than riskier ones.

- 4.16** The Council does not currently use investment managers (other than through the use of pooled investment vehicles such as Money Market Funds). However, if investment managers are appointed, their lending of Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Chief Finance Officer.
- 4.17** The Council seeks to be a responsible investor. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore this policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

## **5. HOW WE BORROW MONEY**

- 5.1** As outlined in paragraph 3.6 at 01 January 2023, the Council holds a £0.5m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments. There are plans to borrow in the future to fund the Capital Programme. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The net borrowing can be reduced from this total through the use of reserves and working capital.
- 5.2** CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the following three years. Table 4 shows that the Authority expects to comply with this recommendation during 2023/24.
- 5.3** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing, see Table 4a. This assumes that cash and investment balances are kept to a minimum level of £13m at year end to maintain sufficient liquidity but minimise credit risk.
- 5.4** The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.



- 5.5 The total forecast net borrowing against the CFR and liability benchmark is set out in the Table 4 and Table 4a below for the period of the Medium Term Financial Strategy.

Table 4 - Forecast Borrowing Requirement £m

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
CFR	0.0	0.5	2.9	2.8	2.6
Less Outstanding External Borrowing	0	-0.5	-0.4	-0.3	-0.2
<b>Internal Borrowing</b>	<b>0.0</b>	<b>0</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>
Usable reserves	25.677	16.8	13.2	10.3	12
Working capital	7.42	2.7	2.9	2.9	2.9
<b>Investments</b>	<b>33.1</b>	<b>19.5</b>	<b>13.5</b>	<b>10.7</b>	<b>12.4</b>

Table 4a – Prudential Indicator: Liability Benchmark £m

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
CFR	0.0	0.5	2.9	2.8	2.6
Less Balance Sheet Resources	-33.10	-19.5	-16.1	-13.2	-14.9
<b>Net Loans Requirement</b>	<b>-33.10</b>	<b>-19.0</b>	<b>-13.1</b>	<b>-10.5</b>	<b>-12.2</b>
Plus Liquidity Allowance	15.0	15.0	13.0	13.0	13.0
<b>Liability Benchmark</b>	<b>-18.1</b>	<b>-4.0</b>	<b>-0.1</b>	<b>2.5</b>	<b>0.8</b>

- 5.6 This benchmark is currently £-4.0 million, reflecting the fact that there is no requirement to undertake external borrowing and its cash balances are invested through application of the Treasury Management Strategy. Over the next two years, the liability benchmark moves to £2.5 million reflecting a use of capital receipts and earmarked reserves to partially fund the Capital Programme and need to externally borrow as represented in table 4.

#### Borrowing Strategy

- 5.7 This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long term borrowing.
- 5.8 The borrowing will be required to fund significant investments into the Council's key priorities as outlined in the Corporate Strategy. The key priorities are outlined below:
- Priority 1 – delivering our services to the highest standard
  - Priority 2 – responding to the challenges presented by the climate crisis
  - Priority 3 – providing good quality social rented homes
  - Priority 4 – presenting a local plan that is green to the core



- Priority 5 – helping residents and communities access the support they need for good health and wellbeing
- Priority 6 – enabling a vibrant economy.

- 5.9 The Council's main objective when borrowing money is to strike a balance between securing low interest rates and certainty of costs over the period for which funds are required.
- 5.10 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. With short-term interest rates being currently similar to long-term rates, it is likely to be more cost effective in the short term to use internal resources or to borrow short term loans until interest rates decrease and then look at longer term loans.
- 5.11 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of doing this will be monitored regularly against the potential for incurring additional costs by deferring borrowing into the future when long term borrowing rates are forecast to rise modestly, even if this causes additional cost in the short term.
- 5.12 The Council may also borrow short term loans to cover unplanned cash flow shortages.

#### Sources of Borrowing

- 5.13 The main source of long term borrowing for local authorities historically has been the **Public Works Loans Board (PWLB)**. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken any PWLB borrowing to fund commercial investments for yield and does not plan to do this in the future in order to retain access to PWLB loans. All capital investments are linked to service developments. The PWLB rate offers a cheaper and quicker route to borrowing than alternative sources of borrowing. The Council would thus aim to use the PWLB for its long term borrowing needs. In addition it is uncertain how private sector lenders would view the risk profile for councils that were no longer eligible for PWLB loans.
- 5.14 The **UK Municipal Bonds Agency Plc** was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital market and lends proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons; borrowing authorities are required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and Full Council.
- 5.15 **LOBOs**: The Council currently does not hold any LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at



set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

- 5.16 Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators.
- 5.17 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
- 5.18 Local Climate Bonds /Community Municipal Investments** are a form of debt/loan-based crowdfunding. Community Bonds are issued by a council corporate body, with residents and general public investors providing capital on the basis of receiving a financial return. The majority of community bonds are typically linked in some form to environmental or social criteria and provide tangible benefit to the local community beyond just financial. Details of the Council's Community Municipal Investment are outlined in paragraph 3.6.
- 5.19** The Council will continue to monitor market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others and sale and leaseback arrangements.
- 5.20** The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Section 7.
- 5.21** The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Chief Finance Officer in accordance with treasury management delegations.

## **6. MONITORING TREASURY MANAGEMENT INVESTMENTS**

- 6.1** CIPFA guidance for Treasury Management in the Public Services (2017 edition), requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.
- 6.2** The guidance also requires the Council to produce reports on its treasury and investment management policies, practices and activities, as a minimum with a mid-term review and an annual report after year end closure.

- 6.3** The Council delegates responsibility for the implementation and regular monitoring of its treasury management practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with this strategy. The Audit Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 6.4** Credit ratings are monitored on a real-time basis as provided via Arlingclose, and the Council's lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.
- 6.5** Where deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt management Office or invested in government treasury bills or other local authorities, as decided by the Chief Finance Officer.
- 6.6** In order to monitor this, the Council has set the following cash limits on the credit quality of the investments in Table 5.

**Table 5 – Approved investment counterparties and limits**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	3 years	£3m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m

Sector	Time limit	Counterparty limit	Sector limit
Other investments *	3 years	£1m-£3m	£10m

*\* Investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*

- 6.7** The Council's revenue reserves available to cover investment losses are forecast to be £3.5m on 31 March 2023. In order to ensure that no more than a maximum of available reserves of 25% are therefore put at risk in the case of single default (other than the UK Government), the total lending limit will be £3m. A group of banks under the same ownership will be treated as a single organisation. Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as in Table 6 below. Investments in pooled funds and multilateral development banks do not count against the limit for a single foreign currency, as the risk is spread over many countries.

**Table 6 – Cash Limit by Organisation**

Table 6 – Cash Limits	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£4m per fund manager
Foreign countries	£3m per country
Registered providers	£3m in total
Real estate investment trusts	£3m per REIT
Unsecured investments with building societies	£2m in total per BS
Money Market Funds	£20m in total

- 6.8** The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's MTFS and cash flow forecast.
- 6.9** The Treasury Management team has suitably qualified and trained staff to actively manage treasury risks within this Policy framework. Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example require external advice and support based on an assessment at the time, to the extent that skills and resources are available:
- the refinancing of existing debt



- forward-starting loans
- leasing and hire purchase
- use of innovative or more complex sources of funding such as green bond issues, private placements and sale and leaseback structures
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

**6.10** The Council appointed Arlingclose Limited to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisors are a useful support in view of the size of the Council's transactions and the pressures on staff time. The contract with Arlingclose is due to expire in 2022/23 and an invitation to tender has been issued. A new contract will be in place at 01 March 2023 with our existing advisor or with a new treasury management advisor.

**6.11** Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £13m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme or to meet other expected cash flows.

## 7. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

**7.1** The Council is required under the Local Government Act 2003 and the CIPFA Treasury Management Code to set Prudential Indicators for treasury management to measure and manage its exposure to treasury management risk using the following indicators:

**7.2 Security** – The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA=2 etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit	A-

**7.3 Interest Rate exposures** – This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one year impact of a 1% rise or fall in interest rates will be:



Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-£0.05m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.05m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

- 7.4 Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 30 years	100%	0%
30 years and above	100%	0%

- 7.5** Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 7.6 Long term treasury management investments** – The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities for longer than a year will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested for longer than a year.	£15m	£15m	£15m
Amounts invested in longer term instruments with no fixed maturity date	£15m	£15m	£15m

## 8. TREASURY MANAGEMENT REVENUE BUDGET

- 8.1** The budget for investment income in 2023/24 is £0.719m, based on an average investment portfolio of £18.8m at an interest rate of 3.81%.
- 8.2** The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.433m.



- 8.3** Investments in liquid assets such as bank deposits and money market funds are expected to return 3.8% and generate a yield of £0.286m.
- 8.4** This estimate reflects a prudent view of investment income. Actual interest income will be affected not only by future interest rates, but also by the Council's cash flows and the level of its revenue reserves and provisions.
- 9. OTHER**
- 9.1** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 9.2** The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 9.3** In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 9.4** MiFID II is a legislative framework instituted by the European Union to regulate the financial markets and improve protections for investors. This Council has elected for Professional Client Status which means that to be able to invest in certain investments, it must hold a minimum of £10m in investments. If this falls below the minimum level then access to certain financial market instruments could be made unavailable to this Council.



### **Arlingclose Economic and Interest Rate Forecast (November 2022)**

The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7 2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy grew by 0.2% between April and June 2022, but the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.



### **Credit outlook:**

Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ring-fenced (retail) and non-ring-fenced (investment) banking entities once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

### **Interest rate forecast:**

The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

**A more detailed economic and interest rate forecast provided by Arlingclose is attached as Appendix I-B.**



### **Arlingclose Underlying Assumptions (November 2022)**

UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.

Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.

The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.

The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.

Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.

Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.

However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

#### **Forecast:**

The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.

Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.



Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>10yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>20yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%



### Criteria Definitions

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for



withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

**Operational bank accounts:** The Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Council's intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

**Policy Investments:** The Council will provide cash flow for third party organisations linked to the Council. The following limit is set for 2023/24:

- Publica Group - £0.5m up to one year duration
- Ubico - £0.5m up to one year duration



## ANNUAL NON-TREASURY INVESTMENT STRATEGY 2023/24

### 1. INTRODUCTION

- 1.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
  - to support local public services by lending to or buying shares in other organisations (service investments), and
  - to earn investment income (known as commercial investments where this is the main purpose).
- 1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

### 2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure as a Council Tax 'billing authority' it collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £12m and £21m during the 2023/24 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 2.3 **Further details:** Full details of the Authority's policies and its plan for 2023/24 for Treasury Management investments are covered in a separate document, the Treasury Management Strategy, available here: [\[link\]](#).

### 3. SERVICE INVESTMENTS: LOANS

- 3.1 **Contribution:** The Council lends money to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral



development and infrastructure. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative.

In the last quarter of 2022/23 the Council plans to lend £2.6m short term and £1.897m over 50 years) to a local Housing Association which supports the Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure

- 3.2 Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

*Table 1: Loans for service purposes in £*

Category of borrower	31.3.2022 actual			2023/24
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	390,160	0	390,160	450,000
Housing associations	315,500	0	31,500	3,000,000
Loans to Ubico (£500,000) or Publica (£500,000)	0	0	0	1,000,000
Local residents (equity loans)	111,012	0	111,012	130,000
Employees (car loans)	7,970	0	7,970	10,000
<b>TOTAL</b>	<b>540,642</b>	<b>0</b>	<b>540,642</b>	<b>4,590,000</b>

- 3.3** Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans the Council has made are limited to specific service areas and the likelihood of non-payment is considered minimal. There is no history of non-payment and no evidence to suggest that there will be any default against loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default, then the risk will be assessed and a provision established at that time. Should a loan default, the Authority will make every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.4** In addition to the loans granted, the Council has included provision in its Treasury Management Strategy to loan up to £0.500m to both Ubico and Publica Group (Support) Limited, should either company require support. The Council is a shareholder in Ubico and a shared owner in Publica. In both cases, the loan facility is to enable the Council to provide a loan for short-term cash flow purposes. No loans are currently in place.



