

To all Members of Stroud District Council

18 January 2016

You are hereby summoned to attend the Budget Meeting of the **STROUD DISTRICT COUNCIL** at **7.00 pm** in the Council Chamber, Ebley Mill on **THURSDAY, 28 January 2016.**



David Hagg  
Chief Executive

## **AGENDA**

**Please Note:** This meeting will be filmed for live or subsequent broadcast via the Council's internet site ([www.stroud.gov.uk](http://www.stroud.gov.uk)). By entering the Council Chamber you are consenting to being filmed. The whole of the meeting will be filmed except where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

1. **APOLOGIES**  
To receive apologies for absence.
2. **DECLARATIONS OF INTEREST**  
To receive declarations of interest.
3. **POLLING DISTRICT, POLLING PLACE AND POLLING STATION REVIEW**  
To adopt a revised scheme of polling districts and stations following the outcome of the consultation as set out in Appendix A to the report.
4. **RECOMMENDATIONS FROM COMMITTEES** (*reports attached*)
  - 4.a **Audit and Standards Committee – 26 November 2015**

Title	Agenda Item No	Chair of Audit and Standards Committee
Half Year Treasury Management Activity Report 2015/16	8	Nigel Studdert-Kennedy
Audit and Standards Committee RECOMMENDS to Council:  That it approves treasury management activity half year report for 2015/2016, including the revisions to the 2015/16 strategy as set out in paragraphs 3.5, 5.2 and 5.3.		

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#### 4.b Strategy and Resources Committee – 3 December 2015

Title	Agenda Item No	Chair of Strategy and Resources Committee
Canal Project Update and Phase 1B Funding	7	Geoff Wheeler
<p>Strategy and Resources Committee RECOMMENDS to Council:</p> <p>That subject to final discussions and a formal funding agreement SDC will assist in the management of Phase 1B of the Canal Project subject to a maximum exposure of £1 million in cashflow.</p>		

#### 4.c Strategy and Resources Committee - 7 January 2016

Title	Agenda Item No	Chair of Strategy and Resources Committee
HRA Revised Estimates 2015/16 and Original Estimates 2016/17	6	Geoff Wheeler
<p>Strategy and Resources Committee RECOMMENDS to Council:</p> <p>a) i) The revised HRA budget for 2015/16 and original HRA revenue and capital budgets for 2016/17 are approved;  ii) The movements to and from earmarked reserves as detailed in table 3 are approved.</p> <p>b) That from 01 April 2016:</p> <p>i) Subject to implementation of proposed government legislation namely, the Housing Bill, social rents and affordable rents be decreased by 1% as calculated in accordance with such legislation;</p> <p>ii) Garage rents increase by 1% (as detailed in Appendix A);</p> <p>iii) Other landlord service charges at general needs properties remain at 2015/16 levels (as detailed in Appendix A);</p> <p>iv) Landlord service charges at Sheltered Housing Schemes are increased by 1% (See para 24 and Appendix A).</p> <p>c) That the Capital Programme for 2016/17 be approved.</p> <p>d) That the Head of Asset Management be authorised to dispose of the freehold interest in land at Fountain Crescent, Wotton Under Edge on the open market.</p> <p>e) To appropriate the former Ship Inn site, Stonehouse from the General Fund to the Housing Revenue Account at market value to add it to the new build programme for social housing.</p> <p>f) To appropriate land at Wharfdale Way, Stonehouse from the Housing Revenue Account to the General Fund at market value for canal related development.</p>		

**4.d**

Title	Agenda Item No	Chair of Strategy and Resources Committee
General Fund Revenue Estimates – Revised 2015/16 and Original 2016/17	7	Geoff Wheeler
Strategy and Resources Committee RECOMMENDS to Council:  The estimates set out in Appendix B of this report be approved.		

**4.e**

Title	Agenda Item No	Chair of Strategy and Resources Committee
Capital Programme and Proposed Schemes	8	Geoff Wheeler
Strategy and Resources Committee RECOMMENDS to Council:  1) That the revised current year's programme in Appendix A to this report is approved; 2) That the programme is funded by the capital resources shown in Appendix B.		

**4.f**

Title	Agenda Item No	Chair of Strategy and Resources Committee
The General Fund Revenue Budget 2016/17 and Medium Term Financial Plan 2015/16 – 2019/20	9	Geoff Wheeler
Strategy and Resources Committee RECOMMENDS to Council:  a) To increase the council tax by 2% to £190.67 at Band D, an increase of 7p per week for the services provided by Stroud District Council. b) To approve the Medium Term Financial Plan as set out in Appendix A. c) To approve the changes to the reserves as set out in paragraphs 60 to 62 of the report and Appendix B. d) To authorise the Strategic Head (Finance and Business Services) in consultation with the Chair of Strategy and Resources committee, to accept the Government's offer on a 4-year settlement when further details are announced with the final settlement if it is in the best interest of the Council to do so.		

#### 4.g Audit and Standards Committee – 21 January 2015

Title	Agenda Item No	Chair of Audit and Standards Committee
Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2016/17	8	Nigel Studdert-Kennedy
<p>Audit and Standards Committee RECOMMENDS to Council:</p> <ol style="list-style-type: none"><li>1. To adopt the prudential indicators and limits for 2016/17 to 2018/19;</li><li>2. To approve the treasury management strategy 2016/17, and the treasury prudential indicators;</li><li>3. To approve the investment strategy 2016/17, and the detailed criteria for specified and non-specified investments; and approve the Minimum Revenue Policy Statement 2016/17.</li></ol>		

**STROUD DISTRICT COUNCIL**  
**COUNCIL**

**AGENDA  
ITEM NO**

**28 JANUARY 2016**

**3**

<b>Report Title</b>	<b>Review of Polling Districts, Polling Places and Polling Stations 2015</b>
<b>Purpose of Report</b>	To adopt a revised scheme of polling districts and stations following the outcome of the consultation which took place between the 2 November and the 14 December 2015 as set out in Appendix A.
<b>Decision(s)</b>	<b>To adopt an amended polling district and polling places scheme as set out in the Recommendations paragraph of the report.</b>
<b>Consultation and Feedback</b>	Public consultation took place from the 2 November to the 14 December 2015, Elected Members, MP's, Parish/Town Councils and local disability groups were also invited to comment.
<b>Financial Implications and Risk Assessment</b>	There are no direct financial implications arising from the report, any costs arising associated with this review will be contained within existing budgets. Ian Purcell, Senior Accounting Technician Tel: 01453 754141 Email: ian.purcell@stroud.gov.uk
<b>Legal Implications</b>	The review will be conducted in accordance with statutory provisions and associated guidance.  The report sets out the legal framework within which the review has been carried out. Otherwise there are no specific legal implications arising from the report. Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: Karen.trickey@strodu.gov.uk
<b>Report Author</b>	Hannah Emery, Principal Elections Officer Tel: 01453 754383 Email: Hannah.emery@stroud.gov.uk
<b>Chair of Committee</b>	Councillor Geoff Wheeler Tel: 01453 545583 Email: cllr.geoff.wheeler@stroud.gov.uk
<b>Options</b>	The revised scheme of polling districts must be adopted to ensure that all polling district boundaries reflect the changes made to the district and parish ward boundaries as a result of the recent electoral review of Stroud.
<b>Performance Management Follow Up</b>	N/A

