



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>CABINET – 8 FEBRUARY 2021</b>
Report Number	<b>AGENDA ITEM 7</b>
Subject	<b>MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2021/22</b>
Wards affected	ALL
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: Mike.Every@cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to present the draft budget for 2021/22.
Annexes	Annex A – Draft Medium Term Financial Strategy Annex B – Capital Strategy Annex C – Investment Strategy Annex D – Treasury Management Strategy Annex E – Detailed Revenue Budget 2021/22 Annex F – Pay Policy Statement 2021/22
Recommendation/s	<i>That Cabinet</i> <i>a) considers:</i> <i>(i) the Budget proposals 2021/22,</i> <i>(ii) the Medium Term Financial Strategy,</i> <i>(iii) the Pay Policy Statement,</i> <i>(iv) the Capital Strategy</i> <i>(v) the Investment Strategy</i> <i>(vi) the Treasury Management Strategy; and</i> <i>b) Subject to any amendments it wishes to make, recommends the above set of documents to Council for adoption.</i> <i>c) Approves the revised fees and charges as set out at 2.40 to 2.42 to apply from 1 April 2021.</i> <i>d) Recommends the Local Council Tax Support Scheme as detailed at 2.49 to 2.51 for 2021/22 to Council.</i>

	<i>e) Subject to the Council approval of recommendation (d), Council delegates authority to the Chief Finance Officer to approve the Local Council Tax Support Scheme annual uprating of allowances and non-dependant deductions in line with national regulations.</i>
Corporate priorities	The draft budget for 2021/22 reflects the financial implications of the Council Priorities as approved in the Council Plan in September 2020.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The Medium Term Financial Strategy and draft Budget for 2021/22 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, Audit Committee and with the District's residents, businesses and community organisations.

## 1. BACKGROUND

- 1.1. Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2021/21 to 2024/25 and the associated budget proposals for 2021/22 for consultation on 7 September 2020. The Overview and Scrutiny Committee considered the proposed MTFS and 2021/22 budget on 1 December 2020. The budget and MTFS have now been updated to reflect the following:
  - A. The government's announcement of the provisional local government settlement 2021/22;
  - B. Estimates of the income from the Business Rates Retention Scheme 2021/22;
  - C. Estimated Council Tax Base 2021/22 and the Collection Fund deficit from Council Tax collection in 2020/21; and
  - D. Provision for changes which have arisen since 7 September 2020;
- 1.2. The MTFS has been developed from the previous spreadsheet format into a new Strategic document. The new Strategy incorporates all of the changes set out at 1.1 and is attached as **Annex A**.
- 1.3. This report focuses upon changes to budget proposals since 7 September 2020. The Overview and Scrutiny Committee will consider the updated MTFS and detailed budget proposals for 2021/22 on 3 February and will provide feedback to Cabinet and Council as part of the budget setting process. The Chief Finance Officer and Deputy Leader and Cabinet Member for Finance will provide feedback from the Overview and Scrutiny Committee to Cabinet Members at the meeting on 8 February 2020.

## 2. MAIN POINTS

### Provisional Local Government Finance Settlement 2021/22

- 2.1. On 25 November 2020, the Chancellor of the Exchequer announced the outcome of the Spending Review 2020. The Spending Review sets the Government's departmental spending limits. The Spending Review is again for one year only - 2021/22.
- 2.2. The Ministry for Housing, Communities and Local Government (MHCLG) has used the outcome from the Spending Review to set the Provisional Local Government Finance Settlement 2021/22. The Local Government Finance Settlement, announced 17 December 2020, establishes Government funding for individual councils.
- 2.3. Key announcements for district councils included:
  - 2.3.1. Funding (known as the funding baseline) increases in line with inflation (0.55%);
  - 2.3.2. Councils impacted by "negative Revenue Support Grant", which includes this Council, would continue to be protected from this funding cut;
  - 2.3.3. New Homes Bonus funding will continue for 2021/22 but the grant will be for one-year only. The 2020/21 New Homes Bonus grant remains payable for that year only, so will not continue in 2021/22. Prior to 2020/21, New Homes Bonus grant was awarded for multiple financial years, initially six years and latterly four years. A consultation paper on the future of New Homes Bonus is due to be published shortly with an indication that changes will be implemented in 2022/23;