- 3.5 Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring the appropriate legal documentation is in place to secure the Council's money.

#### 4. SERVICE INVESTMENTS: SHARES

- 4.1 Contribution:** The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council. Ubico is wholly owned by eight local authorities and operates as a not for profit enterprise.
- 4.2 Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council's investment is fixed at £1.

*Table 2: Shares held for service purposes in £*

Category of company	31.3.2022 actual			2023/24
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local authority owned company	1	-	1	1
<b>TOTAL</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>

- 4.3 Risk assessment:** the Council has not invested in Ubico to generate a financial return. The Council has invested to support service delivery. Ubico is a cost sharing company, any surplus generated within Ubico is returned to the partner Councils as shareholders. Similarly, any deficit as to be met by the Councils. Through regular budget monitoring and transparency around contract sums and performance and regulator communication, the risk of any financial loss is mitigated.
- 4.4 Liquidity:** The Council has invested purely to facilitate service provision rather than a financial return. The Council has no intention to dispose of its investment in the foreseeable future.
- 4.5 Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

#### 5. COMMERCIAL INVESTMENTS: PROPERTY



- 5.1 Contribution:** The Council invests in a number of commercial properties within the Cotswold District and three significant assets outside of the district. The properties acquired outside of the District were acquired with the intention of generating income to support the revenue budget and were funded from the Council's capital receipts and therefore did not require the Council to undertake any borrowing.

*Table 3: Property held for investment purposes in £*

Property	1 April 2021	31.3.2022 actual		31.3.2023 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,194,500	27,500	1,222,000	0	1,222,000
Investment Property inside of Cotswold District 27A Dyer Street	1,715,000	(295,000)	1,420,000	0	1,420,000
Investment Property outside of Cotswold District: Superdrug, Worcester	715,000	5,000	720,000	0	720,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,035,000	95,000	1,130,000	0	1,130,000
Investment Property outside of Cotswold District: Wikinsons, West Bromwich	1,430,000	25,000	1,455,000	0	1,455,000
<b>TOTAL</b>	<b>6,142,500</b>	<b>(195,000)</b>	<b>5,947,000</b>	<b>0</b>	<b>5,947,000</b>

- 5.2 Security:** A fair value assessment of the Council's investment property portfolio is undertaken each year as part of the final accounts process. Investment property is valued at market value. Property values fell during 2021/22 reflecting the valuer's assumption of the reductions in rental income expected in 2022/23 and potential void periods. The fair value of the Council's investment property portfolio is included in the Statement of Accounts; based upon 'market value'.
- 5.3** Table 3 shows fair value gains and losses in 2021/22 which are a direct result of the valuation undertaken as at 31st March 2022. The losses in respect of 27A Dyer Street will not be



recognised unless the Council decides to dispose of the assets.

The Council maintains sufficient liquidity so that there is no requirement to sell any of the investment properties. Over time, it is expected that the market value of investment properties will vary. Assets are considered sound with strong covenants and dependable income streams.

**5.4** The proportion of the Council's Investment Property portfolio which is outside of the District, is held primarily to generate a stable income stream to support the revenue budget.

**5.5 Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by purchasing property with secure tenants on long leases and through:

- assessment of relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
- assessment of exposure to particular market segments to ensure adequate diversification
- use of external advisors if considered appropriate by the S151 Officer
- full and comprehensive report on any new investments to Cabinet/Council
- continual monitoring of risk across the whole portfolio and specific assets

**5.6 Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority sets out in its Treasury Management Strategy provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

## 6. LOAN COMMITMENTS AND FINANCIAL GUARANTEES

**6.1** Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

**6.2** The Council is a shareholder of Ubico Ltd, owning one eighth of the company and is a joint partner in Publica Group (Support) Ltd, owning one quarter of the company. In both cases, should the company overspend, the Council be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice. The Council is contractually committed to make up to £2.6m) of loans to a local Housing Association and expects £2.6m (short term) to be drawn down from the final quarter of 2022/23 and throughout 2023/24 and £1.897m (over 50 years) from March 2024.



## 7. PROPORTIONALITY

- 7.1** The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income or will be required to generate savings elsewhere within the budget to continue to provide its services. The Business Manager responsible for the Council's property and estates function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.
- 7.2** With the introduction of the revised PWLB lending terms, the Council has no intention of purchasing investment assets primarily for yield in the current and following two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in gross service expenditure.

*Table 4: Proportionality of Investments*

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Investment income (£)	949,864	1,371,602	1,240,862	1,142,432	1,151,635
Gross service expenditure (£)	24,120,526	25,371,583	25,371,583	25,879,015	26,396,595
Proportion	3.94%	5.41%	4.89%	4.41%	4.36%

## 8. BORROWING IN ADVANCE OF NEED

- 8.1** Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council will need to borrow in future years to fund new capital expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.
- 8.2** The Council may, in supporting the delivery of the Council's Capital Programme, borrow in advance of need where it is expected to demonstrate the best longer-term value for money position. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that the value for money can be demonstrated (i.e., the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds.



- 8.3** The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and potential interest rate changes. These risks will be managed as part of the Council's overall management of its treasury risks and will be reported through the standard reporting method.

## **9. CAPACITY, SKILLS AND CULTURE**

### Elected members and statutory officers:

- 9.1** The Council recognises that those elected Members and statutory officers involved in the investment decision process must have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
  - to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
  - to enable them to understand how new decisions have changed the overall risk exposure of the Council.
- 9.2** The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising Council on capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years' experience of working in local government finance. The Council pays for junior staff to study toward relevant professional qualifications, including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).
- 9.3** Where Council staff do not have the knowledge and skills required, external advisers and consultants are engaged that are specialists in their field. The Council employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extraordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite or while Council staff develop those skills.
- 9.4** The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.
- 9.5** The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:
- BSc Hons Real Estate Management
  - Associate Member Royal Institute Chartered Surveyors
  - Member Royal Institute Chartered Surveyors
  - Royal Institute Chartered Surveyors Registered Valuer



- CIMA certificate in Business Accounting
- Member Institute Welfare & Facilities management
- Technical member for Institute for Occupational Safety and Health

- 9.6 Due to current vacancies within the Property Services team, external valuers are in the process of being appointed to undertake the Investment Property valuations required as part of the preparation of the 2021/22 Statement of Accounts.
- 9.7 The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:
- Fellows of the Chartered Institute of Legal Executives (CiLEX);
  - Paralegal;
  - Solicitors.
- 9.8 The Property and Legal Teams work together with the Finance team to support the Council's Chief Finance Officer and the Public Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.
- 9.9 The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.
- 9.10 **Commercial deals:** The Council's Chief Finance Officer, Deputy Chief Finance Officer and the Public Finance Director are all aware of the core principles of the Prudential Framework and of the regulatory regime within which local authorities operate. There are a number of changes to how the prudential framework will operate from 2023/24. One key change relates to the approach to borrowing in advance of need in order to profit from additional sums borrowed. This has been updated to be clear that borrowing for debt for yield investment is not permissible under the Prudential Code.
- 9.11 Officers would work with a team of specialist officers to prepare business cases for any commercial deals for consideration by Members. It is the responsibility of the finance team to ensure that the implications of the Prudential Framework and the regulatory regime are considered as business cases are developed.
- 9.12 The Cabinet and Council also includes elected Members with a wealth of experience from business, banking and financial organisations. Members will use their knowledge, skills and experience to scrutinise business cases for proposed Council investments as set out below.

### Corporate governance:

- 9.13 A Capital Programme Investment Board, composed of Members from both the Administration and the Opposition will work with Officers on business cases for future investment. The Board will scrutinise proposals, considering the contribution to delivery of the Council Priorities and impact upon the overall risk to the Council. The views of the Board



will be considered by the Cabinet. The Cabinet will take decisions or make recommendations to the full Council on new investments that are not part of Treasury Management activity.

- 9.14** Financial performance is reported quarterly to the Council's Overview and Scrutiny Committee and to Cabinet. This includes the financial performance of the Treasury Management function and any other revenue generating investments.
- 9.15** The Audit Committee consider the draft Capital, Investment and Treasury Management Strategies and provides its views to the Cabinet for consideration. Cabinet recommends the suite of strategies to the Council for approval. Treasury Management performance is reported currently at half year and year end to the Council's Audit Committee and to full Council.
- 9.16** The Council's internal audit provider, South West Audit Partnership Ltd (SWAP) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP reports to the Council's Audit Committee.

## 10. INVESTMENT INDICATORS

- 10.1** The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 10.2 Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

*Table 5: Total investment exposure in £millions*

	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
<b>Total investment exposure</b>			
Treasury management investments	32,923,066	18,280,000	16,600,000
Service investments: Loans	540,642	698,748	2,363,687
Service investments: Shares	1	1	1
Commercial investments: Property	5,947,000	5,947,000	6,411,757
<b>TOTAL INVESTMENTS</b>	<b>39,410,709</b>	<b>24,925,749</b>	<b>25,375,445</b>
Commitments to lend	2,600,000	2,400,000	1,897,500
Guarantees issued on loans	0	0	0
<b>TOTAL EXPOSURE</b>	<b>42,010,709</b>	<b>27,325,749</b>	<b>27,272,945</b>



*Add and/or delete rows as appropriate. Property, shares and pooled funds should be shown at fair value as per the accounts.*

*Loans, bonds and deposits should be shown at amortised cost net of loss allowances as per the accounts (on the basis that you are not exposed to losses on amounts you have already recorded as expenditure). Loan commitments and guarantees should be shown as the maximum exposure to loss, as in the statement of accounts disclosure notes.*

**10.3 How investments are funded:** Government guidance is that these indicators should include how investments are funded. No investments are currently funded by borrowing. All of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

**10.4 Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 7: Investment rate of return (net of all costs)*

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	1.1%	2.2%	3.9%
Service investments: Charities Loans*	2%	2%	2%
Service investments: Housing Association Loans	0%	0%	3.25%
Service investments: Local residents (equity loans)	0%	0%	0%
Service investments: Employee car loans	2%	2%	0%
Service investments: Shares	0%	0%	0%
Commercial investments: Property**	9.8%	9.4%	9.56%

*\*This represents an average return based upon loans ranging from 0% to 3.5%.*

*\*\*Commercial Property returns are calculated based upon returns compared to the current market valuation of the asset not the purchase price).*

*Add and/or delete rows as appropriate. Rate of return is calculated as annual net income (interest, dividends and rent received less interest paid and MRP on any associated borrowing, impairment gains and losses, valuation gains and losses, property running costs etc) divided by the average sum invested during the year.*



*Whilst the guidance does not prescribe specific indicators, (apart from the above three), there are nine indicators recommended in the informal commentary and clients should consider the most appropriate indicators to use, given their investment activities and plans. [24]*

*Clients with long-term investments (or with short-term investments funded by long-term debt!) should select indicators showing the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out. [25]*

**Table 8: Other investment indicators**

Indicator	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
<i>e.g.</i> Debt to net service expenditure ratio			
<i>e.g.</i> Commercial income to net service expenditure ratio			
<i>etc.</i>			
<i>etc.</i>			

## ANNUAL MINIMUM REVENUE PROVISION STATEMENT

### I. MRP STATEMENT 2023/24

- I.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- I.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- I.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- I.4 For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- I.5 For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- I.6 Where former operating leases have been brought onto the balance sheet on 01 April 2023 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard
- I.7 Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead.