<b>Background Papers/ Appendices</b>	Appendix A: Table of Consultation Responses Appendices B – G: Maps of proposed changes to polling district boundaries.
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## 1. BACKGROUND

- 1.1. The timing of the review for the Stroud District has been impacted by the recent Electoral Review conducted by the Local Government Boundary Commission for England (LGBCE) which has recently been finalised by way of an Order being laid in Parliament.
- 1.2. There are a number of things which the Council must take into account in designating polling districts and polling places. These include the following:
- All electors should have such reasonable facilities for voting as are practicable in the circumstances.
  - Each parish should be a separate polling district unless there are special circumstances, such as, no suitable buildings available within the parish or the electorate is so small that it would not warrant allocating a polling place.
  - Polling places should, so far as is reasonable and practicable, be accessible to all electors, including those who are disabled and, when considering the designation of polling places, the Council must have regard to the accessibility needs of disabled persons.

## 3. OVERALL OUTLINE OF THE CONSULTATION

- 3.1. It is considered that the current polling districts in Stroud are generally reflective of the needs of voters and therefore the proposals were based predominantly on any polling districts which needed to be amended as a result of the Electoral Review.
- 3.2. The public consultation period of the review commenced on the 2 November 2015 and ended on the 14 December 2015. In addition, a wide range of consultees including the Acting Returning Officers, Elected Members, MP's, Town and Parish Councils and local disability groups were also invited to comment.
- 3.3. A total of 8 responses were received (summarised in Appendix A) during the consultation period. Many of the responses confirmed that the arrangements are satisfactory. All comments and suggestions have been investigated and, where appropriate, recommendations are made for changes or additional polling places.

## 4. PROPOSED AMENDMENTS TO THE CURRENT ARRANGEMENTS

- 4.1. **Polling District References:** The polling districts are currently labelled with a series of letters that do not relate to the name of the polling district or district ward. It is proposed that each polling district is listed alphabetically with the ward and the reference beginning with the first letter of the district ward followed by a consecutive number e.g AW1 and AW2 for the polling districts in Amberley and Woodchester district ward.
- 4.2. **Cainscross & Randwick, Whiteshill & Ruscombe:** As a result of the Electoral Review the parish ward of Cainscross (Lower Westrip Ward) has been split between Cainscross district ward and Randwick, Whiteshill & Ruscombe district ward. It is therefore necessary to split the parish ward into two polling districts both voting at Randwick Scout Hut which will form a double station Appendix B.
- 4.3. The town ward of Stonehouse (Ebley ward) will now form part of Cainscross district ward. The only suitable venue identified within this polling district is Wycliffe Junior School and nursery which declined the booking. This leaves the only option of Ebley Chapel which is a polling station used in the neighbouring polling district. This does mean that the polling place Stonehouse (Ebley Ward) would be outside the polling district which under the 1983 Act, is only warranted in 'special circumstances'. A special circumstance is not defined but it is assumed to include situations where no other suitable polling place is available
- 4.4. **Cam East & Cam West:** The polling district boundary has been amended to reflect changes to the district ward and parish ward boundaries as a result of the Electoral Review, Appendix C.
- 4.5. **Kingswood & Wotton-under-Edge:** Due to a district ward boundary change to the south of Wotton-under-Edge district ward it is necessary to create a new polling district of Wotton-under-Edge South (K5), Appendix D. This was created as a parish ward during the Electoral Review and forms part of Kingswood district ward but Wotton-Under-Edge Town Council. It is proposed that the 118 electors within this polling district vote at Kingswood Village Hall to make it a double station.
- 4.6. The ward member for Kingswood recommended that additional signage is needed at Kingswood Village Hall to inform infirm or disabled voters to use an alternative access to the building to avoid the step at the other entrance. This will be adopted at the next election and those thereafter.
- 4.7. **Moreton Valence:** The Parish of Moreton Valence was previously split into two polling districts because the parish was split across two district wards. It is proposed that now that the parish is wholly situated in the district ward of Hardwicke it is joined into one polling district with

an electorate of 180. The polling station will be St Stephen's church as this is the station located within the polling district, Appendix E.

- 4.8. **Stroud Town Polling Districts:** The polling district boundaries within Stroud town have been amended to reflect the changes to the district and parish ward boundaries, Appendix F.
- 4.9. **Stroud Farmhill and Paganhill & Stroud Central Polling Stations:** The ward member for Farmhill and Paganhill recommended that Farmhill Baptist church is no longer used as a polling station and is instead relocated to Paganhill Maypole Hall which as a result of the boundary adjustments to the ward is now situated within Farmhill and Paganhill district ward.
- 4.10. Farmhill Baptist Church has been highlighted as an inappropriate venue due to access difficulties in previous polling district reviews but at the time there was not a suitable alternative within the ward.
- 4.11. It is therefore recommended that Paganhill Maypole Hall is used as a polling station for electors within Farmhill and Paganhill. Paganhill Maypole hall is currently used as a polling station for Stroud Central (Div 2) and therefore the polling station will be a double station outside of the polling district.
- 4.12. **Stroud Slade:** Stroud Register Office has declined the polling station booking for Stroud Slade (Div 1) polling district. In close proximity to the Register Office is Stroud Valley Scouting Centre which has been provisionally booked for the 5 May 2016.
- 4.13. **Stroud Uplands:** Stroud and District Mencap Centre is due to be demolished before the May elections. There are limited options for suitable venues within the ward and due to the geographical layout a temporary polling station is not a suitable option. The only alternative venue located is the community room at Grange View sheltered accommodation which has been provisionally booked for the 5 May 2016.
- 4.14. **Thrupp (Div 1):** Comments received during the consultation indicated that Thrupp Primary School was not a suitable venue for a polling station because general access and disabled access is poor and it is hugely disruptive for the school. During the review Thrupp Primary School also turned down the booking for the 5 May 2016 elections. It is therefore recommended that the Brimscombe and Thrupp Social Centre is used as a polling station making it a double station.
- 4.15. This does mean that the polling place for Thrupp (Div 2) would be outside of the polling district.



- 4.16. **Upton St Leonards:** The electorate within Upton St Leonards has grown significantly in the past few years and it is no longer practical for the electors to continue to vote at the same polling station. It is therefore proposed that the polling district is split in two (Appendix G) and the electors within the Coopers Edge area vote at The Edge Community Centre.