- 2.3.4. Rural Services Delivery Grant continues in 2021/22;
- 2.3.5. Disabled Facilities Grant funding will continue at current levels;
- 2.3.6. Government will compensate local authorities for the increased cost of Local Council Tax Support in 2021/22 through a Local Council Tax Support Grant. Government has also introduced a Local Tax Income Guarantee Scheme (LTIGS). The LTIGS will fund 75% of local authorities' irrecoverable losses for Council Tax and Business Rates;
- 2.3.7. A fifth tranche of Government grant in recognition of the impact of Covid-19 on Council finances was announced and the Sales, Fees and Charges Compensation Scheme was extended to the first quarter of 2021/2;
- 2.3.8. The Government introduced a new Lower Tier Services Grant to ensure that no local authority saw an overall reduction in Core Spending Power in 2021/22. Core Spending Power includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus and Rural Services Delivery Grant;
- 2.3.9. The Government delayed changes to local government funding from the Fairer Funding Review and Business Rate Retention Scheme for a year to April 2022.
- 2.4. In September, the Council's draft budget for 2021/22 prudently included only legacy New Homes Bonus Grant (from the 2018/19 and 2019/20 allocations) as the future of New Homes Bonus was uncertain and will be reviewed by Government as part of the Fairer Funding Review. An indicative figure of £500,000 was included for Rural Services Delivery Grant and Retained Business Rate income remained in line with the current year. The impact of the Provisional Local Government Settlement on the Council's revenue budget for 2021/22 is set out below:
  - 2.4.1. New Homes Bonus increased by £173,000;
  - 2.4.2. Rural Services Delivery Grant increased by £132,000;
  - 2.4.3. Retained Business Rate income increased by £98,000 to reflect inflation;
  - 2.4.4. The new Lower Tier Services Grant increases Government funding by £691,000;
  - 2.4.5. The 2021/22 revenue budget funded by core Government funding has therefore increased by £1.094 million.

#### Estimated Income from Business Rates Retention Scheme 2021/2

- 2.5. A key element of funding from the Government comes from retained business rates. The MTFS assumes the Council will be compensated (through section 31 revenue grant) for any negative impact upon business rates income relating to any national announcements on discounts or reliefs to businesses (such as those previously announced in the Chancellor's Autumn Statements and Budgets).
- 2.6. Changes to the Business Rates Retention Scheme were due to come into effect from April 2021. As stated in 2.3.9, this change will now take place in April 2022. The MTFS reflects forecast income from the revised scheme using advice from Pixel Financial Management who are providing expert advice to support local authorities and national bodies such as Sparse and the Local Government Association.

### The Gloucestershire Business Rates Pool

- 2.7. 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. Details of past performance of the Business Rates Pool is included in the Medium Term Financial Strategy at **Annex A**.
- 2.8. Any windfall gain associated with the Business Rates Pool in 2020/21 and 2021/22 will be allocated to the Council Priorities Fund.
- 2.9. 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.
- 2.10. 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.
- 2.11. For 2020/21, the forecast is a Collection Fund deficit of £19,043,032. Of this £17,441,911 is as a result of additional Government business rate relief awarded in 2020/21 in response to the economic impact of Covid-19. The Council will receive a Government grant of £6,976,764 in 2020/21 to reflect its 40% share of the cost of this additional relief. This grant will be recorded in the General Fund (revenue budget) rather than the Collection Fund. In order for this grant to be used to fund the Collection Fund deficit in 2021/22, a transfer from the General Fund to an earmarked reserve - the Business Rate Smoothing Reserve - will take place on 31 March 2021.
- 2.12. The proportion of the Collection Fund deficit which relates to financial years before 2020/21 is £1,240,636. This is referred to as the historical deficit. Of this historical deficit, Cotswold District Council’s share is £496,254 which will be funded in 2021/22.
- 2.13. The Collection Fund deficit which relates to the 2020/21 financial year is £360,485. This is an exceptional deficit resulting from Covid-19. This Council’s share of the exceptional 2020/21 deficit is £144,194. This deficit will be spread equally over the next three financial years 2021/22 to 2023/24 at £48,065 per annum.
- 2.14. The Government has promised a grant to fund 75% of the exceptional deficit.
- 2.15. The Council’s share of the Collection Fund deficit to be funded in 2021/22 totals £7,521,083. The Business Rates Smoothing Reserve will be used to fund £7,425,196 of this deficit.
- 2.16. Overall, the estimated income from Business Rates in 2021/22 remains the same as in the draft budget in September 2020.
- 2.17. The budget for 2021/22 includes the following key data from the business rates estimates for 2021/22:

	<b>2021/22</b> <b>£</b>
Estimate of business rate income to the District	13,654,017
Tariff to Government	(11,485,278)
Section 31 Grants – reflecting impact of Government decisions on local government financing	2,203,207
Estimated Levy Payable to Government	(996,071)
<b>Net Retained Business Rates 2021/22</b>	<b>3,375,875</b>
Collection Fund Surplus/(Deficit) forecast to end 2019/20	(7,521,083)
<b>Transfer from Business Rates Smoothing Reserve</b>	<b>7,425,196</b>
<b>Net Overall Income from Retained Business Rates</b>	<b>3,279,988</b>

#### Estimated Council Tax Base 2021/22 and Collection Fund Deficit 2020/21

- 2.18. Each year the Council estimates the size of the Council Taxbase. The Taxbase is calculated as the number of dwellings in the District equivalent to “Band D” Council Tax properties. For example, a Band H property pays twice the amount of Council Tax as a Band D property. In Taxbase terms, this property is worth 2 Band D properties. The Taxbase is reduced to allow for the cost of the Local Council Tax Support Scheme and other exemptions and discounts. The Taxbase is increased for empty properties which incur a premium.
- 2.19. In September 2020, the draft 2021/22 budget assumed a Taxbase of 42,026.7. The detailed calculation of the Taxbase was carried out in October 2020. The result was a taxbase of 41,848.2. The lower Taxbase reflects an expectation of more Local Council Tax Support payable as a result of the economic conditions in 2021/22 and a slowdown in housing supply as a result of Covid-19. This has resulted in a reduction of income from Council Tax of £24,810.
- 2.20. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any Council that wishes to raise its Council Tax above the limit that applies to it will have to hold a referendum.
- 2.21. For this Council, the Government is proposing a maximum council tax increase of 2% or £5 for 2021/22, whichever is the higher. The budget for 2021/22 proposes a Council Tax increase of £5. The Collection Fund is the account where Council Tax income is recorded. This income is then paid out to the “precept” authorities, i.e. Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, this Council and those Town and Parish Councils which have requested a precept for the year.

- 2.22. Each year the Council forecasts whether its collection of Council Tax will be higher than anticipated, resulting in a “surplus” on the Collection Fund, or lower than anticipated, resulting in a “deficit” on the Collection Fund.
- 2.23. Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council, Police and Crime Commissioner and the District Council in proportion to their respective level of precept for the financial year. Similarly, where the Council forecasts a deficit, the deficit is recovered proportionately from the three major preceptors in the following financial year. Collection Fund surplus or deficit is not passed on to the Town and Parish Councils but is shared proportionately by the three major preceptors.
- 2.24. For 2020/21, the forecast is a Collection Fund deficit of £1,284,500. Of this £1,081,739 is an exceptional deficit resulting from Covid-19. The proportion of the Collection Fund deficit which relates to financial years before 2020/21 is £202,761. This is referred to as the historical deficit. Of this historical deficit Cotswold District Council’s share is £23,948 which will be funded in 2021/22. This Council’s share of the exceptional 2020/21 deficit is £127,763. This deficit will be spread equally over the next three financial years 2021/22 to 2023/24 at £42,588 per annum. The Government has promised to fund 75% of the exceptional deficit - £31,941 a year. The net impact of Covid-19 upon the Council’s revenue budget for each of the next three years is £10,647. The impact of the historical Collection Fund deficit and the Covid-19 net deficit in 2021/22 is £34,595.
- 2.25. As part of the Provisional Local Government Settlement, the Government announced an additional grant for Local Council Tax Support of £88,353 for 2021/22 only.
- 2.26. The draft 2021/22 budget assumed Council Tax income of £5,792,106. This was based upon an estimated Tax Base of 42,026.7, a £5 increase to Band D Council Tax, a Collection Fund deficit of £46,667 and no Government grant to compensate for the impact of Covid-19. Since September, the following changes have impacted upon Council Tax income for 2021/22:

<b>Changes to Council Tax income 2021/22</b>	
<b>Draft Budget September 2020</b>	<b>£5,792,106</b>
Formal Council Tax Base Calculation	(£24,810)
Collection Fund Deficit, net of Government grant,	£12,072
Additional Government Grant for cost of Local Council Tax Support	£88,353
<b>Revised Income from Council Tax</b>	<b>£5,867,721</b>
<b>Increase in Council Tax income</b>	<b>£75,615</b>

