

Cotswold District Council

Medium Term Financial Strategy

2021/22 to 2024/25

Introduction

The Council approved a new Corporate Plan for the period 2020 to 2024 [Corporate Plan](#) in September 2020. The Plan sets out the Council's aims, priorities and principles.

"Aim, priorities and principles

Cotswold District is at the heart of the larger area of the Cotswolds – an area that's known around the world for its natural beauty and heritage. Around 84,000 people call our district home, and they deserve the services and support that a progressive council can provide.

This corporate strategy recognises and embraces the challenges facing the district, and states our aims and ambitions. It is underpinned by a set of action plans that describe in detail how we plan to deliver these ambitions.

Our aims is to recreate a council that's proactive and responsive to the needs of our residents and businesses in a fast-changing environment, and to build for the future while respecting our heritage.

We will do this by:

- delivering our services to the highest standards
- responding to the challenges presented by the climate crisis
- providing good quality social rented homes
- presenting a local plan that's green to the core
- helping residents and communities access the support they need for good health and wellbeing
- supporting businesses to grow in a green, sustainable manner, and to provide high value jobs

Our principles:

Everything we do is built on the following principles:

- rebuilding trust and confidence in the council by promoting a culture of openness and transparency
- providing value for money for our residents and businesses by using our resources wisely and investing in the district's fabric and future
- listening to the needs of our community, and acting on what we hear."

The Council has an ambitious agenda and this Medium Term Financial Strategy sets out the financial parameters in which to deliver the Council's Corporate Plan. Investment in Council Priorities will be through:

- Capital programme investment, for example, delivery of new social housing, installation of facilities for charging electric vehicle, partnership working to deliver green energy generation;

- One-off revenue funding from Council reserves for projects, for example, reviewing the Local Plan to make it green to the core, temporary extra resource to develop a green travel plan;
- A permanent increase to the Council's revenue budget to provide additional resources in priority service areas, for example, funding a post to combat fly-tipping.

Annex A sets out the details of the Council's plans for revenue income and expenditure, capital income and expenditure and earmarked reserve funded expenditure.

Service Provision

The Council has a small Management Team of directly employed officers who support the Council and who work with service providers to deliver the Council's priorities. The Council uses a number of local authority owned companies to deliver the majority of its services. Publica Group (Support) Ltd provides commissioning advice and support to the Council as well as directly providing many services. Ubico Ltd provides waste collection, street cleansing and other environmental services. SLM provides the Council's leisure and cultural services across the District.

The 2020/21 contract costs for these significant partners are:

Publica £8.71 million

Ubico £6.98 million

SLM provides a contribution to the Council of around £100,000 per annum. However, during 2020/21, SLM has been significantly impacted by the Covid-19 pandemic as fewer customers have been able to attend the leisure centres and the Corinium Museum. In order to ensure that these facilities, which are vital to the physical and mental health and wellbeing of residents, are able to re-open the Council has waived the income from this contract and has also provided additional financial support to the contractor.

Financial Context

The Council's current service provision costs £24.5 million each year and is funded by:

Fees, charges and grants for specific services	£12.0 million
Retained Business Rates	£3.2 million
Rural Services Delivery Grant from the Government	£0.6 million
New Homes Bonus Grant from the Government	£3.2 million
Council tax	£5.5 million

At the end of the last financial year, on 31 March 2020, the Council held capital resources of £10.02 million, revenue reserves of £7.81 million and a General Fund balance of £4.48 million.

For 2020/21, the Council was planning to increase its General reserve by £0.21 million. Due to the impact of Covid-19 on the Council's finances, Council approved a revised budget in September 2020. The Council now expects to use £0.22 million of the General Fund and the net impact of Covid-19 is expected to cost the Council £0.44 million.

In 1997, the Council transferred its social housing to a registered provider. Following the transfer, the Council was debt free and held significant levels of capital receipts and revenue reserves. Since 1997, the capital and revenue reserves have funded projects and investments have contributed towards the delivery of the Council's priorities. The Council is now facing the prospect of borrowing to fund capital investment for the first time since the housing stock transfer.