## **9. RECOMMENDATIONS**

It is recommended to Council that:

- 9.1. That the schedule of polling districts and polling places as attached at Appendix A be adopted by the Council except where variations are identified in the recommendations below.
- 9.2. Electors within Stonehouse (Ebley Ward) are to vote at Ebley Chapel.
- 9.3. Electors within Stroud Farmhill and Paganhill are to vote at the Paganhill Maypole hall.
- 9.4. Electors within Stroud Slade (Div 1) are to vote at Stroud Valley Scouting Centre, Chapel Street, Stroud, GL5 1DU.
- 9.5. Electors within Stroud Uplands are to vote at The Community Room, Grange View, Folly Lane, Stroud, GL5 1SJ.
- 9.6. Electors within Thrupp (Div 1) are to vote at Brimscombe and Thrupp Social Centre.
- 9.7. To delegate responsibility to the Returning Officer to make any further polling place and polling station changes as necessary for the elections on the 5 May 2016.

# POLLING DISTRICT, POLLING PLACE & POLLING STATION REVIEW 2015

The polling review is based on the new district ward boundaries coming into effect in May 2016. All new district wards or changes to current district wards are indicated in the table below.

All proposed changes to polling districts are highlighted in orange.

To view a map of the **individual polling districts** please click on the polling district reference number indicated in orange below.

To view a map of the **individual district wards** please click on the district ward headers shaded in grey below.

Previous polling districts within ward	Previous polling district reference	Previous polling station	Proposed polling district	Proposed polling district reference	Electorate	Proposed polling station	ARO Comments	Consultation Responses
<b>AMBERLEY AND WOODCHESTER (no change to ward arrangements)</b>								
Amberley	MJA	Amberley Inn Culver Hill, Amberley, Stroud, Gloucestershire, GL5 5AF	Amberley	<a href="#">AW1</a>	962	Amberley Inn Culver Hill, Amberley, Stroud, Gloucestershire, GL5 5AF	The current polling arrangements are satisfactory.	No comments received
Woodchester	MJ	Woodchester Village Hall Church Road, North Woodchester, Glos, GL5 5PQ	Woodchester	<a href="#">AW2</a>	775	Woodchester Village Hall Church Road, North Woodchester, Glos, GL5 5PQ	The current polling arrangements are satisfactory.	Woodchester Parish Council is satisfied that both the polling district and the polling station are satisfactory.
<b>BERKELEY VALE (NEW WARD)</b>								
Alkington	HBA	The Stagecoach Inn, Newport, Berkeley, Glos, GL13 9PY	Alkington	<a href="#">BV1</a>	570	The Stagecoach Inn, Newport, Berkeley, Glos, GL13 9PY	The current polling arrangements are satisfactory.	No comments received
Berkeley	HCA	Berkeley Town Hall, Salter Street, Berkeley, Glos, GL13 9DB	Berkeley	<a href="#">BV2</a>	1576	Berkeley Town Hall, Salter Street, Berkeley, Glos, GL13 9DB	The current polling arrangements are satisfactory.	No comments received
Ham and Stone (Ham Ward)	KDA	Salutation Inn, Ham, Berkeley, Glos, GL13 9HQ	Ham and Stone (Ham Ward)	<a href="#">BV3</a>	185	Salutation Inn, Ham, Berkeley, Glos, GL13 9HQ	The current polling arrangements are satisfactory.	No comments received
Ham and Stone (Stone Ward)	KD	Stone Village Hall, Lower Stone Lane, Stone, Glos, GL13 9LE	Ham and Stone (Stone Ward)	<a href="#">BV4</a>	415	Stone Village Hall, Lower Stone Lane, Stone, Glos, GL13 9LE	The current polling arrangements are satisfactory.	No comments received

Hamfallow (Div 1)	KE	<b>Berkeley Town Hall</b> , Salter Street, Berkeley, Glos, GL13 9DB	Hamfallow (Div 1)	<a href="#">BV5</a>	451	<b>Berkeley Town Hall</b> , Salter Street, Berkeley, Glos, GL13 9DB	The current polling arrangements are satisfactory.	No comments received
Hamfallow (Div 2)	KEA	<b>Sharpness Village Hall</b> , Oldminster Road, Sharpness, Glos, GL13 9UF	Hamfallow (Div 2)	<a href="#">BV6</a>	492	<b>Sharpness Village Hall</b> , Oldminster Road, Sharpness, Glos, GL13 9UF	The current polling arrangements are satisfactory.	No comments received
Hinton, Sharpness	KN	<b>Sharpness Village Hall</b> , Oldminster Road, Sharpness, Glos, GL13 9UF	Hinton, Sharpness	<a href="#">BV7</a>	991	<b>Sharpness Village Hall</b> , Oldminster Road, Sharpness, Glos, GL13 9UF	The current polling arrangements are satisfactory.	No comments received
Slimbridge	LR	<b>Slimbridge Village Hall</b> , St Johns Road, Slimbridge, Glos, GL2 7DD	Slimbridge	<a href="#">BV8</a>	909	<b>Slimbridge Village Hall</b> , St Johns Road, Slimbridge, Glos, GL2 7DD	The current polling arrangements are satisfactory but the parking is limited.	Slimbridge Parish Council noted the consultation and chose to make no further comments.

### **BISLEY (No change to ward arrangements)**

Bisley (Bisley Ward)	JK	<b>Bisley WI Village Hall</b> , Manor Street, Bisley, Stroud, Glos, GL6 7BH	Bisley (Bisley Ward)	<a href="#">B1</a>	735	<b>Bisley WI Village Hall</b> , Manor Street, Bisley, Stroud, Glos, GL6 7BH	The current polling arrangements are satisfactory	No comments received
Bisley (Eastcombe Ward)	JL	<b>Eastcombe Village Hall</b> , Eastcombe, Stroud, Glos, GL6 7DS	Bisley (Eastcombe Ward)	<a href="#">B2</a>	616	<b>Eastcombe Village Hall</b> , Eastcombe, Stroud, Glos, GL6 7DS	The current polling arrangements are satisfactory	No comments received
Bisley (Oakridge Ward)	JM	<b>Oakridge Village Hall</b> , Oakridge Lynch, Stroud, Glos, GL6 7NZ	Bisley (Oakridge Ward)	<a href="#">B3</a>	540	<b>Oakridge Village Hall</b> , Oakridge Lynch, Stroud, Glos, GL6 7NZ	The current polling arrangements are satisfactory.	No comments received