2.27. Since the draft budget in September 2020, income from Council Tax related funding has increased by £75,615.

Budget changes since draft Budget proposals in September 2020

2.28. As part of the Spending Review in November 2020, the Chancellor announced a partial pay freeze for public sector workers. The Chancellor is not able to impose a pay freeze upon local government workers as the local government pay award is subject to a negotiation process. In September 2020, the draft 2021/22 budget assumed a pay award of 2.5%. While the outcome of the pay negotiations is still unknown, the revised MTFS reflects pay inflation of 1% for Officers and Publica staff and an associated 1% increase in councillor's allowances. This has reduced costs by £128,000 in 2021/22. The MTFS continues to assume pay inflation of 2.5% from 2022/23 onwards.

2.29. The Council is responsible for the collection of "sharps" from individuals in the District. Currently there is a contract between the NHS and pharmacies for the collection of sharps. The NHS is not renewing this contract and responsibility will therefore fall upon this Council to collect these sharps. There will be a change to the Council's contract with Ubico, and as a result costs are expected to increase by £12,000 each year.

2.30. The Council commissioned Public Sector Audit Appointments Ltd to procure its contract for external audit services. Since the procurement, the Financial Reporting Council expectations of the work carried out by external auditors has increased. Sir Tony Redmond recognised this in his recent review of local authority financial reporting and external audit. PSAA Ltd is expected to increase the Scale Fee payable to the external auditor to reflect the changed regulatory framework within which external audit is provided. Additional funding of £15,000 is being included in the 2021/22 budget to provide for additional external audit fees.

2.31. A review of the Publica governance arrangements has led to changes to strengthen the Publica Executive Board which requires this Council to increase its financial contribution by £5,000 per annum.

2.32. Support provided by Publica to the Council's statutory officers and Cabinet Members has been reviewed and additional support has been requested. The additional cost of this support is £13,000 per annum.

2.33. The Council's draft Treasury Management Strategy for 2021/22 is attached at **Annex D**. The level of balances available for investment and the interest receivable has been reviewed in light of the Council's revenue and capital expenditure plans. Bank of England Base Rate is now only 0.1% and this has a significant impact upon the returns available on the Council's highly liquid cash investments. Overall treasury income is expected to reduce by £189,000 in 2021/22. Further information is contained within the Council's Capital Strategy at **Annex B**, the Investment Strategy at **Annex C** and the Treasury Management Strategy at **Annex D**.

2.34. In September 2020, the 2021/22 draft budget assumed that the financial impact from the Covid-19 pandemic would be limited to the 2020/21 financial year. As time has progressed it's clear that this will not be the case. The Provisional Local Government



Settlement acknowledged the ongoing impact of Covid-19 and additional funding of £377,000 is available under a fifth tranche of Covid-19 funding. The Council's budget for 2021/22 includes a contingency for additional costs equal to the funding from the Government. This contingency will be allocated across relevant services as the financial impact becomes clearer during the early part of 2021/22.

- 2.35. Similarly, a contingency for the impact on income from Sales, Fees and Charges in 2021/22 as a result of Covid-19 has been included at £500,000. The Government support for Sales, Fees and Charges losses at 75% of losses over and above the first 5% of the 2020/21 budget has been included at £356,000.
- 2.36. The draft 2021/22 budget assumes savings delivered from Publica and the Council's leisure services provider, SLM, amounting to £78,000. While the Publica savings are expected to be delivered, the savings from the SLM contract of £53,000 have been deferred until 2022/23 and are expected to be delivered either as part of an extension to the SLM contract or through revised leisure and cultural services provision arrangements.
- 2.37. Savings to be generated from the Recovery Investment Strategy have been realigned to reflect an anticipated delivery timescale. £276,000 of the 2021/22 savings target has been deferred to 2022/23.
- 2.38. Additional in-year savings of £10,000 have also been found in supplies and services budgets
- 2.39. Changes to the draft 2021/22 revenue budget, are set out in the table below:

<b>2021/22 Revenue Budget</b>	<b>Income Change £000</b>	<b>Expenditure Change £000</b>	<b>Total £000</b>
Pay Inflation		(128)	<b>(128)</b>
Additional in-year savings in supplies and services budgets		(10)	<b>(10)</b>
Collection of sharps – increase to Ubico contract		12	<b>12</b>
Council Taxbase lower growth	25		<b>25</b>
Collection Fund Deficit – Historical Council Tax	24		<b>24</b>
Collection Fund Deficit – 2020/21 Extraordinary deficit – 1/3 of total deficit	43		<b>43</b>
Council Tax Deficit 75% Government Funding	(32)		<b>(32)</b>
Government grant for additional costs of Local Council Tax Support	(88)		<b>(88)</b>

Remove Sep 20 Provision for Collection Fund Deficit (Council Tax)	(47)		<b>(47)</b>
Provision for external audit fee increase		15	<b>15</b>
Publica changes to the Board of Directors		5	<b>5</b>
Publica support for statutory officers and Cabinet Members		13	<b>13</b>
Reduced income from treasury investments	189		<b>189</b>
Contingency for pressure from Covid-19	500	377	<b>877</b>
Covid-19 Grant from Government – tranche 5	(377)		<b>(377)</b>
Covid-19 Grant from Government – Sales, Fees and Charges	(356)		<b>(356)</b>
Savings from SLM contract	53		<b>53</b>
Savings from the Recovery Investment Strategy	276		<b>276</b>
Increases to Government Core Funding		(1,094)	<b>(1,094)</b>
Changes to retained business rate income	(178)		<b>(178)</b>
<b>Changes to 2021/22 Budget since Sept 20</b>	<b>32</b>	<b>(810)</b>	<b>(778)</b>

### Revenue Budget proposals 2021/22 – Fees and Charges

- 2.40. The Council plans to continue with its budget resolution from February 2020 to increase garden waste service fees to make the service cost neutral. For 2021/22, this means implementing the planned increase to £40 for each bin licence. The revenue benefit is expected to be £155,000 as it includes the £5 increase deferred from 2020/21 due to the suspension of the service in the first lockdown and the planned increase of £5 in 2021/22.
- 2.41. The Council intends to introduce charges for the delivery of waste and recycling containers which is expected to deliver additional income of £60,000. The charges will be in line with the Council's commitment not to subsidise the cost of services. The budget assumes a charge of £5 per container delivery.
- 2.42. In previous years, the cost of the bulky waste collection service has exceeded the income generated from service charges. In order to eliminate this subsidy, the charge for the service will increase from £14 to £25 for the collection of up to three items. The charge for additional items will remain at £5 per item, with an upper limit of six items. This additional income also allows the Council to support those residents on the lowest income - a discount of 50% will apply to residents in receipt of Housing Benefit or Local Council Tax Support.

- 2.43. The Council intends to continue with the provision of free after 3PM car parking in the following car parks: Cirencester - Brewery and Forum car parks, Moreton-in-Marsh - Old Market Way, Stow-on-the-Wold - Maugersbury Road, Tetbury - Church Street and West Street car parks. It is intended that free after 3PM car parking will be withdrawn from the Rissington Road car park in Bourton-on-the- Water. This is subject to confirmation of the Cabinet decision of 7 December 2020 following public consultation.

#### **Impact upon General Fund Balance**

- 2.44. The draft 2021/22 budget produced a budget deficit £772,000. Since September 2020, changes to the 2021/22 budget and Government funding, set out in the Table at 2.39 have improved the budget deficit. The Council now has a balanced budget, with a contribution to the General Fund Balance of £6,257.
- 2.45. Full details of the impact of the Council's budget proposals upon General Fund Balance, revenue and capital reserves are set out in **Annex A**.

#### **Capital Programme**

- 2.46. Details of the proposed Capital Programme for the period 2021/22 to 2024/25 are set out in the Council's Capital, Investment and Treasury Management Strategies at **Annex B, C and D**. There have been no changes proposed since Cabinet considered the revised Capital Programme in September 2020.

#### **Review of Earmarked Reserves**

- 2.47. The proposed use of the Council's Earmarked Reserves was set out in the Cabinet report in September 2020. 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. Details of commitments against the Council Priorities Fund is included in the Medium Term Financial Strategy at **Annex A**.
- 2.48. The Council Priorities Fund is now largely allocated and new initiatives will require Members to review existing commitments and to reallocate funds accordingly.