For a full picture of the Council's financial management, this Financial Strategy should be read together with the Council's Capital, Investment and Treasury Management Strategies. Further information on how the Council plans to deliver its Priorities is contained within the following strategies:

- [Green Economic Growth Strategy](#) approved on 7 December 2020
- [Climate Emergency Strategy](#) approved on 23 September 2020
- [Recovery Investment Strategy](#) approved on 23 September 2020

This Medium Term Financial Strategy sets out the financial envelope within which the Council will deliver its Priorities.

National and Local Financial Risks

Fair Funding Review

The Government decides how to spend income generated from taxation through a Spending Review. The Spending Review announced in 2020 was limited to the 2021/22 financial year. The Spending Review determines the overall funding available for each Government Department. The Ministry for Housing, Communities and Local Government (MHCLG) is responsible for the allocation of its share of funding from the Spending Review to individual councils.

For a number of years MHCLG has been conducting a "Fairer Funding Review" to change the method of allocating funding to individual councils. The outcome of the Review poses a significant risk to the level of funding this Council receives from the Government. The outcome of the Fairer Funding Review was to be implemented in the 2021/22 financial year. For various reasons, including the negotiation of the UK's exit from the European Union and responding to the Covid-19 pandemic, MHCLG has delayed consultation upon and implementation of the Fairer Funding Review until 2022/23.

The Council has been planning for this change of funding for several years and the MTFs includes the possible impact of reduced Government funding and includes savings targets to address the reduced funding.

Business Rates Retention

The Council administers Business Rates (National Non Domestic Rates) of around £44.73 million per annum on behalf of the Government. The Council retains some Business Rates income as part of its core Government Funding. For the 2020/21 financial year, this amounts to £3.15 million.

In 2013, the Government (MHCLG) implemented the Business Rates Retention Scheme for local authorities. Each year MHCLG sets the "baseline" funding for local authorities from business rate retention. For this Council, the baseline funding for 2020/21 is £1.88 million. As part of the Business Rate Retention Scheme, the Council shares business rate income received above the baseline with Government on a 50/50 basis. The Cotswold District has seen a significant increase in income from

business rates since 2013 as the economy has grown. The growth retained by this Council now represents £1.27 million of additional Government funding over the £1.88 million baseline.

The Fairer Funding Review will reset this Council's level of Business Rate Retention. It is also likely that the share of the gain from economic growth will change. For both of these reasons, the Council is facing a significant risk that its core Government funding will fall sharply - a financial 'cliff-edge'.

New Homes Bonus

Another part of the Council's core government funding comes from New Homes Bonus. This grant is a reward to Councils for delivery against the Government's national priority of increasing the number of homes. The value of the grant depends upon the increase in the Council's "Council Taxbase".

Originally, New Homes Bonus grant was paid for a period of six years. In later years, the period that the grant was payable for was reduced to four years. The grant for 2020/21 is payable for one year only. Funding from the New Homes Bonus Scheme is being reviewed as part of the MHCLG Fairer Funding Review.

The value of New Homes Bonus to the Council in 2020/21 is £3.17 million. MHCLG has announced that a further New Homes Bonus will be paid in 2021/22 - again this will be for one year only. The MTFS reflects that the Bonus will reduce, so that only the 2021/22 grant and "legacy" grant payments will be due in 2021/22 and 2022/23.

Given that the Government still wishes to increase the supply of new homes nationally, it is likely that there will be an alternative funding stream from the Government related to the local provision of housing.

The Council's plan for addressing reduced Government Funding is set out in the Recovery Investment Strategy. This Strategy assumes there will be some replacement funding from Government for New Homes Bonus. Should this not be provided, the Council will need to increase income or find alternative savings.

Cost of service delivery in a rural area

The Council covers a large geographical area, some 450 square miles, with many small towns and villages. This low population density means that the cost of delivery of Council services at a local level is high. For example, the Council collects recycling and waste from every property in the District, meaning that our vehicles need to travel many miles per household. This means that the Council requires more vehicles and operatives to deliver the service per household than in urban areas where households are collected together.

The Government has recognised this cost driver and has provided Rural Services Delivery Grant funding since 2016. For 2020/21 the grant is worth £602,000 on top of funding from Retained Business Rates. This grant remains available in 2021/22 but the implementation of the Fairer Funding Review in 2022/23 puts this funding at risk.