### **CAINSCROSS (changes to ward arrangements)**

Cainscross (Cainscross Ward)	JNA	<b>St Matthews Church Hall</b> , Church Road, Cainscross, Stroud, Glos, GL5 4LH	Cainscross (Cainscross Ward)	<a href="#">C1</a>	1052	<b>St Matthews Church Hall</b> , Church Road, Cainscross, Stroud, Glos, GL5 4LH	The current polling arrangements are satisfactory.	No comments received
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Cainscross (Cashes Green East Ward)	JNB	Cashes Green Community Centre (Double Station), Queens Drive, Cashes Green, Stroud, Glos, GL5 4NB	Cainscross (Cashes Green East Ward)	<u>C2</u>	934	Cashes Green Community Centre (Double Station), Queens Drive, Cashes Green, Stroud, Glos, GL5 4NB	No specific disabled parking but the current polling arrangements are satisfactory.	No comments received
Cainscross (Cashes Green West Ward)	JNC	Cashes Green Community Centre (Double Station), Queens Drive, Cashes Green, Stroud, Glos, GL5 4NB	Cainscross (Cashes Green West Ward)	<u>C3</u>	1543	Cashes Green Community Centre (Double Station), Queens Drive, Cashes Green, Stroud, Glos, GL5 4NB		No comments received
Cainscross (Ebley)	JND	Ebley Chapel, Chapel Lane, Ebley, Stroud, Glos, GL5 4TD	Cainscross (Ebley Ward)	<u>C4</u>	1602	Ebley Chapel, Chapel Lane, Ebley, Stroud, Glos, GL5 4TD	The current polling arrangements are satisfactory.	No comments received
Part of Cainscross (Lower Westrip)	LKA	Randwick Scout Group (Double station), Morehall, Cashes Green, Stroud, Glos, GL5 4RY	Cainscross (Lower Westrip Ward Div 2)	<u>C5</u>	718	Randwick Scout Group (Double station), Morehall, Cashes Green, Stroud, Glos, GL5 4RY	Amendments to polling district boundary to reflect changes made to district ward boundaries. Randwick Scout Group can be used as a double station but suggestions for an alternative venue are welcome	No comments received
Part of Stonehouse (South Ward) (NEW to ward)	LU		Stonehouse (Ebley Ward)	<u>C6</u>	280		New polling district as a result of the district ward boundary changes. Suggestions for polling stations are welcome.	No comments received
<b>CAM EAST (changes to ward arrangements)</b>								
Cam (Upper Ward) (and part of JOC Cam (Central Ward)	JOB	Cam Cricket Pavillion, Everlands, Upper Cam, Glos, GL11 5NL	Cam East (Div 1)	<u>CE1</u>	1669	Cam Cricket Pavillion, Everlands, Upper Cam, Glos, GL11 5NL	Polling district boundary has been amended to reflect changes to the district ward boundaries.	No comments received

Cam (Central Ward) and part of JO Cam (Woodfield Ward)	JOC	Cam Parish Council Offices, Chapel Street, Cam, Dursley, GL11 5NX	Cam East (Div 2)	<u>CE2</u>	1745	Cam Parish Council Offices, Chapel Street, Cam, Dursley, GL11 5NX	Polling district boundary has been amended to reflect changes to the district ward boundaries.	No comments received
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### CAM WEST (changes to ward arrangements)

Cam (Woodfield Ward) and part of JOC Cam (Central Ward)	JO	Cam Youth Centre, 19A Frederick Thomas Road, Cam, Glos, GL11 6LY	Cam West (Div 1)	<u>CW1</u>	1819	Cam Youth Centre, 19A Frederick Thomas Road, Cam, Glos, GL11 6LY	Polling district boundary has been amended to reflect changes to the district ward boundaries.	No comments received
Cam (Lower Ward)	JOA	Winterbotham Memorial Hall, High Street, Cam, Glos, GL11 5LE	Cam West (Div 2)	<u>CW2</u>	1422	Winterbotham Memorial Hall, High Street, Cam, Glos, GL11 5LE	The current polling arrangements are satisfactory.	No comments received

### CHALFORD (no change to ward arrangements)

Chalford (Bussage Div 1)	JR	Bussage Village Hall, Bussage, Stroud, Glos, GL6 8AT	Chalford (Bussage Div 1)	<u>CH1</u>	1634	Bussage Village Hall, Bussage, Stroud, Glos, GL6 8AT	The current polling arrangements are satisfactory.	No comments received
Chalford (Bussage Div 2)	JRC	The Parish Centre, Gerald's Way, Chalford, Stroud, Glos, GL6 8FJ	Chalford (Bussage Div 2)	<u>CH2</u>	1282	The Parish Centre, Gerald's Way, Chalford, Stroud, Glos, GL6 8FJ	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Chalford (Hill Ward)	JRA	Chalford Hill Methodist Church, Methodist Church Rooms, Midway, Stroud, Glos, GL6 8EN	Chalford (Hill Ward)	<u>CH3</u>	1481	Chalford Hill Methodist Church, Methodist Church Rooms, Midway, Stroud, Glos, GL6 8EN	The current polling arrangements are satisfactory.	No comments received
Chalford (Valley Ward)	JRB	Chalford Village Hall (Double Station), London Road, Stroud, Glos, GL6 8HN	Chalford (Valley Ward)	<u>CH4</u>	500	Chalford Village Hall (Double Station), London Road, Stroud, Glos, GL6 8HN	The current polling arrangements are satisfactory but the parking is limited.	No comments received

Thrupp (Bourne Ward)	<b>MCB</b>	<b>Chalford Village Hall (Double Station)</b> , London Road, Stroud, Glos, GL6 8HN	Thrupp (Bourne Ward)	<b>CH5</b>	<b>258</b>	<b>Chalford Village Hall (Double Station)</b> , London Road, Stroud, Glos, GL6 8HN	The current polling arrangements are satisfactory but the parking is limited.	No comments received
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### COALEY AND ULEY (no change to ward arrangements)

Coaley	<b>JS</b>	<b>Coaley Village Hall</b> , Coaley, Dursley, Glos, GL11 5EG	Coaley	<b>CU1</b>	<b>646</b>	<b>Coaley Village Hall</b> , Coaley, Dursley, Glos, GL11 5EG	The current polling arrangements are satisfactory.	No comments received
Nympsfield	<b>LB</b>	<b>Nympsfield Village Hall</b> , Back Street, Nympsfield, Glos, GL10 3UB	Nympsfield	<b>CU2</b>	<b>306</b>	<b>Nympsfield Village Hall</b> , Back Street, Nympsfield, Glos, GL10 3UB	The current polling arrangements are satisfactory but disabled access is limited.	No comments received
Owlpen	<b>LE</b>	<b>Uley Village Hall</b> , The Street, Uley, Glos	Owlpen	<b>CU3</b>	<b>34</b>	<b>Uley Village Hall</b> , The Street, Uley, Glos	The current polling arrangements are satisfactory.	No comments received
Uley	<b>MF</b>	<b>Uley Village Hall</b> , The Street, Uley, Glos	Uley	<b>CU4</b>	<b>987</b>	<b>Uley Village Hall</b> , The Street, Uley, Glos	The current polling arrangements are satisfactory.	No comments received