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

- 2.49. Each year the Council has to decide whether to make changes to its Council Tax support scheme for working age customers. The current scheme was adopted in 2020/2021 with the assistance of Stroud and Cotswold District Citizens Advice Bureau, which ensured an increase in support to the most vulnerable residents within the District.
- 2.50. Keeping the Council Tax support scheme unchanged for 2021/2022 will continue to support the Council's key priorities and principles. The only changes required to the scheme are the annual uplift of allowances (which provides an increase in financial support) and non-dependent deductions. Non-dependent deductions reduce support and are based on the number of adults living within the household who are financially independent from the Council Taxpayer.
- 2.51. The annual uplift to allowances to non-dependent deductions will be set by Government and it is proposed that Council delegates authority to the Chief Finance

Officer to approve the respective changes to the Council’s Local Council Tax Support scheme for 2021/22.

### Pay Policy Statement

- 2.52. Section 38 of the Localism Act requires local authorities to produce a Pay Policy Statement. The Statement includes the authority’s policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the median paid officer.
- 2.53. The Pay Policy attached at **Annex ‘F’** includes the following key requirements of the Localism Act 2011:
- A. policy on pay for each of the ‘in scope’ Officers;
  - B. policy on the relationship between Chief Officers and other Officers;
  - C. policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

### 3. FINANCIAL IMPLICATIONS

- 3.1. The Council’s Medium Term Financial Strategy has been updated to reflect the proposals set out in this report and is attached at **Annex A**.
- 3.2. A summary of the impact of the budget proposals for 2021/22 is set out below:

Summary of changes to the Council’s Net Budget Requirement	£
<b>Original Net Budget Requirement 2020/21 (as approved by Council in February 2020)</b>	<b>12,260,273</b>
Inflationary Pressure – expenditure budgets	276,250
Unavoidable budget pressures, investment in Priorities expenditure and accounting changes (net decrease)	(259,558)
Unavoidable budget pressures – income	410,300
Savings	(274,000)
Impact of one-off Covid-19 pressure on expenditure	377,000
Impact of one-off Covid-19 pressure on income	500,000
Covid-19 Government Funding	(733,250)
<b>Net Budget Requirement 2021/22</b>	<b>12,557,015</b>

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

	£	£
<b>Net Budget Requirement 2021/22</b>		<b>12,557,015</b>
Net Business Rate Income (see table at 2.19)	3,279,988	
Council Tax payers @ £138.93 Band D	5,813,963	
Collection Fund Deficit	(66,536)	
Government Grants - Council Tax impact of Covid-19	120,294	
New Homes Bonus	2,092,561	
Rural Services Delivery Grant	632,183	
Lower Tier Services Grant	690,819	
<b>Total Funding</b>		<b>12,563,272</b>
<b>Budget Surplus</b>		<b>6,257</b>

3.4. The budget proposals assume a budget surplus of £6,257. This surplus will be added to the General Fund Balance.

3.5. The detailed revenue estimates for the Council are attached at **Annex B**.

3.6. **Chief Financial Officer Report**

3.7. Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer to make a report to the Council on the robustness of the budget estimates and the adequacy of the Council reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year.

3.8. **Robustness of Budget Estimates**

3.9. This report sets out the Council's budget proposals and the funding available from Government to support the budget. For 202/22, the Government announced a roll-forward of 2020/21 funding arrangements with an inflationary increase. Government funding available from 2022/23 onwards is very uncertain as the following significant changes will come into effect:

3.10. A. The Government will implement the outcome of the local government Fairer Funding Review;

3.11. B. The new 75% business rates retention system will come into effect;

C. The business rate baseline will be reset and there is the potential for the Council to lose its share of the financial benefit from growth in business rates in the District since 2013;

3.12. D. The Government will have completed a new Spending Review to establish its spending priorities post 2022.

3.13. The Medium Term Financial Strategy illustrates the potential loss of Government funding from Business Rates Retention, New Homes Bonus, Rural Services Delivery

Grant and the Lower Tier Services Grant. For 2021/22 income from these funding sources is almost £7 million. The Council has used information published by the Ministry of Housing, Communities and Local Government and advice from consultants to estimate the impact of these changes on this Council. By 2024/25, this income could reduce by around £4 million.