- 1.8** At the commencement of 2022/23 the Council had, a Capital Financing Requirement (CFR) of £xm in relation to a specific elements of capital expenditure incurred in the previous financial year (2021/22). The Council has incurred further amounts of capital expenditure in 2022/23 and will need to engage in an element of Prudential Code borrowing in that financial year to achieve total financing of its capital programme. It is inevitable therefore that the borrowing that is required in 2022/23 will require MRP to be charged to the Council's General Fund Revenue Account in 2023/24 and future years.
- 1.9** Capital expenditure incurred during 2023/24 will not be subject to MRP charge until 2024/25.
- 1.10** Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the MRP budget for 2023/24 has been set at (£xm).
- 1.11** Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.

## SUMMARY REVENUE EXPENDITURE 2022/23 &amp; 2023/24

By Service Area	2022/23 Budget		2023/24 Budget	
	£		£	
	Expenditure	Income	Expenditure	Income
Environmental Services	9,444,034	(5,527,718)	10,927,630	(6,097,586)
Leisure & Communities	1,498,670	(130,761)	1,941,973	(24,021)
Planning & Strategic Housing	2,790,670	(1,047,305)	2,908,345	(961,795)
Democratic Services	1,083,613	(25,905)	1,133,040	(25,905)
Corporate Services	2,839,409	(1,383,622)	2,820,830	(1,504,180)
Environmental & Regulatory Services (ERS)	1,078,490	(605,720)	1,113,820	(628,920)
Business Support Services - Finance, HR, Procurement	2,249,098	(1,234,921)	2,429,664	(1,293,912)
Business Support Services - ICT, Business Improvement	2,082,928	(96,957)	2,436,053	(77,526)
Land, Legal & Property	1,529,079	(779,155)	1,751,668	(806,859)
Revenues & Housing Support	12,956,269	(12,614,740)	13,212,034	(12,597,115)
Chief Executive and Modernisation	87,831	0	131,136	0
Savings and Contingency	(96,959)	0	(368,287)	
Total Cost of Service	37,543,132	(23,446,804)	40,437,906	(24,017,820)
Total Cost of Service (Net)		14,096,327		16,420,086
Plus				
Capital charges reversals		(1,366,718)		(1,635,591)
Capital expenditure funded from revenue and MRP		324,607		216,607
Movement to/(from) Reserves		(458,998)		(625,102)
<b>Net Budget Requirement</b>		<b>12,595,218</b>		<b>14,376,000</b>

By subjective	2022/23 Budget	2023/24 Budget
	£	£
Employees	2,878,689	2,913,379
Premises-Related Expenditure	1,436,163	1,738,859
Transport-Related Expenditure	19,375	16,375
Supplies & Services	2,657,649	2,816,468
Housing Benefit Payments	11,893,426	11,965,426
Major Contract Payments	17,253,241	19,113,460
Revenue Grants	99,000	99,000
Depreciation, Interest and Impairment Losses	1,374,086	1,796,938
Total Cost	37,611,630	40,459,905
Income	(23,515,303)	(24,039,820)
Total Cost of Service	14,096,327	16,420,086
Plus		
Reversal of capital charges	(1,366,718)	(1,635,591)
Capital expenditure funded from revenue and MRP	324,607	216,607
Movement to/(from) Earmarked Reserves	(458,998)	(625,102)
<b>Net Budget Requirement</b>	<b>12,595,218</b>	<b>14,376,000</b>

## SUMMARY REVENUE EXPENDITURE 2022/23 & 2023/24

	2022/23 Budget	2023/24 Budget
<u>Financing:</u>	<u>£</u>	<u>£</u>
NNDR net income	(3,461,642)	(4,000,000)
Revenue Support Grant	0	(134,648)
Rural Services Delivery Grant	(632,183)	(632,183)
Lower Tier Services Grant	(1,435,018)	0
Services Grant	(129,486)	(72,963)
New Homes Bonus	(810,236)	(290,188)
Funding Guarantee	0	(2,065,652)
Collection Fund Deficit/(Surplus) - Council Tax	0	2,000
Council Tax Income Guarantee/Council Tax Exemption	(84,990)	0
GF Budget Surplus/(deficit) [transfer (from)/to GF]	31,175	(871,570)
Contribution (from)/to General Fund	0	0
	<u><b>6,072,838</b></u>	<u><b>6,310,796</b></u>
 Council Tax Base	 42,193.00	 42,374.24
 Band D Council Tax	 143.93	 148.93
	6,072,838	6,310,796

**Budget Summary by Service Groups by Cost Centres**

ENVIRONMENTAL SERVICES	Budget 22/23		Budget 23/24	
	Gross		Gross	
	Expenditure £	Gross Income £	Expenditure £	Gross Income £
CCC001 Climate Change	99,768	0	119,264	0
CCM001 Cemetery, Crematorium and Churchyards	191,827	(63,830)	177,941	(136,830)
CCM402 Cemeteries - Maintenance	29,520	0	26,520	0
CPK401 Car Parks	887,835	(2,990,292)	994,206	(2,990,972)
CPK402 Car Parks - Maintenance	35,700	0	35,700	0
CPK413 Car Parks - Tetbury The Chippings	39,075	(54,000)	39,075	(54,000)
CPK414 Car Parks - Chipping Campden	0	0	0	0
CPK415 Bourton on the Water Tourism Levy	0	0	50,000	(50,000)
FLD401 Land Drainage	115,697	(20,000)	122,619	(22,660)
HLD410 Waste - Cleansing	90	0	(1)	0
HLD411 Waste - Cemeteries	2,065	0	0	0
REG003 Animal Control	59,923	(32,505)	49,287	(17,505)
REG019 Public Conveniences	269,608	(84,030)	282,397	(88,055)
REG023 Environmental Strategy	100,487	0	100,417	0
RYC001 Recycling	2,631,897	(884,783)	3,243,553	(949,783)
RYC002 Green Waste	1,170,900	(1,099,000)	1,359,603	(1,301,000)
RYC003 Food Waste	604,839	0	841,351	(156,000)
STC001 Street Cleaning	1,477,116	0	1,506,055	0
WST001 Household Waste	1,634,605	(68,780)	1,789,781	(23,780)
WST004 Bulky Household Waste	43,537	(57,000)	72,537	(78,537)
WST401 Refuse-Stow Fair	11,372	0	11,553	0
WST402 South Cerney Depot, Packers Lease	38,173	(173,500)	105,772	(228,466)
<b>ENVIRONMENTAL SERVICES</b>	<b>9,444,034</b>	<b>(5,527,718)</b>	<b>10,927,630</b>	<b>(6,097,586)</b>

	Budget 22/23		Budget 23/24	
	Gross		Gross	
	Expenditure £	Gross Income £	Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	3		3	
Premises	647,189		728,500	
Transport	0		0	
Supplies & Services	320,523		397,788	
Major contract payments	8,028,601		9,296,250	
Transfer Payments	0		0	
Depreciation & Amortisation	447,718		505,089	
External Income		(5,527,718)		(6,097,586)
<b>ENVIRONMENTAL SERVICES</b>	<b>9,444,034</b>	<b>(5,527,718)</b>	<b>10,927,630</b>	<b>(6,097,586)</b>

LEISURE & COMMUNITIES	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
CCR001 Community Safety (Crime Reduction)	23,754	0	25,203	0
COM401 Health Policy	26,876	0	28,426	0
COM402 Community Liaison	101,270	0	113,151	0
COM403 Youth Participation	137,689	(44,478)	128,646	0
COM404 Falls Prevention	0	0	0	0
COM405 Health Development	54,036	0	56,994	0
CUL410 Corinium Museum	123,393	0	284,621	0
CUL412 Collection Management	8,103	0	8,102	0
CUL413 Northleach Resouce Centre	16,500	0	19,953	0
GBD001 Community Welfare Grants	169,016	0	173,019	0
REC410 Ciren - Centre Management	389,543	(130,761)	561,975	0
REC413 Ciren - Dryside Areas	12,021	(24,021)	12,021	(24,021)
REC419 Cirencester Leisure - Maintenance	33,000	0	33,000	0
REC430 C Campden - Centre Management	106,113	0	114,231	0
REC450 Bourton - Centre Management	119,875	0	142,108	0
REC459 Bourton - Maintenance	43,000	0	43,000	0
SUP002 Consultation, Policy & Research	91,478	0	98,103	0
TOU001 Tourism Strategy and Promotion	15,280	(0)	16,376	(0)
TOU402 Partnership Grants	54,000	0	27,000	0
TOU403 Cotswold Tourism Partnership	42,222	0	56,044	0
<b>LEISURE &amp; COMMUNITIES</b>	<b>1,567,169</b>	<b>(199,260)</b>	<b>1,941,973</b>	<b>(24,021)</b>

	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	1		1	
Premises	128,721		128,719	
Transport	0		0	
Supplies & Services	194,468		174,099	
Major contract payments	548,114		750,326	
Transfer Payments	95,000		95,000	
Depreciation & Amortisation	600,865		793,828	
External Income		(199,260)		(24,021)
<b>LEISURE &amp; COMMUNITIES</b>	<b>1,567,169</b>	<b>(199,260)</b>	<b>1,941,973</b>	<b>(24,021)</b>

PLANNING & STRATEGIC HOUSING	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
CIL001 Community Infrastructure Levy	10,000	(10,000)	72,824	(40,000)
DEV001 Development Management - Applications	993,643	(999,877)	980,451	(894,877)
DEV002 Development Management - Appeals	131,007	0	94,119	0
DEV003 Development Management - Enforcement	196,184	(0)	209,750	(0)
DEV004 Development Advice	349,312	0	373,591	0
DEV401 Planning Advice For Land Charges	11,911	0	12,714	0
HAD001 Housing Advice	289,257	0	308,614	0
HOS001 Housing Strategy	150,675	0	166,843	0
HOS002 Housing Partnerships	25,749	0	27,506	0
HOS005 Community-Led Housing	0	0	0	0
PLP002 Local Development Framework	359,266	(100)	374,723	(100)
PLP005 Heritage & Design	239,364	(25,818)	246,394	(25,818)
PLP401 Fwd Plan work for Dev Con	17,410	0	18,606	0
PSM001 Planning - Service Management and Support S	16,891	(11,510)	22,209	(1,000)
<b>PLANNING &amp; STRATEGIC HOUSING</b>	<b>2,790,670</b>	<b>(1,047,305)</b>	<b>2,908,345</b>	<b>(961,795)</b>

	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	0		0	
Premises	20,830		20,830	
Transport	0		0	
Supplies & Services	261,707		158,781	
Major contract payments	2,459,845		2,689,718	
Transfer Payments	4,000		4,000	
Depreciation & Amortisation	44,287		35,015	
External Income		(1,047,305)		(961,795)
<b>PLANNING &amp; STRATEGIC HOUSING</b>	<b>2,790,670</b>	<b>(1,047,305)</b>	<b>2,908,345</b>	<b>(961,795)</b>