Covid-19 impact upon income and costs

The Council set its budget for 2020/21 on 26th February 2020, just before the Covid-19 lockdown. Demand fell for the Council's income generating services from early in March 2020, and this decline accelerated following the announcement of the first lockdown on 23 March 2020. The Council's service related income has continued to be impacted throughout the year.

In addition to reduced service income, the Council has also faced pressure on its expenditure budgets. In particular, providing emergency accommodation for individuals and families facing homelessness; collecting additional waste and recyclable materials presented by households and ensuring that the Council's leisure contractor was able to fulfil its contractual obligations.

The Council has been regularly reporting the impact of Covid-19 on its finances to the Government. In response the Government has provided grant funding in recognition of expenditure pressures and compensation for income losses.

The financial impact of Covid-19 has been felt across the Council's services and therefore across many of the 2020/21 service budgets. In September 2020, Council approved a revised budget for 2020/21 which:

- revised income budgets to reflect forecast service income for 2020/21;
- revised expenditure budgets to reflect additional cost pressure in 2020/21;
- incorporated the initial three tranches of funding received from Government for Covid-19 and the promised support for income losses; and
- set out revised funding for the 2020/21 budget.

The basis for the proposed budget for 2021/22 is the original 2020/21 budget. However, it does reflect the ongoing impact of Covid-19 on income and expenditure and further funding announced by the Government in the Provisional Local Government Finance Settlement.

Recession

The national economy is expected to enter a period of recession. This will impact the Council through increasing demand for services such as: housing benefit and local council tax support; homelessness and housing; and support for local businesses and the community.

Financially, income from the Council's cash investments will fall significantly due to interest rate reductions as interest on cash deposits will fall from around 1% to 0.4% per annum. However, the Council will be able to reduce its borrowing costs either by using some of its cash balances to provide cash flow for some of its planned capital expenditure (rather than raising finance from external borrowing) or enter into loans at historically low interest rates. Further information on the Council investments and borrowing plans are set out in the Capital, Investment and Treasury Management Strategies. [\(LINK\)](#)

Development of the Proposed Budget 2021/22 and Medium Term Financial Strategy

The basis of the 2021/22 budget is the original budget for 2020/21, excluding the changes required to reflect the impact of Covid-19 in 2020/21. The budget for 2021/22 and the MTFS reflects the following:

1. The impact of inflation;
2. Investment in Council Priorities;
3. Provision for the impact of Covid-19 and support from Government;
4. Unavoidable budget pressures;
5. Planned savings;

6. Changes to income from fees and charges and Government grants for specific services;
7. Changes to Government funding;
8. Estimates of the council tax base and the Council's Council Tax proposal;
9. Estimates of income from Business Rates Retention;
10. Changes to the Capital Programme; and
11. Use of revenue reserves;

The Council engages with its partners in Publica and Ubico to develop its budget proposals. A detailed analysis of all of the changes to the budget over the life of the MTFS is included in **Annex A**. Details of key items in the 2021/22 budget and plans for 2022/23 to 2024/25 are set out below:

1 Impact of inflation

The Council has provided for inflation on salaries for Council and Publica employees and allowances for Members in 2021/22 based upon an assumed local government pay award of 1%. The Government has announced a public sector pay freeze but with an increase of £250 for employees earning less than the national median wage of £24,000 per annum. The final value of the local government pay award will depend upon the outcome of national local government pay negotiations.

Consumer Price Inflation (CPI) is expected to remain at, or just above, ½% during most of the winter, before rising quite sharply towards the 2% national target. As pay inflation is linked to the rate of inflation in the economy, the MTFS assumes pay inflation will increase to 2.5% from 2022/23 and continue at that level for the remainder of the life of the MTFS.

Inflation in the Ubico environmental services contract reflects employee pay award inflation, and additional costs of repairs and maintenance to the vehicle fleet as the fleet ages.

