

Cotswold District Council

Medium Term Financial Strategy

2022/23 to 2025/26

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 lead on the Council's response to its climate change emergency declaration.

Annex A1-4 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 2021/22 contract costs for these significant partners are:

Publica £9.4 million

Ubico £7.0 million

SLM provides a contribution to the Council of around £100,000 per annum. However, SLM has been significantly impacted by the Covid-19 pandemic as fewer customers were able to attend the leisure centres and the Corinium Museum. In order to ensure that these facilities, which are vital to residents' physical and mental health and well-being, were able to re-open, in line with national policy, the Council has waived the income from this contract and also provided additional financial support to the contractor for the period from April 2020 to July 2021.

Financial Context

The Council's current service provision costs £24.2 million each year and is funded by:

Fees, charges and grants for specific services	£11.6 m	48%
Retained Business Rates	£3.3 m	14%
Rural Services, New Homes Bonus and Lower Tier Government Grants	£3.4 m	14%
Council tax	£5.9 m	24%

At the end of the last financial year, on 31 March 2021, the Council held capital resources of £8.5 million, revenue reserves of £16.6 million and a General Fund balance of £0.9 million.

The Council set its 2020/21 budget in February 2020, prior to the Covid-19 pandemic. The budget was expected to increase the General Fund Balance by £212,000 million. The impact of the pandemic on the Council's finances resulted in a reduced operating surplus of £22,000, a net cost of £190,000.

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. The Council is waiting for further information on when the Fairer Funding Review will be implemented.

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 £44.7 million per annum on behalf of the Government. The Council retains some Business Rates income as part of its core Government Funding. For the 2021/22 financial year, this amounts to £3.3 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 2021/22 is £1.9 million. As part of the Business Rate Retention Scheme, the Council shares business rate income growth 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 £1.4 million of additional Government funding over the £1.9 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 2021/22 was 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 2021/22 is £2.1 million. The MTFS reflects that the Bonus will reduce, so that only the “legacy” grant payment will be due in 2022/23 of £0.7 million.

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 closer together.

The Government has recognised this cost driver and has provided Rural Services Delivery Grant funding since 2016. For 2021/22 the grant is worth £0.6 million on top of funding from Retained Business Rates. The Strategy assumes that grant will remain available in 2022/23 but the implementation of the Fairer Funding Review 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 first 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 continued to be impacted throughout the year and in to 2021/22.

In addition to reduced service income, the Council 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 regularly reported the impact of Covid-19 on its finances to the Government. In response the Government provided grant funding in recognition of expenditure pressures and compensation for income losses.

The financial impact of Covid-19 was 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 overall impact of Covid-19 in 2020/21 was a net cost of £190,000 to the Council which was funded through the General Fund.

The basis for the 2021/22 budget was the original 2020/21 budget. However, it reflected the ongoing impact of Covid-19 on income and expenditure and Included Government funding for Covid-19 cost pressure and compensation for the impact of lost income from sales, fees and charges for the period April to June 2021.

Financially, income from the Council's cash investments fell significantly due to interest rate reductions as interest on cash deposits fell from around 1% to 0.4% per annum. However, this also provides the opportunity for the Council 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. These strategies will be updated and presented to Council for approval in February 2022.

Development of the Proposed Budget 2022/23 and Medium Term Financial Strategy

The basis of the 2022/23 budget is the budget for 2021/22, excluding the changes required to reflect the impact of Covid-19. The budget for 2022/23 and the MTFs reflects the following:

1. The impact of inflation;
2. Investment in Council Priorities;
3. Provision for the impact of Covid-19;
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 Taxbase 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 2022/23 budget and plans for 2023/24 to 2025/26 are set out below:

I Impact of inflation

The Council has provided for inflation on salaries for Council and Publica employees and allowances for Members in 2022/23 based upon an assumed local government pay award of 2%. The pay award offer of 1.75% for 2021/22 is still under negotiation, the baseline 2021/22 budget has been uplifted to reflect the current offer.