DEMOCRATIC SERVICES	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
DRM001 Democratic Representation and Management	122,741	(0)	131,537	(0)
DRM003 Councillors Allowances	317,234	0	345,718	0
DRM004 Servicing Council	4,169	0	4,360	0
DRM005 Committee Services	120,956	0	124,185	0
DRM008 Corporate Subscriptions	18,980	0	21,980	0
ELE003 Elections Support/Overheads	139,245	(1,880)	152,923	(1,880)
ELE004 Parliamentary Elections	0	0	0	0
ELE005 Parish Elections	5,000	(2,000)	5,000	(2,000)
SUP018 Press & PR/Communications	76,161	0	61,729	0
SUP022 Printing Services	236,966	(22,025)	223,571	(22,025)
SUP024 Postal Services	42,160	0	45,036	0
<b>DEMOCRATIC SERVICES</b>	<b>1,083,613</b>	<b>(25,905)</b>	<b>1,133,040</b>	<b>(25,905)</b>
<u>Subjective analysis:</u>				
Employees	0		14,445	
Premises	710		710	
Transport	6,820		3,820	
Supplies & Services	473,953		468,611	
Major contract payments	549,876		592,936	
Transfer Payments	0		0	
Depreciation & Amortisation	52,254		52,518	
External Income		(25,905)		(25,905)
<b>DEMOCRATIC SERVICES</b>	<b>1,083,613</b>	<b>(25,905)</b>	<b>1,133,040</b>	<b>(25,905)</b>

CORPORATE SERVICES	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
COR005 Corporate Finance	144,157	0	115,123	0
COR007 External Audit Fees	70,230	0	96,368	0
COR008 Bank Charges	61,065	0	61,065	0
FIE010 Interest Payable and Similar Charges	7,485	0	99,485	0
FIE030 Interest and Investment Income	13,000	(653,947)	13,000	(830,316)
FIE410 Commercial Properties - General	10,630	4,705	15,468	(160)
FIE411 Old Memorial Hospital (inc Cottages)	22,174	(7,160)	17,887	(7,265)
FIE412 Cotswold Club	520	0	0	0
FIE413 Dyer Street	0	(120,000)	0	(120,000)
FIE415 Old Station	25,497	0	21,571	0
FIE416 Brewery Court, Arts & Niccol Centre	860	(56,486)	294	(56,142)
FIE417 GCC Depot, Chesterton Lane	1,150	(960)	1,053	(2,015)
FIE418 Abberley House/44 Black Jack St.	18,230	(88,744)	30,580	(87,339)
FIE419 Compton House	1,500	(14,200)	1,500	(14,626)
FIE423 1st Floor Church Rms, Bourton-on-the-Water	0	(4,395)	120	(4,570)
FIE424 Bourton VIC	1,568	(8,000)	1,567	(8,000)
FIE426 Wilkinson's West Bromich	10,130	(130,855)	6,006	(89,635)
FIE427 Superdrug Hereford	0	(61,500)	652	(62,155)
FIE428 Tesco's Seaford	0	(92,080)	1,098	(93,180)
FIE429 27 - 27a Dyer Street	20,000	(150,000)	21,421	(128,777)
NDC401 Discretionary Pension Payments	1,771,916	0	1,632,916	0
SUP032 Strategic Directors	648,397	0	661,417	0
COV019 Coronavirus	10,899	0	22,238	0
<b>CORPORATE SERVICES</b>	<b>2,839,409</b>	<b>(1,383,622)</b>	<b>2,820,830</b>	<b>(1,504,180)</b>

	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	2,175,670		2,032,666	
Premises	71,910		72,481	
Transport	0		0	
Supplies & Services	299,121		300,377	
Major contract payments	267,971		297,746	
Transfer Payments	0		0	
Depreciation & Amortisation & Int Payable	24,737		117,560	
External Income		(1,383,622)		(1,504,180)
<b>CORPORATE SERVICES</b>	<b>2,839,409</b>	<b>(1,383,622)</b>	<b>2,820,830</b>	<b>(1,504,180)</b>

ENVIRONMENTAL & REGULATORY SERVICES	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
BUC001 Building Control - Fee Earning Work	178,097	(360,000)	189,206	(360,000)
BUC002 Building Control - Non Fee Earning Work	56,453	0	60,144	0
BUC003 Dangerous Structures	2,500	0	2,500	0
EMP001 Emergency Planning	23,311	0	24,904	0
ESM001 Environment - Service Mgt and Support	109,504	0	108,961	0
PSH002 Private Sector Housing - Condition of Dwell	224	0	191	0
PSH005 Home Energy Conservation	158	0	135	0
REG002 Licensing	217,003	(190,720)	231,751	(213,920)
REG006 Caravan Sites - Itinerates	105	0	0	0
REG007 Caravan Sites - Licensed	105	0	0	0
REG009 Environmental Protection	225,716	(53,000)	214,368	(53,000)
REG013 Pollution Control	134,057	0	142,043	0
REG016 Food Safety	129,557	(2,000)	137,944	(2,000)
REG021 Statutory Burials	1,605	0	1,591	0
STC011 Abandoned Vehicles	95	0	82	0
<b>ENVIRONMENTAL &amp; REGULATORY SERVICES</b>	<b>1,078,490</b>	<b>(605,720)</b>	<b>1,113,820</b>	<b>(628,920)</b>

	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
Subjective analysis:				
Employees	0		0	
Premises	0		0	
Transport	1,000		1,000	
Supplies & Services	67,999		61,549	
Major contract payments	986,459		1,031,707	
Transfer Payments	0		0	
Depreciation & Amortisation	23,032		19,564	
External Income		(605,720)		(628,920)
<b>ENVIRONMENTAL &amp; REGULATORY SERVICES</b>	<b>1,078,490</b>	<b>(605,720)</b>	<b>1,113,820</b>	<b>(628,920)</b>

BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
SUP003 Human Resources	575,712	(298,760)	618,281	(298,760)
SUP009 Accountancy	397,196	(29,220)	438,382	(39,120)
SUP010 Internal Audit	110,120	(21,087)	93,120	(22,217)
SUP011 Creditors	111,612	(63,580)	119,143	(63,580)
SUP012 Debtors	57,090	(15,480)	60,711	(15,480)
SUP013 Payroll	96,464	(63,750)	105,807	(63,750)
SUP019 Health & Safety	35,441	0	37,906	0
SUP020 Training & Development	132,422	(61,580)	141,210	(61,580)
SUP033 Central Purchasing	62,256	(23,803)	66,721	(23,803)
SUP035 Insurances	63,315	(53,690)	67,856	(53,690)
SUP042 ABW Support and Hosting	61,398	(50,360)	63,219	(50,360)
SUP403 Counter Fraud - CDC	70,163	(77,703)	104,124	(88,389)
SUP402 Glos. Counter Fraud Unit	475,907	(475,907)	513,182	(513,182)
<b>BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.</b>	<b>2,249,097</b>	<b>(1,234,921)</b>	<b>2,429,664</b>	<b>(1,293,912)</b>

	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
<u>Subjective analysis:</u>				
Employees	450,805		535,191	
Premises	0		0	
Transport	3,600		3,600	
Supplies & Services	291,028		307,989	
Major contract payments	1,491,374		1,572,349	
Transfer Payments	0		0	
Depreciation & Amortisation	12,290		10,534	
External Income		(1,234,921)		(1,293,912)
<b>BUSINESS SUPPORT SERVICES - FINANCE, HR, PROC.</b>	<b>2,249,097</b>	<b>(1,234,921)</b>	<b>2,429,664</b>	<b>(1,293,912)</b>

BUSINESS SUPPORT SERVICES - ICT, BUSINESS IMP.	Budget 22/23		Budget 23/24	
	Gross Expenditure	Gross Income	Gross Expenditure	Gross Income
	£	£	£	£
ADB411 Moreton-in-Marsh, Offices	75,122	(54,292)	95,605	(29,861)
COM420 FOH - Moreton	109,642	(3,665)	116,656	(3,665)
SUP005 ICT	1,046,542	(19,000)	1,318,774	(19,000)
SUP017 Business Improvement/Transformation	117,319	0	125,419	0
SUP021 Business Continuity Planning	21,313	0	22,277	0
SUP023 Freedom of Information Act	11,403	0	12,221	0
SUP031 Application Support	110,726	0	110,726	0
SUP401 FOH - Trinity Road	580,458	0	624,023	0
TMR001 Street Naming	10,403	(20,000)	10,352	(25,000)
<b>BUSINESS SUPPORT SERVICES - ICT, BUSINESS IMP.</b>	<b>2,082,928</b>	<b>(96,957)</b>	<b>2,436,053</b>	<b>(77,526)</b>
<u>Subjective analysis:</u>				
Employees	0		0	
Premises	37,423		65,339	
Transport	0		0	
Supplies & Services	503,152		684,462	
Major contract payments	1,513,375		1,658,763	
Transfer Payments	0		0	
Internal Recharges / Indirect Cost	0		0	
Depreciation & Amortisation	28,978		27,489	
External Income		(96,957)		(77,526)
<b>BUSINESS SUPPORT SERVICES - ICT, BUSINESS IMP.</b>	<b>2,082,928</b>	<b>(96,957)</b>	<b>2,436,053</b>	<b>(77,526)</b>

LAND, LEGAL & PROPERTY SERVICES	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
ADB401 Trinity Road, Offices	498,142	(349,689)	645,376	(368,692)
ADB412 Moreton-in-Marsh, Offices - Maintenance	35,407	0	34,907	0
CUL411 Corinium Museum - Maintenance	26,000	0	31,750	0
ENA401 Housing Enabling Properties	9,110	(23,476)	8,004	(22,481)
FIE425 22/24 Ashcroft Road	26,314	0	10,500	0
LLC001 Local Land Charges	112,815	(250,705)	124,530	(248,705)
SUP004 Legal	358,332	(155,286)	394,108	(166,982)
SUP025 Property Services	462,959	0	502,493	0
<b>LAND, LEGAL &amp; PROPERTY SERVICES</b>	<b>1,529,079</b>	<b>(779,155)</b>	<b>1,751,668</b>	<b>(806,859)</b>

Subjective analysis:

Employees	252,209		284,877	
Premises	452,556		595,432	
Transport	7,955		7,955	
Supplies & Services	165,135		171,396	
Major contract payments	530,429		581,739	
Transfer Payments	0		0	
Internal Recharges / Indirect Cost	0		0	
Depreciation & Amortisation	120,795		110,269	
External Income		(779,155)		(806,859)

<b>LAND, LEGAL &amp; PROPERTY SERVICES</b>	<b>1,529,079</b>	<b>(779,155)</b>	<b>1,751,668</b>	<b>(806,859)</b>
--	------------------	------------------	------------------	------------------

REVENUES & HOUSING SUPPORT	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
HBP001 Rent Allowances	12,422,172	(12,083,091)	12,530,146	(12,105,831)
HOM001 Homelessness	126,654	(76,266)	115,634	(76,266)
HOM004	0	0	19,129	(19,129)
HOM005 Homelessness Hostels	4,000	(35,500)	29,062	(35,500)
HOM406 Temporary Emergency Accommodation	87,825	(77,519)	107,584	(62,856)
LTC001 Council Tax Collection	216,001	(143,808)	295,021	(89,000)
LTC011 NNDR Collection	53,901	(198,555)	66,836	(208,533)
PSH001 Private Sector Housing Grants	29,723	0	31,855	0
PUT001 Concessionary Travel	15,992	0	16,767	0
<b>REVENUES &amp; HOUSING SUPPORT</b>	<b>12,956,268</b>	<b>(12,614,739)</b>	<b>13,212,034</b>	<b>(12,597,115)</b>

Subjective analysis:

Employees	0		0	
Premises	76,825		59,075	
Transport	0		0	
Supplies & Services	152,005		182,858	
Major contract payments	816,037		880,593	
Transfer Payments	11,893,426		11,965,426	
Depreciation & Amortisation	17,975		124,082	
External Income		(12,614,739)		(12,597,115)

<b>REVENUES &amp; HOUSING SUPPORT</b>	<b>12,956,268</b>	<b>(12,614,739)</b>	<b>13,212,034</b>	<b>(12,597,115)</b>
---------------------------------------	-------------------	---------------------	-------------------	---------------------

CHIEF EXECUTIVE AND MODERNISATION	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
SUP026 Chief Executive	87,831	0	131,136	0
<b>CHIEF EXECUTIVE AND MODERNISATION</b>	<b>87,831</b>	<b>0</b>	<b>131,136</b>	<b>0</b>

Subjective analysis:

Employees	(0)		(0)	
Premises	0		0	
Transport	0		0	
Supplies & Services	120		120	
Third Party Payments	86,557		130,027	
Transfer Payments	0		0	
Depreciation & Amortisation	1,154		989	
External Income		0		0
<b>CHIEF EXECUTIVE AND MODERNISATION</b>	<b>87,831</b>	<b>0</b>	<b>131,136</b>	<b>0</b>

OTHER	Budget 22/23		Budget 23/24	
	Gross Expenditure £	Gross Income £	Gross Expenditure £	Gross Income £
	(96,959)		(368,287)	
Savings and Contingency				
Capital charges reversals		(1,366,718)		(1,635,591)
Capital expenditure funded from revenue	324,607		216,607	
Movement to/(from) Reserves		(458,998)		(625,102)
	<b>37,936,236</b>	<b>25,341,019</b>	<b>40,654,513</b>	<b>(26,278,513)</b>
<b>Net Budget Requirement</b>	<b>12,595,218</b>		<b>14,376,000</b>	

## **ANNEX H STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS**



**COTSWOLD**  
DISTRICT COUNCIL

The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under Section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

Projects included in the strategy support the Council's Cabinet Transform Working Group and progress will be monitored regularly as part of the quarterly Financial, Council Priority and Service Performance reporting.

The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

Only receipts from the disposal of capital assets received between April 2022 and March 2025 are eligible for use to fund qualifying costs of service reform. A balance of £9.674m is held within Capital Receipts Reserve at 31 March 2022. Capital Receipts of £1.655m have been received to date during 2022/23 although no decision has been taken as to the level of allocation to Flexible Use of Capital Receipts.

As part of the Local Government Settlement, the Communities Secretary for Ministry of Housing, Communities and Local Government announced in February 2021 that there would be a continuation of the capital receipts flexibility programme for a further three years, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. This was formally confirmed on 04 April 2022. Should future projects be identified alongside suitable asset sales, this will be presented in a revised strategy.

Service reform projects can still be financed in whole or in part from other sources e.g., the Council Priorities Fund. The Council is not obliged to fund these projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.

This page is intentionally left blank

**Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?**

We support the principle of stability of baseline funding that is achieved by retaining the existing distribution methodology but note that where grants are rolled in it is vital that the distribution methodology continues to reflect the underlying expenditure associated with rolled in grants.

**Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?**

We support the Government's intention to remove ring-fencing of grant money and simplification wherever possible so therefore support this proposal. We would however seek to ensure that the distribution methodology continues to transparently reflect the underlying expenditure associated with rolled in grants and that the quantum of funding is maintained.

**Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?**

Whilst the increase from 2% to 3% is welcomed and recognises the financial pressures on local authorities, this does not provide any additional Council Tax flexibility to Councils such as Cotswold. For Councils with a Band D rate below £167, the £5 increase will always be greater than both 2% and 3%. There are 31 District Councils in this position.

By way of comparison, Ipswich has the highest Band D rate amongst shire districts. The increase from 2% to 3% provides up to £150,000 of additional Council Tax flexibility.

Whilst we understand that there will have been a number of options and calls Ministers will have made as part of the settlement, Councils who have kept their Council Tax Band D rates low in previous years are in effect penalised with lower flexibility than Councils who have steadily increased their Band D rates.

Given that the District Council Precept forms such a small portion of overall council tax bills, and the £5 increase was introduced to assist those councils with the lowest council tax bills, we would urge the Government to consider increasing the alternative limit to £10 from £5.

We recognise that at this late stage in the budget setting process not all authorities would be able to make use of the additional flexibility but for a number it would help to avoid service cuts and would assist all in planning for 2024/25.

We would note that the additional funding received by Districts from increasing the referenda limit is marginal compared to the additional costs District Councils are facing from additional pay, energy and other costs.

**Question 4: Do you agree with the government's proposals for a new Funding Guarantee?**

The funding guarantee is welcomed, especially given the additional instability in funding introduced by the changes to the new homes bonus and removal of the taper. We note however that the funding guarantee does not adequately deal with the pressures council are facing as a result of inflation and additional demand as a result of the cost of living crisis.

We note that, under the funding guarantee, District Councils such as Cotswold see a lower core spending increase than other councils despite inflation having a greater than average impact in areas such as waste and heating of leisure centres and the continuing impact of Covid and Cost of Living on income from fees and charges.

Furthermore, the calculation factors-in an increase in the Council Taxbase level which means that the Government is not fully financing the 3% Funding Guarantee. For Councils such as Cotswold, there can be a material difference in the Government's figures for Council Tax and the actual taxbase used for budget setting purposes. This is not recognised in the funding guarantee calculations and penalises the Council when compared to others.

**Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?**

Whilst as a District Council we cannot comment directly on social care funding, we would wish to highlight the vital work that is undertaken to support vulnerable communities and addressing health inequalities, provision of leisure, addressing issues through health and wellbeing strategies and the role of appropriate housing in avoiding health issues and the need for care. We would strongly resist any focus on social care funding at the expense of wider local government and the vital early intervention work that prevents later expenditure.

District councils such as Cotswold are seeing significant increases in housing need both as a result of affordability and market imperfections in the housing market and the impact of immigration and asylum schemes. Failure to adequately fund housing provision now will increase future costs in both health and social care.

**Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?**

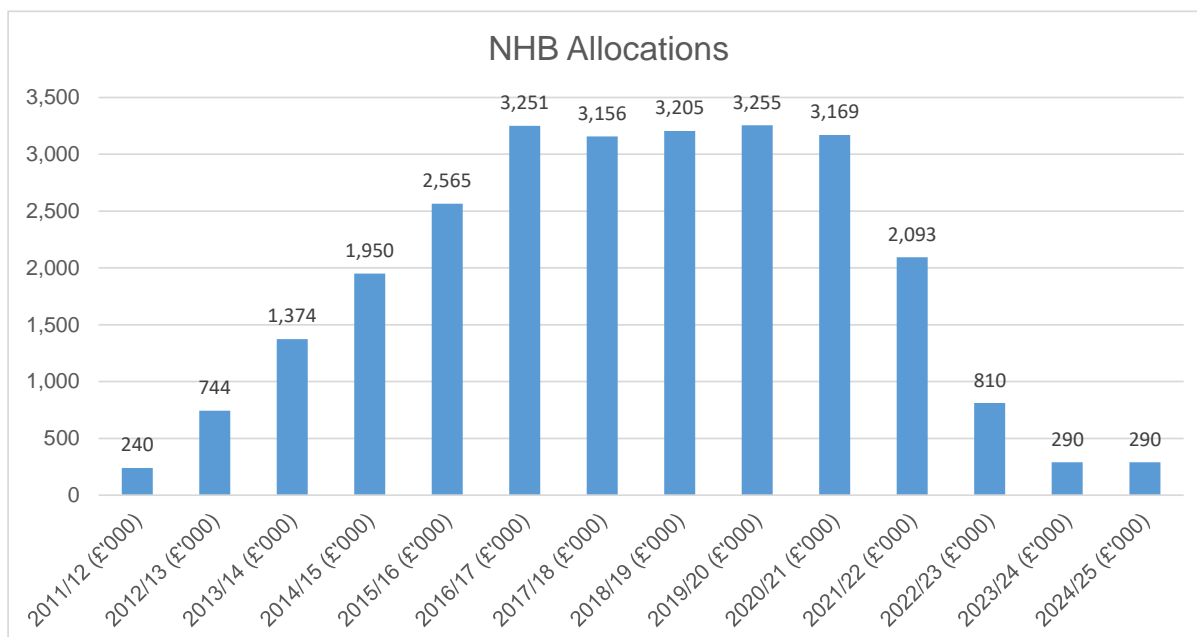
The extension of the existing New Homes Bonus scheme and reward payment for a further year is welcomed, although recognising the additional funding instability that removal of the taper brings. We would welcome early announcement of the Government's intention for 2024/25.

## ANNEX I – RESPONSE TO THE LOCAL GOVERNMENT FINANCE SETTLEMENT



**COTSWOLD**  
DISTRICT COUNCIL

We would remind the Government of the reduced value of New Homes Bonus to Council such as Cotswold over the last 4 years from a peak funding position of £3.2m to just under £0.3m.



### Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

We welcome the stability in funding this brings for rural authorities although RSDG has not been uprated since 2020/21 and is in effect a real-terms reduction in the funding for rural authorities.

### Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?

We welcome the stability in funding this brings although the reduction for Cotswold District Council is significant compared to the reversal of employer NI increases.

### Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

Once again there is a lack of clarity around the introduction of the NDR reset and fair funding review. This lack of certainty causes considerable issues for District Councils given that NDR is the largest funding stream. It can be difficult to utilise the full extent of growth for ongoing service provision when the expectation is that a proportion of this could be lost at reset. CFOs credibility with Councillors and more widely is difficult to maintain when we build

## ANNEX I – RESPONSE TO THE LOCAL GOVERNMENT FINANCE SETTLEMENT



medium term financial plans taking into account changes in funding that are continually delayed. In addition it is difficult to convince local communities of the benefit of business growth locally with the prospect of a business rate reset hanging over our heads that would most likely re-distribute the business rate benefit of that growth.

We note the policy statement highlighted the introduction of Extended Producer Responsibility (EPR) in waste. We would welcome early discussion of the impact of EPR on district councils. Whilst we welcome a potential additional revenue source we have concerns over how EPR will impact upon existing recycling incomes and costs of waste collection. The introduction of separate recycling streams, including food waste, is likely to entail significant additional cost and capital investment at a time when costs are increasing due to supply issues and escalating inflation. We would welcome any early guarantees that can be given that the introduction of EPR and subsequent review of district council financing will not negatively impact the position of individual councils compared to where it would have been had EPR not been introduced.

We remain concerned about comments within the settlement and policy statement about the level of reserves within councils. We would wish to highlight the fact that reserve levels are not consistent across authorities and that reserves are held for a wide variety of purposes and can only be used once.

It should also be noted that the greater the uncertainty around core funding, the more reserves local authorities will hold to manage those fluctuations between years and the risk of future shortfalls in funding. This is particularly the case around business rates funding and Section 31 grant.

We would urge the Government to Implement the increases to planning fees proposed last May i.e. 35% increase to the fee for major applications and 25% increase for minor applications. This would make a significant difference to many district councils. We believe that consultation is required urgently so that the changes can come into effect from 1st April 2023.

A final point around business rate funding volatility is the impact of the business rates valuation on pooling. Because of changes to the levy rate as a result of revaluations there is the risk that a number of business rate pools will no longer be viable. In Gloucestershire the levy rate has moved from 15% to 21%. Other things being equal, this means less funding would remain in the County area and weakens the risk/reward incentive.