2 Investment in Council Priorities

Over the life of the MTFS, the Council is planning to invest in the Council Priorities as follows:

a. £750,000 towards addressing climate change

This funding will kickstart our action plan to make the Cotswold District “green to the core”. Actions include:

- 1 encouraging residents to switch to electric vehicles by delivering charging points across the district;
- 2 reviewing our use of offices and buildings as large numbers of staff continue working from home;
- 3 identifying opportunities to use our assets to support our climate strategy;
- 4 minimising costs so we can use more of our funding in support of climate action.

b. £740,000 over the next three years towards reviewing our local plan. The outcome is to ensure new developments in the District suit the needs of our communities and protect our landscapes and heritage.

c. £100,000 over two years to plan and develop better, greener transport options in the District, including cycle and walking routes and innovative bus options.

d. £35,000 each year to continue our fight against fly-tipping

- e. **£25,000** towards a review of open space on new developments, working with housebuilders and residents on new public open space.
- f. **£23,000** towards helping individuals with complex needs, who are facing homelessness to access secure accommodation and support.
- g. **£350,000** over three years to fund our Recovery Investment Strategy which aims to make the money we have go further and maximise our support for the District in its recovery from Covid-19. We will invest in:
 - 1 specialist skills and expert advice on how we can invest in the economic recovery of the district;
 - 2 giving our workforce access to training to build skills and knowledge fit for the new working environment created by Covid-19;
 - 3 enabling the production of new truly green energy supplies in the district; and
 - 4 delivering additional social housing.

3 Provision for the impact of Covid-19 and support from Government

Covid-19 will continue to impact Council income and expenditure until the vaccine rollout progresses sufficiently so that the Government lifts national and local restrictions. The Council's budget for 2021/22 assumes that the impact of Covid-19 will continue until 30 June 2021. The Provisional Local Government Settlement for 2021/22 recognises the ongoing impact of Covid-19 on the Council's finances and the Government has proposed additional funding for associated cost pressures of £377,000. The Government is also extending financial support for loss of income from fees and charges. Provision for a loss of £500,000 from fees and charges is included in the budget for 2021/22. Of these losses, the budget therefore assumes that the Government will fund £356,000.

The impact of Covid-19 on the collection of Council Tax and Business Rates in 2020/21 will be shown in the Collection Fund account at the end of the 2020/21 financial year. Losses on the Collection Fund are usually "repaid" from the Council's revenue account in full in the following financial year. The Government has provided for losses in 2020/21 to be spread over the following three financial years – 2021/22 to 2023/24. This change of practice is reflected in this Strategy.

4 Unavoidable budget pressures

In addition to inflationary pressure, the Council monitors external factors which impact upon its budget. Unavoidable funding pressure arises from the following:

- a. Complying with financial reporting requirements. For example, providing for the payment of interest and repayment of borrowing related to the Capital Programme (Minimum Revenue Provision);
- b. Changing market conditions. For example, the processing cost of recycling materials, the impact of lower interest rates on Council investment returns and reducing demand for Council services which lowers income from fees and charges;
- c. Decisions taken by other bodies which impact upon this Council. For example, the County Council decision about the disposal of "sharps" collected from pharmacies, and changes to Governance arrangements in third parties which increase contract sums; and
- d. Changes to the Government legislation or regulation. For example, changes to external audit regulations are increasing the work carried out by the Council's external auditors, who are therefore raising the external audit fee.

The most significant unavoidable budget pressures include:

Ubico has forecast that the contract sum for 2021/22 requires growth of £460,000 including an increased leasing cost of £400,000 for the new vehicle fleet. The Council will receive the leasing payment of £400,000 and use £297,000 of this funding to pay for the capital financing costs associated with investment in the vehicle fleet during 2020/21 and £75,000 will reflect interest income. The remaining £46,000 will increase the Council’s capital receipts.

Other environmental services contracts and income from the disposal of recycling material require additional funding of £175,000 due to a combination of higher levels of recycling material being presented and lower market values particularly for sale of cardboard.

The 2020/21 capital programme assumes that the investment in the vehicle fleet of £2.22 million will be funded from borrowing. The revenue impact of providing for the repayment of the debt, £297,000, and external interest is £19,000. This will be fully funded from the additional £400,000 lease payment due from Ubico.

Planning income was lower than budget during 2019/20. Assuming that demand for the planning service recovers to the 2019/20 actual level, the budget requires realigning to £800,000, a reduction of £170,000.

An additional £35,000 has been included to fund the pay scale for the new Chief Executive post over the cost of the Head of Paid Service post which was approved at Council on 23 September 2020.