Consumer Price Index (CPI) inflation is forecast to rise temporarily to around 4% at the end of 2021 and the start of 2022, driven largely by energy and goods prices. Rises in commodity prices, increases in shipping costs and supply shortages have together pushed up goods prices globally and reflected in UK import prices. Above target inflation is expected to be temporary as CPI is expected to return to around the 2% target in the medium term. As pay inflation is linked to the rate of inflation in the economy, the MTFs assumes pay

inflation of 2% from 2022/23 and that inflation will 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 term of the Council from 2019 to 2023, the Council is planning to invest in its Priorities as follows:

- a. **£750,000 towards addressing climate change**
 This funding will kick-start the 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 towards reviewing the local plan.** The outcome is to ensure new developments in the District suit the needs of communities and protects the District landscapes and heritage.
- c. **£400,000** for investment in feasibility studies and other work to support the provision of social housing built to carbon zero.
- d. **£200,000 to improve the cleanliness and appearance of the District** through the Clean and Green Programme.
- e. **£100,000** to plan and develop better, greener transport options in the District, including cycle and walking routes and innovative bus options.
- f. **£35,000** each year to continue to fight against fly-tipping
- g. **£25,000** towards a review of open space on new developments, working with builders and residents on new public open space.
- h. **£23,000** towards helping individuals with complex needs, who are facing homelessness to access secure accommodation and support.
- i. **£350,000** to fund the Recovery Investment Strategy which aims to make the Council’s money go further and maximise support for the District in its recovery from Covid-19. Investment include:

- 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.
- j. **£30,000** to engage with communities and encourage change in line with the Council's climate change emergency declaration.
- k. **£30,000** to develop the Council's Leisure Strategy

3 Provision for the impact of Covid-19

Covid-19 has continued to impact Council income and expenditure during 2021/22, due to the impact of national restrictions. The impact of embedded behaviour change, such as the continuation of working from home and the continued use of online shopping, on the Council's future revenue budget remains unclear. The 2022/23 budget includes a provision for reduced income from sales, fees and charges of £250,000. The MTFS assumes that this will not be a permanent change to the budget but will recover by 50% in 2023/24 and the Council's revenue will return to pre-pandemic levels from 2024/25.

The impact of Covid-19 on the collection of Council Tax and Business Rates in 2020/21 are 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, any County Council decisions related to waste disposal which impact upon collection arrangements for waste and recycling;
- 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:

- a. £50,000 to replace the current part-time Monitoring Officer role with a full-time Director of Governance and Development role which will increase capacity within the Council leadership team to support delivery of Council Priorities and will include responsibility for Member development.
- b. £47,000 to make permanent a resource to support economic growth in the District, recognising the value of work delivered since 2020.
- c. £39,000 to reflect the cost of attracting and retaining drivers for the Ubico Ltd contract.
- d. £70,000 for unavoidable growth in the costs of software maintenance, and cyber security enhancements. The software market is moving from one-off capital investment to annual charges. Investment in ICT in the Capital Programme has been reduced by £50,000 to acknowledge the move from capital to revenue costs. The net impact upon the revenue budget is £20,000.
- e. £14,000 for the flood warden programme enabling the Council to provide a supportive role, whilst capitalising on the wealth of local knowledge and experience that can be harnessed through volunteer programmes.
- f. £10,000 for the Council's contribution to Active Gloucestershire which delivers projects using the "we can move" approach that aims to increase physical activity levels in the District.

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	2025/26 £000
Savings	388	795	2,657	1,705	1,286

These savings will be delivered through:

1. changes to Council policies, which increase income or reduce the cost of service provision;
2. 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 2022/23 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, over a three year period, so that the Council is recovering in full the cost of service provision. For 2022/23, this means implementing the planned increase to £45 for each bin licence. The revenue benefit is expected to be £224,000.

The Council resolved in 2020 to review car park charges every two years. The Council currently provides free car parking during late afternoons in some car parks, on Sundays in most car parks and evenings and overnight in all car parks. In line with the 2020 Council resolution, a review of charging periods and fees is being carried out to understand the revenue foregone in its car parks. Under the Council's Recovery Investment Strategy, the Council aims to improve its financial sustainability by increasing income from revenue streams. Further details will be considered by the Cabinet in January 2022.

7 The Provisional Local Government Settlement 2022/23

The Government is expected to announce the Provisional Local Government Settlement 2022/23 in November or December 2021. A multi-year settlement is expected. The MTFS will be updated following the announcement of the Local Government Settlement and will include the final budget proposals for 2022/23.