David Stanley  
Deputy Chief Executive and Section 151 Officer  
Cotswold District Council



## Pay Policy Statement - Cotswold District Council 2023/24

### Table of contents

<a href="#">1.</a>	<a href="#">Background</a>	2
<a href="#">2.</a>	<a href="#">Scope of this policy statement</a>	2
<a href="#">3.</a>	<a href="#">Officers covered by the policy statement</a>	2
<a href="#">4.</a>	<a href="#">General Statements</a>	3
<a href="#">5.</a>	<a href="#">Policy on remuneration of senior officers</a>	3
<a href="#">6.</a>	<a href="#">Tax avoidance</a>	5
<a href="#">7.</a>	<a href="#">Relationship with other officers' pay</a>	5
<a href="#">8.</a>	<a href="#">Market forces supplement</a>	5
<a href="#">9.</a>	<a href="#">Retention payment scheme</a>	5
<a href="#">10</a>	<a href="#">Lowest paid employees</a>	6
<a href="#">11</a>	<a href="#">Pay protection</a>	6
<a href="#">12</a>	<a href="#">Severance payments</a>	6
<a href="#">13</a>	<a href="#">Honorary payments</a>	7
<a href="#">14</a>	<a href="#">The Real Living Wage</a>	7
<a href="#">15.</a>	<a href="#">Other pay and conditions in operation</a>	7
<a href="#">16</a>	<a href="#">The Local Government Pension Scheme (LGPS)</a>	8



## **1. Background**

1.1. This statement is intended to meet the requirements of:

- - s 38 (1) of the Localism Act 2011 which requires the Council to approve a Pay Policy Statement annually prior to the commencement of the financial year;
  - 
  - the Council's obligations under the associated statutory guidance set out in the Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act (February 2012) together with the Local Government Transparency Code 2015.

## **2. Scope of this policy statement**

2.1. To avoid confusion and provide transparency this statement will only apply to all officers that are employees of Cotswold District Council although a number of officers hold dual employment contracts with Publica (a Council owned service company).

2.2. Details of senior staff pay at Publica can be found within their statement of accounts.

2.3. The current statement sets out the following elements:

- pay for each of the in scope officers
- remuneration of lowest paid officer
- the pay relationship between the highest paid officers and other officers
- performance related pay and bonuses, termination payments, transparency
- other aspects of remuneration.
- 

## **3. Officers covered by the policy statement**

3.1. Below is a list of those officers covered by the policy statement:

- Chief Executive (Head of Paid Service)
- Deputy Chief Executive (s 151 officer)
- Director- Governance and Development (Monitoring Officer)
- Other officers of the Council.

3.2. Officers not covered by this statement include officers who are wholly or primarily employed by Publica and who retain dual employment contracts to deliver statutory elements of their roles such as Parking Appeal decisions or delegated planning decisions which require an employment relationship with the Council.



#### 4. General Statements

- 4.1. The Council has a range of Human Resources policies that apply equally to all officers across the Council from the highest paid to the lowest paid. These policies cover a wide range of Human Resources issues including annual leave arrangements and sickness arrangements.
- 4.2. As part of the formation of Publica, the Council determined that directly employed staff should in future adopt similar policies as the Publica employees in the interests of fairness and equity.
- 4.3. Subsequent to Publica merging its multiple pay and grading structures in 2020 and adopting a new comprehensive job evaluation scheme to ensure equal pay compliance, the Council has adopted a scheme built on similar principles in line with the previous Council resolutions.
- 4.4. The new Pay and Grading structure was designed in consultation with the Trade Unions and seeks to provide flexibility for the Council to adapt to changes in pay pressures and market conditions whilst retaining equal pay protection. The scheme also provides for local pay increases in addition to the national (cost of living) pay award in a similar way to incremental pay in the current scheme.
- 4.5. Following the conclusion of the staff consultation process, the new pay structure was implemented in June 2022 (pay back dated to 1<sup>st</sup> April 2021). This new pay structure does not cover statutory roles which remain subject to the previous benchmark approach as agreed by Council.

#### 5. Policy on remuneration of senior officers

- 5.1. The policy for the year 2023/2024 in respect of statutory officers is to maintain the level of pay in the same bands as the current year subject to any cost of living award that may be agreed nationally in relation to year 2023/2024.

##### **Statutory Officers – individual posts graded via benchmark exercise.**

Chief Executive (Head of Paid Service) - £108,500

Deputy Chief Executive (s 151 officer) £88,200

Director – Governance and Development (Monitoring Officer) £88,200

##### **Other Senior Pay**

- 5.2. In respect of other senior pay the revised scheme was implemented in June 2022 (pay back dated to 1<sup>st</sup> April 2021). This will also be subject to the national pay award in respect of 1 April 2023.

## ANNEX J PAY POLICY STATEMENT 2023/24



COTSWOLD  
DISTRICT COUNCIL

- 
- 5.3. The new scheme is made up of four levels based upon the nature of the role with each level sub divided into generic job groups and specific comparable pay peer groups. Senior officer pay (other than statutory officers) falls within the translate pay level.

The pay levels are:-

Core	£21,025 - £35,149
Implement	£26,904 - £49,355
Guide	£41,353 - £62,029
Translate	£52,269 - £78,403

- 5.4. At the time of publication of this policy statement no annual pay award has been agreed for 2023/2024. These pay levels will be automatically upgraded by the agreed pay award.

- 5.5. Other factors relating to pay:

- Officers are generally placed upon the bottom pay point on appointment, but this can be varied by the approval of the appropriate appointments panel.
- A local pay award can be made annually to allow progression within job groups typically to the mid point
- Pay levels above the mid point need to be supported by special factors such as market forces
- No performance related pay exists for any Senior Officer.
- No bonuses are available for any Senior Officer.
- Termination benefits payable will be in line with that available to all other officers as set out in the Redundancy and Retirement Policies in line with Employment Rights Act tables.
- Full Council will retain the decision to make any new appointment of an officer where the pay (incorporating all payments and benefits in kind) exceeds £100,000.
- Full Council will retain the decision to approve any severance payments where the compensation payments exceed £100,000

- 
- 5.3 The details of the payments in respect of all these officers are set out in the [Transparency page](#) of the Councils website.
- 5.4 None of the Senior Officers are entitled to receive overtime payments for time worked beyond the contracted hours and out of ordinary working hours.
- 5.5 The Returning Officer for election purposes also receives a payment for the statutory duties undertaken by virtue of the specific, additional appointment to that role in addition to other responsibilities. For national elections and referenda the amount is set and is payable by the government. For District and Town/Parish Council elections, the fees are payable by the District Council in accordance with an approved scale.



**6. Tax avoidance**

- 6.1. The Council does not and will not employ senior managers in permanent positions via service companies that could be construed as avoiding tax and national insurance contributions. From time to time the Council may employ individuals via service companies to cover interim or short term project roles. However, the Council will comply with its responsibilities regarding the application of HMRC regulations on payments made to personal service companies (known as IR35) by applying income tax and national insurance deductions to the payment.

**7. Relationship with other officers' pay**

- 7.1. Statutory Officers positions are benchmarked by the HR Business Manager using external data and are subject to an annual increase in line with the annual cost of living awards for staff covered by NJC Terms and Conditions.
- 7.2. A full list of the job groups and associated pay ranges is attached to this policy.
- 

**8. Market forces supplement**

- 8.1. Evidence from our market and recruitment data shows that for some professions a higher salary may be necessary to attract and retain staff. Our most recent market data indicates that for some professions this could be as high as 15% above the mid-point and this is already built into the grading structures that have been proposed utilising the in-built flexibility above mid-point.

**9. Retention payment scheme**

- 9.1. A retention payment scheme is available to all areas of the Council, and might be used in the following cases:
- Difficulty in recruiting the most suitable candidate for a post.
  - Difficulty in retaining key people where their leaving would significantly affect internal and/or external service delivery.
- 9.2. All additional payments will be time limited and reviewed at predetermined intervals to reconsider their appropriateness against the prevailing job market.
- 9.3. The scheme may be applied flexibly and can mean:
- Paying someone at a higher salary level
  - Making a one off payment.

## ANNEX J

### PAY POLICY STATEMENT 2023/24



**COTSWOLD**  
DISTRICT COUNCIL

- 9.4. These can be used in combination with other benefits that the Council offers. A package to suit the particular circumstances should be used and no individual should receive benefits that equate to more than 15% above the maximum of their substantive grade.

#### **10. Lowest paid employees**

- 10.1. Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within the Core category of the new Job Evaluation scheme (the lowest band). From 1<sup>st</sup> April 2022 the lowest Core Grade was £21,025 .This amount is subject to pay award pending in respect of April 2023.

- 10.2. The pay differential between the highest paid officer and the median officer is set out below:

Highest	£108,500
Median Employee	£35,847
Multiple	3.02

#### **11. Pay protection**

- 11.1. The Council seeks to ensure that all employees receive equal pay for work of equal value. To be consistent with equal pay principles the Council's protection arrangements will not create the potential for pay inequalities (e.g. open-ended protection).
- 11.2. There may be times when the grade for an individual's role changes for reasons unrelated to their performance e.g. restructures. In such cases the protection arrangements outlined will apply for 3 years from the date of the change.

#### **12. Severance payments**

- 12.1. The Council has a consistent method of calculating severance payments which it applies to all employees without differentiation. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.
- 12.2. In line with the statutory redundancy payment scheme, the Council calculates redundancy severance payments using the following calculation. The calculation is based on an employee's age and length of continuous local government service (please note that employees must have a minimum of 2 years' continuous service to qualify for a redundancy payment) the multiplier for the number of weeks is then applied to the employee's actual weekly earnings.

## ANNEX J

### PAY POLICY STATEMENT 2023/24



**COTSWOLD**  
DISTRICT COUNCIL

12.3. The amount of redundancy pay will be calculated as:

- 0.5 week's pay for each full year of service where age at time of redundancy is less than 22 years of age;
- 1 week's pay for each full year of service where age at time of redundancy is 22 years of age or above, but less than 41 years of age;
- 1.5 weeks' pay for each full year of service where age at time of redundancy is 41+ years of age.

12.4. The maximum number of service years taken into account is 20. The maximum number of weeks' pay is 30 for anyone aged 61 years of age or older with 20 years or more service

- 

### 13. Honorarium payments

13.1. Payment of honoraria is a method by which the Council may reward an employee who has temporarily undertaken the duties and responsibilities of a higher graded post, or who has worked excessive hours whilst not being entitled to overtime payments.

### 14. The Real Living Wage

14.1. The Council and Publica are committed to paying the Real Living Wage (RLW). The RLW rate from October 2022 is:

- £10.90 per hour across UK (except London - £11.95) for workers 18 years and older.

14.2. The RLW is voluntary and is independently calculated based on what people need to get by. The Government encourages all employers that can afford to do so to ensure their employees earn a wage that meets the costs of living, not just the government minimum.

- 

14.3. For Council employees whose substantive post is less than the RLW they will automatically receive the rate set out in 14.1 above.