- 3.14. The Medium Term Financial Strategy has been updated to include additional income generation or savings required to address this loss of funding. A Recovery Investment Strategy has been approved by Council which will set out options for delivering additional income or generating further savings. It is essential that this Strategy is progressed early in 2021/22 so that the Council can take action to address the savings required from 2022/23 onwards.
- 3.15. The Council's budget estimates have been prepared by appropriately qualified and experienced staff in consultation with management. Budgets have been subject to scrutiny through the Council's Overview and Scrutiny Committee. The Capital Strategy, Investment Strategy and Treasury Management Strategy have been subject to scrutiny through the Council's Audit Committee.
- 3.16. The budget for 2021/22 includes a savings target of £388,000. The Council has been consulting on proposals to increase income. Increases to fees and charges are expected to increase income by £290,000. The balance of savings of £98,000 will be delivered through contract savings with Publica, Ubico and through a new public convenience contract awarded during 2020/21. If Council approves the budget proposals set out in this report, I am confident that the savings target of £388,000 is achievable.
- 3.17. The Council's treasury advisors are expecting the Bank of England Base Rate to be maintained at low levels for a further significant period of time. The budget for 2021/22 reflects the impact of interest rates on the Council's highly liquid cash balances. Since 2018/19, the Council has diversified £12.5 million of its cash deposits into a range of pooled funds with the aim of increasing investment returns whilst satisfying the Council's requirements for security and liquidity in line with the Treasury Management Strategy. This has helped to protect the Council from the significant impact of extremely low interest rates. The overall impact of low interest rates in 2021/22 is a reduction of investment income of £189,000. The impact would have significantly higher than this if the Council had not diversified its investment portfolio. Income from the diversified investment portfolio is expected to generate a return of £389,400. Further information is available in the Council's Treasury Management Strategy.
- 3.18. The Council's capital investment proposals are set out in this report and in the Capital Strategy. The Council has included £54 million of capital investment to reflect the desire to invest to deliver against the Council Priorities and Corporate Plan, approved in September 2020, and to generate additional income to replace anticipated reductions to Government funding. The Council will need to borrow to fund its capital programme. The revenue implications of the proposed borrowing, provision for repayment of debt and interest payments, is included in the Medium Term Financial Strategy so that Members are aware of the longer term financial implications of this level of investment. The Medium Term Financial Strategy, Capital Strategy,

Investment Strategy and Treasury Management Strategy are all inter-related and provide the Council with a view of the affordability and proportionality of its spending plans.

- 3.19. The Council has a robust Risk Management Strategy. Significant financial risks have already been identified and are included within the Medium Term Financial Strategy. A Corporate Risk assessment covering a range of financial and non-financial risks has been carried out and the results form part of the Council's performance management systems and processes. The Corporate Risk register is reviewed regularly by the Council's Audit Committee and Cabinet.
- 3.20. The major risks looking forward are in respect of the impact of the Covid-19 pandemic in 2021/22, although the budget provides for some impact; and further changes to Government funding post 2022/23.
- 3.21. The Government has provided for district councils to increase Council Tax by up to 2% or £5 (whichever is the higher) for 2021/22 without a requirement to hold a referendum. This report proposes a council tax increase of £5 for a Band D property in 2021/22.
- 3.22. **I can confirm that the budget estimates as presented are both prudent and robust.**

#### **Adequacy of the Council's Reserves**

- 3.23. The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on local authority reserves and balances. It sets out three main purposes for which reserves are held:
- A. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
  - B. A contingency to cushion the impact of unexpected events or emergencies;
  - C. A means of building up funds to meet known or predicted liabilities, known as earmarked reserves.
- 3.24. The Council held general fund revenue balances of £4.475 million on 1 April 2020. The original budget for 2020/21 anticipated an operating budget surplus and contribution to reserves of £212,000. The Council planned to make a lump sum contribution to the Gloucestershire Local Government Pension Scheme (LGPS) of £3.268 million. This investment in the LGPS, reduced future contributions to the LGPS by £184,000 per annum. The net impact was a planned reduction in the General Fund Balance of £3.056 million.
- 3.25. As a result of the impact of the Covid-19 pandemic on the Council's income and expenditure, a revised budget was approved by the Council in September 2020. The revised budget recognised a reduction in income of £2.8 million, largely from car parking, planning and leisure and additional costs of around £1 million in support for the Council's leisure contract and additional costs of environmental and homelessness services. After allowing for Government financial support, the impact on the General Fund was forecast to be around £1 million. Savings of nearly £600,000 were identified

in the Council's budget to reduce the impact upon the General Fund to around £400,000.

3.26. The revised level of the General Fund Balance, as at 31 March 2021, is expected to be £651,000. The lump sum payment to the LGPS, provides capacity in the revenue budget to top up the General Fund Balance by £1.634 million in each of the next two financial years which will help to increase the General Fund Balance to over £2.2 million as at 31 March 2022.