The Council has to pay business rates and utilities bills on its own land and buildings. A review of these budgets has identified budget increases of £18,000.

The Council will be carrying out a property review of the Cotswold Club. While this review is carried out there will be a void period costing £3,000 for 2021/22. Other income budgets require realignment by £9,000 to reflect actual income due to the Council.

These cost pressures can be partially funded by savings in various supplies and services budgets which amount to £167,000.

The provision of additional car park capacity in Cirencester at the Whiteway Car Park is expected to increase income by £142,000.

The procurement of a new computer system for council tax, business rates and housing benefit administration has provided software licence savings of £50,000.

Details of all unavoidable costs over the life of the MTFs are set out in **Annex A2**.

5 Planned Savings

The Council has included the following savings targets over the life of the Financial Strategy:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Savings	388	2,559	1,288	850

These savings will be delivered through:

1. changes to Council policy, which increases income or reduces the cost of service provision;
2. through return on investments made to support delivery of the Council Priorities;
3. efficiencies delivered through the Council’s service delivery partners;
4. new Government funding streams; or

5. changes to the Council’s asset portfolio.

A tactical plan for delivery of these savings is included in the Recovery Investment Strategy.

The Council will seek to maximise the use of the land and property assets it owns to support delivery of the Council priorities. The Council will also seek to work in partnership with other public sector service providers to make best use of the public estate within the District and the County.

The Council will consider business cases for the acquisition, disposal or enhancement of assets including the contribution towards Council Priorities, financial implications, risk, legal and governance matters. The Council will ensure that appropriate due diligence is carried out in line with the requirements set out in the Council’s Capital Strategy.

6 Fees, charges and Government grants for specific services

The Council charges for many of the services it provides including car parking, planning advice and garden waste collection. The Government sets some fees, such as planning application fees. Where the Council has the discretion to set its own fees, the Council will charge for these services to ensure they are not subsidised by other taxpayers. The Council may decide to subsidise some fees and charges. Reasons for this will be clearly set out and will be subject to decision by councillors.

The budget proposals for 2021/22 include the following change to fees and charges:

The Council plans to continue with its budget resolution from February 2020 to increase garden waste service fees to make the service cost neutral over three years. For 2021/22, this means implementing the planned increase to £40 for each bin licence. The revenue benefit is expected to be £155,000. It reflects the deferral of the previous Council decision to increase the fee to £35 in 2020/21 due to the suspension of the service during the first lockdown and the planned £5 increase in 2021/22.

The Council also intends to introduce charges for the delivery of waste and recycling containers which is expected to deliver additional income of £60,000.

In previous years, the cost of the bulky waste collection service has exceeded the income 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. 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.

7 The Provisional Local Government Settlement 2021/22

The Government announced the Provisional Local Government Settlement 2021/22 in December 2020. The settlement is for 2021/22 only. There were, however, a number of other announcements affecting 2021/22 and the two subsequent financial years. Government funding for 2021/22 is summarised below:

2021/22 only grants

Covid-19	£377,000
Lower Tier Services Grant	£690,819
Rural Services Delivery Grant	£632,183
New Homes Bonus	£2,092,561

The Council no longer receives any Revenue Support Grant. Instead, core government funding is from income retained from Business Rates collection. For 2021/22, the Government has set the Council's baseline funding from Retained Business Rates at £1,878,315. This baseline funding is increased by local growth in business rates above the baseline. This growth is shared 50:50 with the Government. Further details are set out under point 9 – Retained Business Rates.

The Government announced an extension to the Sales, Fees and Charges grant which compensates local authorities for the impact of Covid-19 on income. The value of this grant will depend upon the impact upon sales, fees and charges income to the Council that will be reported to Government during 2021/22. The Council must fund the first 5% of losses and the Government then contributes 75% of losses above that amount.

The Government has also announced that it will fund 75% of the losses incurred in 2020/21 on the collection of Council Tax and Business Rates. This grant funding will be supported for 2021/22 and the following two financial years, in line with the provision to spread Collection Fund deficits over three financial years. The value of this grant is estimated to be £32,000 for Council Tax for each of the next three financial years and £36,000 for Business Rates for each of the next three financial years.

The Council is facing a significant risk to the level of Government funding from 2022/23. Further details are set out in the National and Local Risk section of this Strategy.