### DURSLEY (no change to ward arrangements)

Dursley (Central Ward)	<b>JV</b>	<b>Dursley Methodist Church (Gabriel Hale Room)</b> , Castle Street, Dursley, GL11 4BS	Dursley (Central Ward)	<b>D1</b>	<b>1998</b>	<b>Dursley Methodist Church (Gabriel Hale Room)</b> , Castle Street, Dursley, GL11 4BS	The current polling arrangements are satisfactory.	No comments received
Dursley (Highfields Ward)	<b>JVA</b>	<b>Dursley C of E Primary</b> , Highfields, Dursley, Glos, GL11 4NZ	Dursley (Highfields Ward)	<b>D2</b>	<b>1802</b>	<b>Dursley C of E Primary</b> , Highfields, Dursley, Glos, GL11 4NZ	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Dursley (Kingshill Ward)	<b>JVB</b>	<b>St Dominics Church Hall</b> , Jubilee Road, Dursley, Glos, GL11 4GS	Dursley (Kingshill Ward)	<b>D3</b>	<b>1447</b>	<b>St Dominics Church Hall</b> , Jubilee Road, Dursley, Glos, GL11 4GS	The current polling arrangements are satisfactory.	No comments received

### HARDWICKE (changes to ward arrangements)

Brookthorpe-with-Whaddon (NEW to ward)	JN	Brookthorpe Village Hall, Stroud Road, Brookthorpe, Glos, GL4 0UJ	Brookthorpe-with-Whaddon	<a href="#">H1</a>	245	Brookthorpe Village Hall, Stroud Road, Brookthorpe, Glos, GL4 0UJ	The current polling arrangements are satisfactory but limited disabled parking.	No comments received
Elmore	JX	Elmore Village Hall, Elmore, Glos, GL2 3NT	Elmore	<a href="#">H2</a>	177	Elmore Village Hall, Elmore, Glos, GL2 3NT	The current polling arrangements are satisfactory.	No comments received
Hardwicke	KI	Hardwicke Village Hall (Double Station), Green Lane, Hardwicke, Glos, GL2 4QA	Hardwicke	<a href="#">H3</a>	3644	Hardwicke Village Hall (Double Station), Green Lane, Hardwicke, Glos, GL2 4QA	The current polling arrangements are satisfactory.	No comments received
Harescombe (NEW to ward)	KJ	Harescombe Village Hall, Harescombe, Glos	Harescombe	<a href="#">H4</a>	193	Harescombe Village Hall, Harescombe, Glos	The current polling arrangements are satisfactory.	No comments received
Haresfield	KK	Haresfield Village Hall, Haresfield, Glos,	Haresfield	<a href="#">H5</a>	272	Haresfield Village Hall, Haresfield, Glos,	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Longney	KT	Longney Congregational Chapel, Longney, Glos, GL2	Longney	<a href="#">H6</a>	256	Longney Congregational Chapel, Longney, Glos, GL2	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Moreton Valence (Div 1) (NEW to ward)	KY1	St Stephen's Church, Church Lane, Moreton Valence, Glos, GL2 7NB	Moreton Valence	<a href="#">H7</a>	180	St Stephen's Church, Church Lane, Moreton Valence, Glos, GL2 7NB	The Parish of Moreton Valence is now situated in the same district ward as result of the boundary review and it is proposed that polling districts KY1 & KY2 should therefore be merged into one polling district. The current polling station arrangements are satisfactory – potential lack of heating but heaters are provided to polling station	No comments received
Moreton Valence (Div 2)	KY2	Hardwicke Village Hall (Double Station), Green Lane, Hardwicke, Glos, GL2 4QA						
Standish (NEW to ward)	LS	St Nicholas' Church, Standish, Glos, GL10 3EU	Standish	<a href="#">H8</a>	234	St Nicholas' Church, Standish, Glos, GL10 3EU	The current polling arrangements are satisfactory.	No comments received

## KINGSWOOD (changes to ward arrangements)

Alderley	HB	Hopkins Hall, Jubilee Playing Field, Hillesley, Wotton- Under-Edge, Gos	Alderley	<u>K1</u>	61	Hopkins Hall, Jubilee Playing Field, Hillesley, Wotton-Under- Edge, Gos	The current polling arrangements are satisfactory.	No comments received
Hillesley and Tresham (Hillesley ward)	KL	Hopkins Hall, Jubilee Playing Field, Hillesley, Wotton- Under-Edge, Gos	Hillesley and Tresham (Hillesley ward)	<u>K2</u>	383	Hopkins Hall, Jubilee Playing Field, Hillesley, Wotton-Under- Edge, Gos	The current polling arrangements are satisfactory.	No comments received
Hillesley and Tresham (Tresham ward)	KLA	The Haybarn, Talbot Court Farm, Tresham, Gos, GL12 7RW	Hillesley and Tresham (Tresham ward)	<u>K3</u>	98	The Haybarn, Talbot Court Farm, Tresham, Gos, GL12 7RW	Offers basic requirements for voters and staff. Not ideal but no problems reported.	No comments received
Kingswood	KR	Kingswood Village Hall (dual station), Wickwar Road, Kingswood, Gos, GL12 7RF	Kingswood	<u>K4</u>	1128	Kingswood Village Hall (dual station), Wickwar Road, Kingswood, Gos, GL12 7RF	The current polling arrangements are satisfactory.	The ward member for kingswood proposed that additional signage is needed to inform infirm or disabled voters that they should use an alternative access to the station to avoid the step at the other entrance.
Wotton-Under- Edge (South) (NEW to ward)			Wotton-Under- Edge (South)	<u>K5</u>	118	Kingswood Village Hall (dual station), Wickwar Road, Kingswood, Gos, GL12 7RF	This polling district has been created as a result of the district ward boundary review, electors within Wotton-Under- Edge (South) were previously in Wotton-under-Edge District Ward but will now vote for Kingswood District Ward.	No comments received