3.27. I have assessed the risks to the budget and have determined that the minimum reserves position should be £1.750 million under the current economic outlook with significant risks remaining to revenue streams and grant levels in future years. £1.750 million is the equivalent of 14.3% of the net cost of Council services. The unbudgeted financial risks are assessed as follows:

A. Litigation costs (e.g. planning appeals)	£500,000
B. Business rate pool risk	£800,000
C. Unforeseen budget pressures (in excess of £377,000 provided for impact of Covid-19 pandemic)	£200,000
D. Income from fees and charges lower than anticipated (in excess of £500,000 provided for impact of Covid-19 pandemic)	£200,000
E. Emergency planning	£ 25,000

3.28. The Council receives quarterly financial performance information which highlights any unfunded financial liabilities which arise during the year and require additional funding. The Council holds sufficient General Fund Working Balance to fund this level of risk. The annual update of the Medium Term Financial Strategy enables the Council to incorporate any of these emerging risks within the Council's financial plans.

3.29. The Medium Term Financial Strategy forecasts the level of General Fund Reserves as follows:

	<b>31 March 2022</b>	<b>31 March 2023</b>	<b>31 March 2024</b>	<b>31 March 2025</b>
General Fund	2,292	3,002	2,271	2,028

3.30. The Council has incorporated savings targets into the Medium Term Financial Strategy which will enable the Council to maintain a level of reserve above the minimum position of £1.75 million. Work on the Recovery Investment Strategy needs to take place over the next few months so that the Council is able to take decisions and implement the changes required to deliver against the income generation or service savings targets in a timely manner.

3.31. In addition to the General Fund balance, the Council holds various earmarked reserves which are held to fund costs associated with transformational change or



smooth the impact of cyclical cost to the Council Tax payer. These funds will enable the Council to deliver its medium and longer term savings plans.

- 3.32. **I can confirm that over the period of the Medium Term Financial Strategy, the level of reserves is currently adequate.**

#### **4. LEGAL IMPLICATIONS**

- 4.1. Save for any legal duties and requirements set out in the body of the report, there are no legal implications arising from the recommendations.

#### **5. RISK ASSESSMENT**

- 5.1. Details of national and local risk which may impact upon the financial sustainability of the Council are set out within the Medium Term Financial Strategy at **Annex A**.

#### **6. ALTERNATIVE OPTIONS**

- 6.1. The draft budget for 2021/22 is subject to consultation until February 2021. During the consultation period, the Cabinet encourages feedback on its proposals for consideration. In February 2021, the Overview and Scrutiny Committee will consider these budget proposals and will be encouraged to provide feedback to the Cabinet, which may include alternative options. The Audit Committee will consider the Capital, Investment and Treasury Management Strategies in January 2021.

- 6.2. At Council on 20th January 2021, a motion was proposed by Councillor Tony Berry and Seconded by Councillor Julia Judd as follows:

*'The new mapping system introduced to identify instances of fly-tipping is highly successful and much appreciated. On checking recently that various events had been reported I was dismayed to see that there were 6 current instances in my Ward and so I spoke with ERS about what we might do to reduce this amount, particularly in those spots which regularly received unwanted deposits. To my amazement I was told we don't have any cameras which we can put in these locations to catch/deter those dumping their (or someone else's) rubbish.*

*Catching and finding these people that desecrate our countryside must be the best deterrent and usually gains good publicity. Although considerable efforts are being made to try to do so, catching people in the act must surely be an option our officers have to help them.*

*From some research I discovered that motion activated cameras of good quality can be purchased for under £500. Whilst these might not be the right sort of camera, we can surely find out from Councils which are best suited and have good success rates. Even if they cost £1,000 each, it must be a worthwhile investment.*

*Equally there must be other 'good practices' in the industry that we could investigate (e.g. paying for skips in strategic locations).*

*We would therefore recommend to this Council that it puts aside up to £50,000 to:*

- 1) Investigate the purchase and use of cameras to support the efforts to catch and fine fly-tippers.*

*2) Investigate other possible activities that would help reduce or remove this scourge from our district, and report back to this Council if further funds are required.'*

- 6.3. The motion was referred to the Cabinet to consider as part of the budget proposals.
- 6.4. Cabinet will consider this report together with feedback from the Overview and Scrutiny Committee and the Audit Committee and will determine the final budget proposals to be presented to Council for consideration.