8 Council Tax Base and Council Tax Proposal

The Council's current council tax for a Band D property is £133.93 for the full year. Each year the Government sets the maximum increase that a council may apply without requiring a local referendum. For district councils in 2021/22, the maximum increase is 2% or £5, whichever is the higher.

In order to deliver against its Priorities, the Council has recognised the need to generate income to fund investment in Council services. The Council therefore proposes implementing the maximum increases to council tax over the life of the MTFS.

For residents on low income, the Council has a Local Council Tax Support Scheme available to provide financial support with council tax payments. The Scheme was revised for 2020/21 to make it more generous.

Slower growth in housing supply and an assumed increase in Local Council Tax Support payments has affected the Council Tax Base for 2021/22. The Tax Base has grown by the equivalent of just 30.56 band D properties.

The outcome from a £5 Council Tax increase (for Band D properties) and growth in the Tax Base is an increase in overall income from Council Tax in 2021/22 of £214,000.

9 Retained Business Rates

A key element of funding from the Government is from retained business rates. The MTFS assumes the Council will be compensated (through section 31 grant) for any negative impact upon business rates which relate to any nationally announced discounts or reliefs to businesses (such as those previously announced in the Chancellor's Autumn Statements and Budgets).

The retained business rates scheme was due to be changed from April 2021. This has now been deferred until April 22. The MTFS has been updated to reflect forecast income from the revised scheme using advice from Pixel Financial Management who are providing expert advice to support local authorities and national bodies such as Sparse and the Local Government Association.

The Gloucestershire Business Rates Pool

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

	Pool Surplus/(Loss)	Cotswold DC Share
	£	Surplus/(Loss)
		£
2013/14	774,862	25,156
2014/15	(2,336,565)	(228,988)
2015/16	877,948	114,854
2016/17	2,138,143	275,600
2017/18	3,992,000	482,179
2018/19	14,270,000	497,975
2019/20	4,547,000	539,000

For 2018/19, the Council was part of the Gloucestershire 100% business rates retention pool pilot, which included all of the Gloucestershire local authorities and aimed to maximise the retention of business in Gloucestershire. In return for the gain of retaining all of the growth above baseline funding within Gloucestershire, some of the central government grants such as Rural Services Delivery Grant and Revenue Support Grant were directly funded from the Business Rates Retention Scheme.

The results of the 100% pool pilot were very successful with county-wide gain being in excess of £14 million. Of this gain, 20% was set aside for strategic economic development, 50% was allocated to the County Council to reflect the higher risk to the County Council of being part of the pool and the remaining 30% was shared across the District Councils. The District Council gain was allocated according to growth at a District Level and an equal share of the pool proportion gain so that each District gained from being part of the pool.

For 2019/20 the pool was no longer a 100% pilot, and reverted to the original 50/50 pool. The windfall gain for this Council was allocated to the Council Priorities Fund for investment in priority projects.

The Gloucestershire Business Rates Pool continues in operation in 2020/21 and 2021/22. The MTFS assumes that any windfall gain associated with the Business Rates Pool will be allocated to the Council Priorities Fund.

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.

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.

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.

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.

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.

The Government has promised a grant to fund 75% of the exceptional deficit.

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.

The budget for 2021/22 includes the following key data from the business rates estimate for 2021/22:

	2021/22 £
Estimate of business rate income to the District (including £66,217 from solar farms)	13,654,017
Tariff to government	(11,485,278)
Section 31 Grants – reflecting impact of central government decisions on local government financing	2,203,207
Estimated Levy Payable to Government	(996,071)
Net Retained Business Rates 2021/22	3,375,875
Collection Fund Surplus/(Deficit) forecast to end 2019/20	(7,521,083)
Transfer from Business Rates Smoothing Reserve	7,425,196
Net Overall Income from Retained Business Rates	3,279,988

10 Capital Programme, Investment and Borrowing

The Council has set out its plans for investment in Council Priorities in various strategies including: this Medium Term Financial Strategy, the Climate Emergency Strategy and the Green Economic Growth Strategy. This investment is for service provision rather than investment to generate income to the Council. As such, the Council should be able to access borrowing from the Public Works Loans Board. The Council acknowledges that funding significant capital investment from its own internal resources is not possible and that external borrowing will be necessary. The Council is required to provide for the eventual repayment of debt from revenue. The Council's Recovery Investment Strategy sets out the return on investment which new investments will be required to meet to fund both the revenue cost of the investment and to provide additional income to the Council.