## MINCHINHAMPTON (no change to ward arrangements)

Minchinhampton (Box Ward)	KUC	Box Village Hall, Box, Stroud, Gos, GL6 9HP	Minchinhampton (Box Ward)	<u>M1</u>	279	Box Village Hall, Box, Stroud, Gos, GL6 9HP	The current polling arrangements are satisfactory.	No comments received
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Minchinhampton (Brimscombe Ward)	<b>KUB</b>	<b>Brimscombe Methodist Church</b> , Brimscombe Hill, Stroud, Glos, GL5 1DP	Minchinhampton (Brimscombe Ward)	<b>M2</b>	<b>562</b>	<b>Brimscombe Methodist Church</b> , Brimscombe Hill, Stroud, Glos, GL5 1DP	The current polling arrangements are satisfactory.	No comments received
Minchinhampton (North Ward)	<b>KUA</b>	<b>The Hub</b> , Next to Minchinhampton Youth Centre, Tobacconist Road, Minchinhampton	Minchinhampton (North Ward)	<b>M3</b>	<b>1906</b>	<b>The Hub</b> , Next to Minchinhampton Youth Centre, Tobacconist Road, Minchinhampton	The current polling arrangements are satisfactory.	No comments received
Minchinhampton (South Ward)	<b>KU</b>	<b>The Hub</b> , Next to Minchinhampton Youth Centre, Tobacconist Road, Minchinhampton	Minchinhampton (South Ward)	<b>M4</b>	<b>835</b>	<b>The Hub</b> , Next to Minchinhampton Youth Centre, Tobacconist Road, Minchinhampton	The current polling arrangements are satisfactory.	No comments received

### **NAILSWORTH (no change to ward arrangements)**

Horsley	<b>KO</b>	<b>Horsley Village Hall</b> , Horsley, Stroud, Glos, GL6 0PT	Horsley	<b>N1</b>	<b>683</b>	<b>Horsley Village Hall</b> , Horsley, Stroud, Glos, GL6 0PT	The current polling arrangements are satisfactory.	A ward member for Nailsworth commented that all polling stations within Nailsworth district are suitable venues.
Nailsworth (Div 1)	<b>KZ</b>	<b>Mortimer Room</b> , Old Market, Nailsworth, Glos, GL6 0DU	Nailsworth (Div 1)	<b>N2</b>	<b>2303</b>	<b>Mortimer Room</b> , Old Market, Nailsworth, Glos, GL6 0DU	The current polling arrangements are satisfactory.	
Nailsworth, Forest Green (Div 1)	<b>KZX</b>	<b>Arkell Community Centre</b> , Nympsfield Road, Forest Green, Nailsworth, Stroud, GL6 0ET	Nailsworth, Forest Green (Div 1)	<b>N3</b>	<b>1444</b>	<b>Arkell Community Centre</b> , Nympsfield Road, Forest Green, Nailsworth, Stroud, GL6 0ET	The current polling arrangements are satisfactory.	
Nailsworth, Forest Green (Div 2)	<b>KZY</b>	<b>Nailsworth Youth Centre</b> , Forest Green, Nailsworth, Glos, GL6 0LZ	Nailsworth, Forest Green (Div 2)	<b>N4</b>	<b>917</b>	<b>Nailsworth Youth Centre</b> , Forest Green, Nailsworth, Glos, GL6 0LZ	The current polling arrangements are satisfactory.	

### **PAINSWICK & UPTON (NEW WARD)**

Cranham	JT	<b>Cranham Village Hall</b> , Cranham, Glos, GL4 8HP	Cranham	<a href="#"><u>PU1</u></a>	423	<b>Cranham Village Hall</b> , Cranham, Glos, GL4 8HP	The current polling arrangements are satisfactory.	No comments received
Miserden	KX	<b>Miserden Village Hall</b> , Miserden, Stroud, Glos, GL6 7JA	Miserden	<a href="#"><u>PU2</u></a>	373	<b>Miserden Village Hall</b> , Miserden, Stroud, Glos, GL6 7JA	The current polling arrangements are satisfactory.	No comments received
Painswick (Edge Ward)	LFA	<b>Edge Village Hall</b> , The Green, Edge, Stroud, Glos, GL6 6PQ	Painswick (Edge Ward)	<a href="#"><u>PU3</u></a>	176	<b>Edge Village Hall</b> , The Green, Edge, Stroud, Glos, GL6 6PQ	The current polling arrangements are satisfactory but disabled parking only.	No comments received
Painswick (Painswick Ward)	LF	<b>Painswick Town Hall</b> , Gloucester Road, Pitchcombe, Stroud, Glos	Painswick (Painswick Ward)	<a href="#"><u>PU4</u></a>	1882	<b>Painswick Town Hall</b> , Gloucester Road, Pitchcombe, Stroud, Glos	This used to be a double station. The current polling arrangements are satisfactory but parking is limited.	No comments received
Painswick (Sheepscombe Ward)	LG	<b>Sheepscombe Village Hall</b> , Sheepscombe, Glos, GL6 6RQ	Painswick (Sheepscombe Ward)	<a href="#"><u>PU5</u></a>	400	<b>Sheepscombe Village Hall</b> , Sheepscombe, Glos, GL6 6RQ	The current polling arrangements are satisfactory.	No comments received
Painswick (Slad Ward)	LH	<b>Woolpack Inn, Slad</b> , Stroud, Glos, GL6 6TN	Painswick (Slad Ward)	<a href="#"><u>PU6</u></a>	261	<b>Woolpack Inn, Slad</b> , Stroud, Glos, GL6 6TN	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Pitchcombe	LI	<b>Pitchcombe Village Hall</b> , Gloucester Road, Pitchcombe, Stroud, Glos	Pitchcombe	<a href="#"><u>PU7</u></a>	246	<b>Pitchcombe Village Hall</b> , Gloucester Road, Pitchcombe, Stroud, Glos	The current polling arrangements are satisfactory.	No comments received
Upton St Leonards (NEW to ward)	MG	<b>Upton St Leonards Village Hall</b> , 10 Bondend Road, Upton St Leonards, GL4 8AG	Upton St Leonards (Div 1)	<a href="#"><u>PU8</u></a>	1335	<b>Upton St Leonards Village Hall</b> , 10 Bondend Road, Upton St Leonards, GL4 8AG	Polling district northern boundary altered to create new polling district PU9.	No comments received

			Upton St Leonards (Div 2)	<a href="#">PU9</a>	722	@ the edge Community Centre, Typhoon Way, Brockworth, Gloucestershire, GL3 4DY	Proposed new polling district to consist of the recent development of Coopers Edge. The increase in electorate has meant that electors within Upton St Leonards could no longer continue to vote at the same polling station, this split in the polling district will be more convenient for electors within PU9 as they will not have so far to travel.	No comments received
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### **RANDWICK, WHITESHILL AND RUSCOMBE (changes to ward arrangements)**

Part of Cainscross (Lower Westrip Ward) (NEW to ward)	LKA	Randwick Scout Group, Morehall, Cashes Green, Stroud, Glos, GL5 4RY	Cainscross (Lower Westrip Ward Div 1)	<a href="#">RWR1</a>	357	Randwick Scout Group, Morehall, Cashes Green, Stroud, Glos, GL5 4RY	As a result of the boundary review, Cainscross Westrip Ward is now split between Randwick, Whiteshill & Ruscombe district ward and Cainscross district ward. This polling district has therefore been created to ensure that electors are voting in the correct district ward.	No comments received
Randwick (Randwick Ward)	LK	Randwick Village Hall, Playing Field, Randwick, Stroud, Glos, GL6 6JA	Randwick (Randwick Ward)	<a href="#">RWR2</a>	494	Randwick Village Hall, Playing Field, Randwick, Stroud, Glos, GL6 6JA	The current polling arrangements are satisfactory.	Whiteshill & Ruscombe Parish Council noted the consultation and wished to make no further comments.
Whiteshill	MH	Whiteshill & Ruscombe Village Hall, Main Road, Whiteshill, Stroud, Glos, GL6 6AB	Whiteshill	<a href="#">RWR3</a>	964	Whiteshill & Ruscombe Village Hall, Main Road, Whiteshill, Stroud, Glos, GL6 6AB	The current polling arrangements are satisfactory.	Whiteshill & Ruscombe Parish Council noted the consultation and wished to make no further comments.