8 Council Taxbase and Council Tax Proposal

The Council's current Council Tax for a Band D property is £138.93 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 was 2% or £5, whichever is the higher. The limit for 2022/23 is expected to be announced as part of the Local Government Provisional Settlement in November or December 2021.

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, allowable without holding a referendum, 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.

The MTFS assumes a growth in the Council Taxbase of 1.2% over the life of the MTFS. The Taxbase for 2022/23 is currently being calculated. The MTFS will be updated with the final 2022/23 Taxbase and the forecast Collection Fund outturn for 2021/22 in January 2022. The outcome from a £5 Council Tax increase (for Band D properties) and growth in the Taxbase is forecast to deliver an increase in overall income from Council Tax in 2022/23 of £282,000. The proposed increase to Council Tax for 2022/23 for each Council Tax band is set out in the table below:

Council Tax Band	Proportion of Band D	Proposed increase 2022/23
A	6/9	£3.33
B	7/9	£3.88
C	8/9	£4.44
D	9/9	£5.00
E	11/9	£6.11
F	13/9	£7.22
G	15/9	£8.33
H	18/9	£10.00

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 2022. Due to the Government focus upon the response to the Covid-19 pandemic, it is expected that implementation will be delayed to April 2023 or even later. 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 MTFS takes a prudent view of implementation in April 2023.

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
2020/21	3,572,000	403,000

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 2021/22 and, subject to a deferral of Government changes to the Retained Business Rates system, will continue for 2022/23. 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. Due to the impact of Covid-19 on Councils ability to collect Business Rates, Government is permitting the exceptional Collection Fund deficit in 2020/21 to be recovered over the following three financial years rather than in the whole deficit being funded in 2021/22.

The forecast for 2021/22 collection fund surplus or deficit, will be prepared in January 2022. This section of the MTFs will be updated with the forecast data and will be presented to Council in February 2022.

The budget for 2021/22 includes the following key data from the business rates estimate for 2021/22, this will be updated in January 2022, with the details for 2022/23:

	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 will 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 detailed Capital Programme is included at **Annex A3**. The value of the Capital Programme and the associated funding is set out below:

Capital Programme Funding	Revised2 021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000

External sources	1,937	700	700	700	700
Capital receipts	4,213	105	2,864	2,159	105
Revenue Resources	3,750	150	150	855	150
Borrowing	18,093	20,620	23,747	14,802	726
Total Funding	27,993	21,575	27,461	18,516	1,681

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. Any funding not used at the end of the financial year is rolled forward in to the next financial year. The use of Council Priorities Fund over the life of the MTFS is set out below:

Key use of earmarked reserves	Revised 2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Clean and Green Cotswolds	120	100		
Climate Change Emergency	116			
Covid-19 Recovery – impact upon contractors	475			
Devolution	75			
Economic Development and Regeneration	1,795			
Grants	36			
Leisure Strategy	30			
Local Plan Refresh	480	355		
Local Transport Engineer	50	50	45	
Open Space Review	25			
Recovery Investment Strategy and Economic Development	788	121		
Service Improvements	248	128	60	705

Key use of earmarked reserves	Revised 2021/22 £000	2022/23 3 £000	2023/24 £000	2024/25 £000
Social Housing	133			
Other	220	10	10	2
Total	4,591	764	115	707

Conclusion

The Council has approved an ambitious Corporate Plan for delivery over the 2020-2024 period. 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:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Operational revenue budget (surplus)/deficit	615	2,657	1,705	1,286
Savings/income generation target	(795)	(2,657)	(1,704)	(1,284)
Contribution (to)/from General Fund	(180)	0	0	0

The savings targets in 2023/24, 2024/25 and 2025/26 reflect the impact of reduced funding from Government from the MHCLG Fairer Funding Review and the savings required to fund unavoidable budget pressures such as inflation and the costs associated with borrowing for investment in Council services.

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 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000

General Fund Balance	4,351	4,351	4,351	4,351
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Overall, the Council revenue and capital plans are affordable and the forecast balances on Council resources is set out below:

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000
Capital Reserves	5,121	2,532	573	668
Earmarked Revenue Reserves	1,014	851	144	144
General Fund Balance	4,351	4,351	4,351	4,351