The Council plans to invest in the following capital projects over the life of the MTFS:

Capital Projects	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Disabled Facilities Grants	650	650	650	650
Other housing investment	50	50	50	50
ICT	350	200	200	200
Planning Document electronic storage	200	0	0	0
Climate Change /Electric Vehicle Charging Points	150	150	150	150
Environmental Services vehicles	35	270	977	32
Household Waste and Recycling containers	55	55	55	55
Community Capital Projects	50	50	50	50
Provision for investment in leisure facilities	1,580	0	0	0
Provision for Cirencester multi-storey car park	0	6,379	6,379	0
Recovery Investment Strategy Capital Provision	15,200	20,000	19,000	0
Total	18,320	27,804	27,511	1,187

Planned funding for the Capital Programme is set out below:

Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
External sources	650	650	650	650
Capital receipts	1,020	2,579	3,014	287
Revenue Resources	250	955	250	250
Borrowing	16,400	23,620	23,597	0
Total Funding	18,320	27,804	27,511	1,187

Further information is contained within the Council's Capital, Investment and Treasury Management Strategies.

11 Earmarked Reserves

Earmarked reserves are amounts set aside for specific policy purposes or for general contingencies and cash flow management. Revenue reserves result from events that have allowed or required monies to be set aside, year-end surpluses or circumstances that have led to anticipated expenditure being delayed or cancelled. Revenue reserves can be used for revenue or capital purposes.

Capital reserves are created from usable capital receipts. Capital reserves are not available for revenue purposes.

It is the responsibility of the Chief Financial Officer to advise the Council about the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.

Section 25 of the Local Government Act 2003 places a specific personal duty on the Chief Financial Officer to report on the adequacy of reserves and the robustness of the budget. The Chief Finance Officer includes this report in the budget setting report to Council in February each year.

The Council holds an earmarked reserve to support funding on Council Priorities. The use of Council Priorities Fund over the life of the MTFS is set out below:

Key use of earmarked reserves	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Publica transformational change	95			
Additional car parking provision in Cirencester	60	60	60	
Local Plan Refresh	10	355		
Local Transport Engineer	50	25		
Recovery Investment Strategy and Economic Development	150	74		
Cirencester multi-story car park	68	705		
Covid-19 contingency for additional costs of Ubico contract	235			
Street Signs – carry forward from 2020/21	20			
Other	10	10	10	2
Total	6988	1,229	70	2

Conclusion

The Council has approved an ambitious Corporate Plan for delivery over the next few years. This Medium Term Financial Strategy sets out the financial envelope for delivery of this Plan.

There are some significant risks to the Council from changes to Government funding. The Council has been planning for these changes and has approved a Recovery Investment Strategy to respond to potential reductions in Government funding.

In order to deliver action to support the new Council Priorities, the Council will need to invest in capital projects and this will require the Council to borrow for the first time since 1997. The MTFS reflects the financial implications of the borrowing plans set out in the Capital Strategy. All new capital investment will be subject to governance arrangements set out in the approved Recovery Investment Strategy and the due diligence requirements set out in the Capital Strategy.

The net cost of the Council's revenue plans, over the life of this Strategy, is as follows:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget (surplus)/deficit	(6)	923	731	243

The forecast deficits in 2022/23 and 2023/24 reflect the impact of reduced funding from Government from the MHCLG Fairer Funding Review in 2022/23 and the slightly later delivery of some savings through the Council’s Recovery Investment Strategy which are expected in 2023/24 and 2024/25.

The Council will manage these budget deficits through application of the General Fund Balance. The forecast level of General Fund Balance is set out below:

	31 March 2022 £000	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000
General Fund Balance	2,292	3,002	2,271	2,082

Overall, the Council revenue and capital plans are affordable and the forecast balances on Council resources is set out below:

	31 March 2022 £000	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000
Capital Reserves	4,960	3,094	793	1,079
Earmarked Revenue Reserves	3,822	2,593	2,523	2,521
General Fund Balance	2,292	3,002	2,271	2,082