### **RODBOROUGH (no change to ward arrangements)**

Rodborough (North Ward Div 1)	<b>LM1</b>	<b>Rodborough Endowed School,</b> Church Place, Walkley Hill, Rodborough, Stroud, Glos	Rodborough (North Ward Div 1)	<b><u>R1</u></b>	<b>1100</b>	<b>Rodborough Endowed School,</b> Church Place, Walkley Hill, Rodborough, Stroud, Glos	The current polling arrangements are satisfactory but disabled parking only.	No comments received
Rodborough (North Ward Div 2)	<b>LM2</b>	<b>Stroud Rugby Club,</b> Fromehall Park, Dudbridge Hill, Stroud, GL5 3HS	Rodborough (North Ward Div 2)	<b><u>R2</u></b>	<b>360</b>	<b>Stroud Rugby Club,</b> Fromehall Park, Dudbridge Hill, Stroud, GL5 3HS	The current polling arrangements are satisfactory.	No comments received
Rodborough (South Ward Div 1)	<b>LMB</b>	<b>Gastrells Primary School,</b> Kingscourt Lane, Rodborough, Stroud, Glos, GL5 3PS	Rodborough (South Ward Div 1)	<b><u>R3</u></b>	<b>273</b>	<b>Gastrells Primary School,</b> Kingscourt Lane, Rodborough, Stroud, Glos, GL5 3PS	The current polling arrangements are satisfactory.	No comments received
Rodborough (South Ward Div 2)	<b>LMC</b>	<b>Rodborough Community Hall,</b> Butterow West, Rodborough, Stroud, GL5 3TZ	Rodborough (South Ward Div 2)	<b><u>R4</u></b>	<b>225</b>	<b>Rodborough Community Hall,</b> Butterow West, Rodborough, Stroud, GL5 3TZ	The current polling arrangements are satisfactory.	No comments received
Rodborough (West Ward Div 1)	<b>LMD1</b>	<b>Rodborough Endowed School,</b> Church Place, Walkley Hill, Rodborough, Stroud, Glos	Rodborough (West Ward Div 1)	<b><u>R5</u></b>	<b>1026</b>	<b>Rodborough Endowed School,</b> Church Place, Walkley Hill, Rodborough, Stroud, Glos	The current polling arrangements are satisfactory but parking is limited.	No comments received
Rodborough (West Ward Div 2)	<b>LMD2</b>	<b>Stroud Rugby Club,</b> Fromehall Park, Dudbridge Hill, Stroud, GL5 3HS	Rodborough (West Ward Div 2)	<b><u>R6</u></b>	<b>323</b>	<b>Stroud Rugby Club,</b> Fromehall Park, Dudbridge Hill, Stroud, GL5 3HS	The current polling arrangements are satisfactory.	No comments received
Rodborough (West Ward Div 3)	<b>LMD3</b>	<b>Gastrells Primary School,</b> Kingscourt Lane, Rodborough, Stroud, Glos, GL5 3PS	Rodborough (West Ward Div 3)	<b><u>R7</u></b>	<b>342</b>	<b>Gastrells Primary School,</b> Kingscourt Lane, Rodborough, Stroud, Glos, GL5 3PS	The current polling arrangements are satisfactory.	No comments received

**SEVERN (new ward arrangements)**

Arlingham	HC	The Victory Hall, High Street, Arlingham, Glos, GL2 7JN	Arlingham	<a href="#"><u>S1</u></a>	379	The Victory Hall, High Street, Arlingham, Glos, GL2 7JN	The current polling arrangements are satisfactory but wheelchair users may require assistance.	No comments received
Frampton-on-Severn	JZ	Frampton on Severn Village Hall, The Street, Frampton on Severn, Glos, GL2 7EA	Frampton-on-Severn	<a href="#"><u>S2</u></a>	1142	Frampton on Severn Village Hall, The Street, Frampton on Severn, Glos, GL2 7EA	The current polling arrangements are satisfactory but the parking is limited.	No comments received
Fretherne-with-Saul(Fretherne Ward)	KA	Saul Memorial Hall, High Street, Saul, Glos, GL2 7LW	Fretherne-with-Saul(Fretherne Ward)	<a href="#"><u>S3</u></a>	173	Saul Memorial Hall, High Street, Saul, Glos, GL2 7LW	The current polling arrangements are satisfactory.	No comments received
Fretherne-with-Saul(Saul Ward)	KB	Saul Memorial Hall, High Street, Saul, Glos, GL2 7LW	Fretherne-with-Saul(Saul Ward)	<a href="#"><u>S4</u></a>	396	Saul Memorial Hall, High Street, Saul, Glos, GL2 7LW	The current polling arrangements are satisfactory.	No comments received
Eastington (NEW to ward)	JW	Eastington Village Hall, Eastington, Stonehouse, Glos, GL10 3AA	Eastington	<a href="#"><u>S5</u></a>	177	Eastington Village Hall, Eastington, Stonehouse, Glos, GL10 3AA	The current polling arrangements are satisfactory.	No comments received
Whitminster (NEW to ward)	MI	Whitminster Village Hall, School Lane, Whitminster, Gloucester, GL2 7NT	Whitminster	<a href="#"><u>S6</u></a>	666	Whitminster Village Hall, School Lane, Whitminster, Gloucester, GL2 7NT	The current polling arrangements are satisfactory.	No comments received

### STONEHOUSE (changes to ward arrangements)

Stonehouse (Central Ward)	LUA	The Douglas Morley Hall, Elm Road, Stonehouse, Glos	Stonehouse (Div 1)	<a href="#"><u>ST1</u></a>	1455	The Douglas Morley Hall, Elm Road, Stonehouse, Glos	The current polling arrangements are satisfactory but disabled parking only	No comments received
Stonehouse (North Ward)	LUB	St Joseph's Church Hall (Double Station), Oldends Lane, Stonehouse, Glos, GL10 2DG	Stonehouse (Div 2)	<a href="#"><u>ST2</u></a>	271145	St Joseph's Church Hall (Double Station), Oldends Lane, Stonehouse, Glos, GL10 2DG	The current polling arrangements are satisfactory but disabled parking only	No comments received