### 15. Other pay and conditions in operation

- 
- Stand by and call out payments
- Long service award
-

## ANNEX J PAY POLICY STATEMENT 2023/24



COTSWOLD  
DISTRICT COUNCIL

### 16. The Local Government Pension Scheme (LGPS)

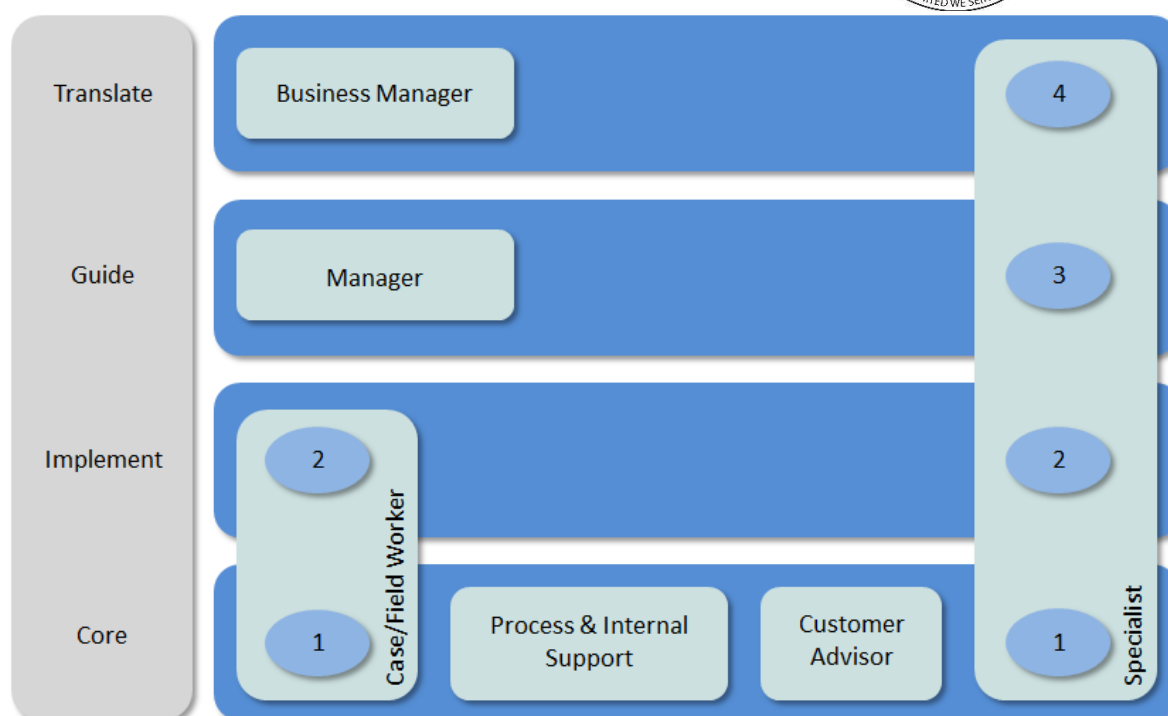
- 16.1. The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not normally enhance pension benefits for any of its employees, nor does it operate any discretions under the Local Government (Discretionary Payments) (injury Allowances) Regulations 2011.
- 16.2. Further information regarding the [Gloucestershire County Pension Scheme pensions](#) administering body for the Council is available from the Gloucestershire County Council website.

# ANNEX J PAY POLICY STATEMENT 2023/24



**COTSWOLD**  
DISTRICT COUNCIL

Evaluate framework Job Groups:



Job Groups	From (£) *	Mid-Point (£) *	Top (£) *
Business Manager	52269	65336	78403
Level 4 Specialist	52269	65336	78403
Level 1 Manager	41353	51691	62029
Level 3 Specialist	41353	51691	62029
Level 2 Specialist	32903	41129	49355
Level 2 Case / Field Worker	26904	33630	40356
Level 1 Specialist	23433	29291	35149
Level 1 Case / Field Worker	21025	25841	31009
Customer Advisor	21025	25373	30448

**ANNEX J**  
**PAY POLICY STATEMENT 2023/24**



**COTSWOLD**  
DISTRICT COUNCIL

Process / Internal support	21025	25373	30448
----------------------------	-------	-------	-------

Note : Not all job groups will be utilised

# Agenda Item 13



**COTSWOLD**  
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	OVERVIEW AND SCRUTINY COMMITTEE – 1 FEBRUARY 2023
Subject	PEER REVIEW – RECOMMENDATIONS RELATING TO OVERVIEW AND SCRUTINY COMMITTEE
Wards affected	All
Accountable member	Cllr Stephen Andrews, Chair of Overview and Scrutiny Committee Email: Stephen.andrews@cotswold.gov.uk
Accountable officer	Angela Claridge, Director of Governance & Development Email: angela.claridge@cotswold.gov.uk
Report author	As above
Summary/Purpose	To consider the Local Government Association's Feedback Report, and, to review the Action Plan that details how the recommendations relating to the responsibilities of this Committee will be implemented.
Annexes	Annex A – Action Plan
Recommendation(s)	<i>That Overview and Scrutiny Committee:</i> <i>Review the findings of the Corporate Peer Review and associated action plan relating to this Committee;</i> <i>Identify any additional actions to implement the Peer Review's recommendation as it relates to this Committee.</i>
Corporate priorities	<ul style="list-style-type: none"> <li>Delivering our services to the highest standards</li> </ul>
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Overview and Scrutiny Committee Chair and Vice-Chair. Local Management Team Assistant Director Property & Regeneration



## 1. BACKGROUND

- 1.1 The Council invited the Local Government Association (LGA) to conduct a corporate peer challenge in October 2022. The review was undertaken by an experienced team including both councillor and officer representatives. The team acts as a “critical friend” providing feedback and commentary on areas of strength and areas for future consideration.
- 1.2 Full Council, at its meeting on 18 January 2023, considered the corporate peer challenge feedback report and approved the action plan included at annex A.

## 2. MAIN POINTS

- 2.1 The Corporate Peer Challenge 2023 – Feedback Report, made a number of recommendations including one that relates to this committee, namely “*The council needs to determine what Overview and Scrutiny is there to do and provide appropriate support to do it*”. The agreed actions to implement this recommendation are:
  - a) Hold a workshop session with the Chair & Vice-Chair of Overview and Scrutiny to review findings on the Corporate Peer Review and to identify opportunities for enhancement
  - b) Ensure the Executive/Scrutiny Protocol agreed at Full Council on 16 November 2022, is embedded in terms of future ways of working;
  - c) Prepare and present to Overview and Scrutiny Committee the Peer Review outcomes and considerations report to consider options;
  - d) Provide Centre for Governance and Scrutiny “Scrutiny Essentials” training;
  - e) Maximise links with the SW Overview and Scrutiny Network to share good practice;
  - f) Utilise member briefings rather than Overview and Scrutiny Committee as a mechanism to update members.
  - g) Maximise input of the recently allocated Public Assistant Director in terms of assisting Overview & Scrutiny.
- 2.2 This report provides the opportunity for this Committee, action 2.1.c) above to discuss the peer review outcomes and consider additional proposals or actions to address the recommendation set out in paragraph 2.1.
- 2.3 One of the actions included in the action plan at paragraph 2.1.a) above is to “hold a workshop session with the Chair and Vice-Chair of this Committee to review findings of the Corporate Peer Review and to identify opportunities for enhancement”. This very constructive workshop took place on 17 January 2023 and identified a number of areas of focus that align with the peer review’s recommendations, these included:
  - the role of Overview and Scrutiny continues to evolve and improve including “pre-decision scrutiny” with recommendations to Cabinet;



- there has been turnover in staff supporting the Committee since 2021;
- the value of networking with other local authorities;
- recognition that the Committee has a very ambitious work programme – some areas of interest could be managed in different ways such as all member briefings or presentations;
- the work programme needs to include flexibility to include urgent or short-term issues that arise during the year;
- the Executive Forward Plan should be populated over a twelve month period to assist with effective planning and identification of key themes.

**2.4** In addition to the actions set out in paragraph 2.1 and annex A, the additional actions, arising from this workshop are proposed:

- To inform this Committee's work programme, the Executive Forward Plan is populated, wherever possible, for a twelve month period;
- Extend "Scrutiny Essentials" training to all members;
- Maximise links with Scrutiny Chairs at West Oxon and Forest of Dean Councils to share learning and best practice;
- Twice yearly training and development/debrief sessions for scrutiny members;
- Periodically incorporate a summary of Overview and Scrutiny activity in the "Councillors Connected" e'newsletter;
- Extend members briefings to include presentations by external partners to all members;
- Reduce the ambition and size of Overview and Scrutiny's work programme to allow for additional items during the year.

### **3. FINANCIAL IMPLICATIONS**

**3.1** There are no direct financial implications arising from the recommendations other than the cost of training provision which is already budgeted for.

### **4. LEGAL IMPLICATIONS**

**4.1** All members and officers should recognise and appreciate the importance and legitimacy the scrutiny function is afforded by the law. It was created to act as a check and balance on the executive and is a statutory requirement for all authorities operating executive arrangements and for combined authorities.

### **5. BACKGROUND PAPERS**

5.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Corporate Peer Challenge 2023 – Feedback Report & Action Plan (Full Council 18.01.2023).

These documents will be available for inspection online at [www.cotswold.gov.uk](http://www.cotswold.gov.uk) or by contacting democratic services [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk) for a period of up to 4 years from the date of the meeting.

(END)

PEER REVIEW RECOMMENDATIONS	ACTIONS TO BE TAKEN TO IMPLEMENT RECOMMENDATION	TIMESCALES FOR COMMENCEMENT	LEAD OFFICER
<p><b>Governance - the Council needs to reassure itself that its governance arrangements are robust.</b></p>	<ul style="list-style-type: none"> <li>● <b><i>Prepare and present a report to Audit Committee</i></b> (scheduled for 26.01.2023) confirming the governance arrangements that already in place (likely to include: Annual Governance Statement, Local Code of Corporate Governance, Risk Management Strategy, audit reports, decision making, system of internal control, LGO reports; financial resilience/CFO assurance, Audit Committee's effectiveness), and identifying any gaps/actions required to bolster governance arrangements where needed.</li> <li>● <b><i>Introduce two independent members</i></b> to the Audit Committee in accordance with 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022' good practice guidance. Commence with recruitment campaign.</li> <li>● <b><i>Implement a programme of regular training for Audit Committee members</i></b> to include legislative/regulatory requirements; role and expectations, features of governance (audit, risk and compliance).</li> <li>● Revisit terms of reference and consider Renaming Audit Committee to <b><i>Audit &amp; Governance Committee</i></b> to reflect the breadth of its responsibilities and ensure governance is a focal part of the committee's function.</li> </ul>	<p>January 2023</p> <p>May 2023</p> <p>May/June 2023 as part of new members induction programme</p> <p>May 2023</p>	<p>Angela Claridge</p> <p>David Stanley Angela Claridge</p> <p>Angela Claridge Andrew Brown</p> <p>Constitution Working Group (CWG), supported by Angela</p>

	<ul style="list-style-type: none"> <li>● <b><i>Deliver Democratic Services Action Plan</i></b> - ensuring the smooth and efficient management of decision making processes.</li> <li>● <b><i>Ensure Constitution continues to reflect robust governance processes and arrangements via timely updates.</i></b></li> </ul>	<p>July 2022</p> <p>March 2023</p>	<p>Claridge/Andrew Brown</p> <p>Constitution Working Group (CWG), supported by Angela Claridge/Andrew Brown</p>
<b>Refine and adapt the leadership approach in engaging local authority partners in order to ensure shared objectives are achieved.</b>	<ul style="list-style-type: none"> <li>● Work with Cabinet via Away Day session, or dedicated Informal Cabinet session to <b><i>identify the best ways to develop strong relationships with key partners, namely GCC</i></b>, in order to ensure CDC's interests are best served.</li> </ul>	January 2023	Rob Weaver
<b>Determine what Overview and scrutiny is there to do and provide the appropriate support to it.</b>	<ul style="list-style-type: none"> <li>● Hold workshop session with Chair and Vice Chair of O&amp;S Committee to <b><i>review findings of the Corporate Peer Review, to identify opportunities for enhancement.</i></b></li> <li>● <b><i>Ensure Executive/Scrutiny Protocol agreed at Full Council (16.11.2022) is embedded in terms of future ways of working.</i></b></li> <li>● <b><i>Prepare and present to O&amp;S Committee Peer Review outcomes and considerations</i></b> report to discuss peer review outcomes &amp; consider options.</li> <li>● <b><i>Provide Centre for Governance &amp; Scrutiny 'Scrutiny Essentials'</i></b> training course for O&amp;S Committee members.</li> </ul>	<p>January 2023</p> <p>January 2023</p> <p>February 2023</p> <p>May 2023 as part of new councillor induction programme</p>	<p>Angela Claridge Claire Locke Rob Weaver</p> <p>Angela Claridge Andrew Brown</p> <p>Angela Claridge</p> <p>Angela Claridge Andrew Brown</p>

	<ul style="list-style-type: none"> <li>● <b>Maximise links with the SW Overview &amp; Scrutiny Network</b> (a forum for representatives to share key priorities, good practice and ideas on improving the scrutiny process).</li> <li>● <b>Utilise member briefings</b> rather than O&amp;S Committee as a mechanism to update members on service and operational developments and responding to requests for follow-up information from Council meetings.</li> <li>● <b>Maximise input of recently allocated Publica Assistant Director in terms of assisting Overview &amp; Scrutiny</b> in terms of work plan development, roles and responsibilities and embedding change.</li> </ul>	February 2023	Andrew Brown
		January 2023	Angela Claridge
		January 2023	Claire Locke
<b>Establish a training and development programme for elected members</b>	<ul style="list-style-type: none"> <li>● <b>Maximise use of the existing councillor's portal</b> as a means of advertising and actively promoting both in house and externally provided training.</li> <li>● <b>Undertake review of councillor's training needs in advance of May 2023 Elections</b>, to ensure roll out of new councillor training programme is exemplary.</li> <li>● <b>Create member training and development steering group</b> – key purpose - to receive regular updates on member training and development and contribute to discussions regarding the training development programme.</li> <li>● <b>Ensure a 'new Councillor induction pack' is prepared and presented to each new Councillor on 4<sup>th</sup> May 2023</b>, and subsequently at any By-Election, including welcome letter from CEO, background to CDC, contact details for key officers, a schedule of training and development 'dates for diaries' and named Democratic service 'buddies' that will act as a single</li> </ul>	January 2023	Angela Claridge Andrew Brown
		March 2023	Angela Claridge
		February 2023	Angela Claridge
		April 2023	Angela Claridge Andrew Brown

	<p>point of contact for any queries in the first few weeks of a new Councillors taking office.</p> <ul style="list-style-type: none"> <li>● <b>Work towards achieving LGA's Member Development Charter</b> - the charter signifies a commitment to introduce a policy that supports and encourages member development.</li> </ul>	July 2023	Angela Claridge Andrew Brown
Continue to ensure Cabinet members are cognisant of the financial challenges and demonstrate the required leadership and collective responsibility for addressing it	<ul style="list-style-type: none"> <li>● <b>Develop a programme of financial briefing sessions for Informal Cabinet</b>, looking at local and national picture and implications for CDC MTFS.</li> <li>● <b>Develop and deliver a wider all member finance briefing session programme</b> on aspects of Local Government Finance to include specific areas such as Treasury Management and the implications of the Local Government Finance Settlement.</li> <li>● <b>Initiate the Cabinet Transform Working Group</b>, (proposal agreed at Cabinet in December 2022) tasked primarily with receiving regular updates on progress against the Publica and Ubico savings and efficiencies targets as part of an ongoing strategy to mitigate the forecast adverse financial position. Ensure where possible synergy with Shareholder Engagement forums.</li> </ul>	<p>January 2023</p> <p>January 2023</p> <p>January 2023</p>	<p>David Stanley</p> <p>David Stanley</p> <p>Rob Weaver David Stanley</p>
Take stock of the Recovery Investment Strategy and what it can deliver	<ul style="list-style-type: none"> <li>● <b>Review the Capital Programme Planning</b> process in light of the Council decision to rescind the RIS(16/11/2022) to ensure it is fit for purpose.</li> </ul>	January 2023	David Stanley

(NB- this recommendation pre-dates the rescinding of the RIS – the actions therefore reflect what is now needed in light of this)	<ul style="list-style-type: none"> <li>● <b>Review the Terms of Reference of the Capital Investment Board</b>, the purpose of this board and its continuation, in light of the rescinded Recovery Investment Strategy.</li> <li>● <b>Develop the 2023/24 Capital Strategy and 2023/24 Treasury Management Strategy</b> with reference to the Council's Priorities and the relevant CIPFA Guidance.</li> <li>● <b>Create a Capital Financing Strategy</b> setting out the good practice and guidelines that will be adopted when considering investment opportunities requiring borrowing, or include this as part of the treasury management programme.</li> </ul>	<p>February 2023</p> <p>January 2023</p> <p>February 2023</p>	<p>David Stanley</p> <p>David Stanley</p> <p>David Stanley</p>
Ensure all necessary due diligence is undertaken in relation to the budget proposals and that the proposals are realisable	<ul style="list-style-type: none"> <li>● <b>Develop 2023/24 financial budget scenarios with sensitivity analysis</b> (stress testing) of budget proposals to ensure a credible budget can be put forward in February 2023.</li> </ul>	January 2023	David Stanley
<p>Address the concerns of some staff about the way they are treated by some senior leaders within the council and the Publica organisation,</p> <p>&amp;</p> <p>Develop a focus on organisational culture and behaviours and staff well-being</p>	<ul style="list-style-type: none"> <li>● <b>Clarify process of councillor engagement with staff (routes, prioritisation, expectation management, timescales etc.)</b> with particular reference to email communications.</li> <li>● <b>Align with the 'Great Place to Work/Investors in People (IiP) &amp; Leadership' project.</b> Specifically to support the IiP indicators 'Living the Organisation Values &amp; Behaviours' and 'Empowering &amp; Involving People'</li> <li>● <b>Revisit Publica focus on organisational culture, values and behaviours</b> and <b>engage and work with the Staff Forum Group</b></li> </ul>	<p>January 2023</p> <p>March 2023</p>	<p>Rob Weaver Jan Britton</p> <p>Angela Claridge Zoe Campbell</p> <p>Angela Claridge Zoe Campbell</p>

	<ul style="list-style-type: none"> <li>● <b>Update Member/Officer Protocol</b> (part of the Constitution) and share with Members - agree protocols and approaches for engagement between Members and Officers.</li> <li>● <b>Revisit and refresh the Staff Recognition and Reward scheme</b> to highlight examples of great service, providing a mechanisms for both senior officers and Councillors to make nominations.</li> </ul>		<p>Angela Claridge</p> <p>Angela Claridge Zoe Campbell</p>
<b>Appropriateness of some services remaining within Publica</b>	<ul style="list-style-type: none"> <li>● <b>Give consideration to reviewing service delivery options</b>, and undertaking an analysis of the advantages and disadvantages of bringing some service areas back into the Council, (which could include Democratic Services, Elections, Planning, Procurement &amp; Commissioning lead).</li> </ul>	February 2023	Rob Weaver Jan Britton
<b>Where direction is set, clarity of roles, accountability</b>	<ul style="list-style-type: none"> <li>● <b>Revisit key roles and responsibilities</b> and if necessary seek to re-set relationship between CDC and Publica, via Away Day session between CDC snr management and Publica MD and Exec Director.</li> <li>● Subsequently ensure input and views of leader, Deputy Leader and Cabinet are included as part of the 're-set' process.</li> <li>● <b>Revisit and communicate how shared responsibilities across Councillor/retained officers/Publica senior officer cohorts operate</b>, to provide clarity to staff and stakeholders where necessary.</li> <li>● <b>In the interests of providing the best customer service, review the appraisal process for Publica MD and Exec. Directors</b>, which could include greater engagement and input from Council CEO and Leader to provide better mechanisms for</li> </ul>	<p>February 2023</p> <p>April 2023</p>	<p>Rob Weaver Jan Britton</p> <p>Rob Weaver Jan Britton</p>

	<p>monitoring and communicating expectations, performance and accountability, In the interest of the partnership and customer service.</p> <ul style="list-style-type: none"> <li>Clarify and confirm accountability process for GM's and Exec Director in a similar way and for similar reasons.</li> </ul>	April 2023	Rob Weaver Jan Britton
<b>How increased strategic capacity is provided to support the council</b>	<ul style="list-style-type: none"> <li><b><i>Re-visit and clarify the extent to which Publica is in a position to provide strategic capacity and input</i></b>, versus day to day BAU, for example in relation procurement and commissioning.</li> <li>Consider where there are currently 'gaps' within strategic support and how these could best be filled.</li> <li>Determine the best ways to fill any identified gaps in process.</li> </ul>	March 2023	Rob Weaver Jan Britton
<b>Translating the political objectives into manageable deliverables</b>	<ul style="list-style-type: none"> <li><b><i>Consider the best ways to ensure that the Administration are providing clear political objectives</i></b> and importantly that these are understood by all.</li> <li><b><i>Ensure the clear political objectives of the Administration are translated into manageable deliverables</i></b>, particularly around agreement of timescales and deadlines for key projects. This action point will build on the successful Cabinet away days, where the Councils corporate Plan is used as the basis for identifying and agreeing projects and timescales.</li> </ul>	January 2023	Rob Weaver Angela Claridge  Rob Weaver Angela Claridge

<b>Sense of identity – providing mechanisms to support staff identify with both Publica and the Council</b>	<ul style="list-style-type: none"> <li>• CEO and Leader to initiate staff Q&amp;A to share updates on key CDC projects, ambitions and direction.</li> <li>• Review ‘organisational effectiveness’ to seek to address staff struggling to identify with one or both organisations.</li> </ul>	February 2023	Rob Weaver Zoe Campbell Jan Britton
<b>Performance and value for money</b>	<ul style="list-style-type: none"> <li>• <b><i>Initiate VFM review to enable further benchmarking and analysis to take place</i></b></li> <li>• <b><i>Re-set and revisit Publica Contract/SLA and key roles and responsibilities</i></b></li> <li>• <b><i>Utilise ‘nearest neighbour’ analysis tools including LG Inform to provide a broader basis upon which to judge and manage performance and service delivery</i></b>, via use of LG Inform or similar data set tools.</li> <li>• <b><i>Feed KPI review into O&amp;S work plan</i></b> for performance setting metrics</li> <li>• <b><i>Seek to become top quartile in terms of service delivery</i></b> with particular regard to planning, non-domestic rates collection, vacant dwellings, council tax collected.</li> <li>• <b><i>Refresh target setting process, outcomes and processes</i></b> to ensure that recognition of performance is broader than just Publica partner councils.</li> <li>• <b><i>Ensure that Publica does not lose sight of the basics of service delivery</i></b> in relation to the Publica Business Plan.</li> </ul>	March 2023	Rob Weaver David Stanley Frank Wilson
<b>Enhanced sense of identity (CDC retained staff base – CFU Legal services)</b>	<ul style="list-style-type: none"> <li>• <b><i>Hold post Peer Review meeting</i></b> with managers of these service areas via routine one to one process. This will enable a better understanding in relation to the sense of identity comments raised.</li> </ul>		Rob Weaver David Stanley Angela Claridge