Part of Stonehouse (South Ward)	LU	Stonehouse Community Centre, Laburnum Walk, Stonehouse, Glos, GL10 2NS	Stonehouse (Div 3)	<u>ST3</u>	1737	Stonehouse Community Centre, Laburnum Walk, Stonehouse, Glos, GL10 2NS	Polling district boundary has been amended to reflect changes to the district ward boundaries.	No comments received
<b>STROUD CENTRAL (changes to ward arrangements)</b>								
Stroud Central (Div 1)	LW	St Laurence Church Hall, The Shambles, Stroud, Glos, GL10 2DG	Stroud Central (Div 1)	<u>SC1</u>	601	St Laurence Church Hall, The Shambles, Stroud, Glos, GL10 2DG	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
Stroud Central (Div 2)	LWA	Paganhill Maypole Hall, Stratford Road, Stroud, Glos, GL5 4AN	Stroud Central (Div 2)	<u>SC2</u>	660	Paganhill Maypole Hall, Stratford Road, Stroud, Glos, GL5 4AN	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
Stroud Central (Div 3)	LWB	Christian Community Centre, 73 Cainscross Road, Stroud, GL5 4HB	Stroud Central (Div 3)	<u>SC3</u>	550	Christian Community Centre, 73 Cainscross Road, Stroud, GL5 4HB	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
<b>STROUD FARMHILL AND PAGANHILL (changes to ward arrangements)</b>								
Stroud Farmhill and Paganhill	MAA	Farmhill Baptist Church, Farmhill, Stroud, Glos, GL5 4BX	Stroud Farmhill and Paganhill	<u>FP1</u>	1643	Farmhill Baptist Church, Farmhill, Stroud, Glos, GL5 4BX	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	The ward member for Farmhill & Paganhill suggested that as Paganhill Maypole hole now resides within Farmhill & Paganhill as a result of the boundary review, this venue should be used as a polling station for this ward instead of Farmhill Baptist Church due to its limited access and location on a steep hill.
<b>STROUD SLADE (changes to ward arrangements)</b>								

Stroud Slade (Div 1)	LY	<b>Stroud Register Office</b> , Parliament Street, Stroud, Glos, GL5 1DY	Stroud Slade (Div 1)	<u>SS1</u>	460	<b>Stroud Register Office</b> , Parliament Street, Stroud, Glos, GL5 1DY	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
Stroud Slade (Div 2)	LYA	<b>The Cadet Centre</b> , Bisley Old Road, Stroud, Glos	Stroud Slade (Div 2)	<u>SS2</u>	1127	<b>The Cadet Centre</b> , Bisley Old Road, Stroud, Glos	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received

### **STROUD TRINITY (changes to ward arrangements)**

Stroud Trinity	LZ	<b>Trinity Rooms</b> , Field Road, Stroud, Glos, GL5 2HZ	Stroud Trinity	<u>STR1</u>	1773	<b>Trinity Rooms</b> , Field Road, Stroud, Glos, GL5 2HZ	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
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### **STROUD UPLANDS (changes to ward arrangements)**

Stroud Uplands	MA	<b>Stroud and District Mencap Day Centre (Double Station)</b> , Folly Lane, Stroud, Glos, GL5 1SU	Stroud Uplands	<u>SU1</u>	1677	<b>Stroud and District Mencap Day Centre (Double Station)</b> , Folly Lane, Stroud, Glos, GL5 1SU	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
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### **STROUD VALLEY (changes to ward arrangements)**

Stroud Valley (Div 1)	MAX	<b>All Saints Centre</b> , Upper Springfield Road, Stroud, Glos, GL5 1TF	Stroud Valley (Div 1)	<u>SV1</u>	1057	<b>All Saints Centre</b> , Upper Springfield Road, Stroud, Glos, GL5 1TF	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received
Stroud Valley (Div 2)	MAZ	<b>The Wesley Rooms</b> , St Albans Church, Parliament Street, Stroud, Glos, GL5 1QH	Stroud Valley (Div 2)	<u>SV2</u>	927	<b>The Wesley Rooms</b> , St Albans Church, Parliament Street, Stroud, Glos, GL5 1QH	Polling district boundary has been amended to reflect the minor adjustments to the district ward boundaries.	No comments received

### **THE STANLEYS (no change to ward arrangements)**

Frocester	KC	<b>Frocester Cricket Club</b> , Frocester Hill, Frocester, Stonehouse, GL10 3TQ	Frocester	<a href="#"><u>TS1</u></a>	151	<b>Frocester Cricket Club</b> , Frocester Hill, Frocester, Stonehouse, GL10 3TQ	The current polling arrangements are satisfactory.	No comments received
Kings Stanley (Div 1)	KP	<b>Kings Stanley Village Hall</b> , Marling Close, Kings Stanley, Stonehouse, Glos, GL10 3JB	Kings Stanley (Div 1)	<a href="#"><u>TS2</u></a>	1689	<b>Kings Stanley Village Hall</b> , Marling Close, Kings Stanley, Stonehouse, Glos, GL10 3JB	The current polling arrangements are satisfactory.	No comments received
Kings Stanley, Selsley (Div 2)	KQ	<b>Selsley Scout Hall</b> , Selsley, Stroud, Glos	Kings Stanley, Selsley (Div 2)	<a href="#"><u>TS3</u></a>	370	<b>Selsley Scout Hall</b> , Selsley, Stroud, Glos	The current polling arrangements are satisfactory.	No comments received
Leonard Stanley	KS	<b>Leonard Stanley Village Hall</b> , Marsh Road, Leonard Stanley, Stonehouse, Glos, GL10 3NH	Leonard Stanley	<a href="#"><u>TS4</u></a>	1154	<b>Leonard Stanley Village Hall</b> , Marsh Road, Leonard Stanley, Stonehouse, Glos, GL10 3NH	The current polling arrangements are satisfactory.	No comments received

### **THRUPP (no change to ward arrangements)**

Rodborough (Butterow Ward)	LMA	<b>Rodborough Community Hall</b> , Butterow West, Rodborough, Stroud, GL5 3TZ	Rodborough (Butterow Ward)	<a href="#"><u>T1</u></a>	655	<b>Rodborough Community Hall</b> , Butterow West, Rodborough, Stroud, GL5 3TZ	The current polling arrangements are satisfactory.	No comments received
Thrupp (Div 1)	MC	<b>Thrupp Primary School</b> , Thrupp, Stroud, Glos, GL5 2EN	Brimscombe & Thrupp (Div 1)	<a href="#"><u>T2</u></a>	692	<b>Thrupp Primary School</b> , Thrupp, Stroud, Glos, GL5 2EN	The current polling arrangements are satisfactory.	A proposal was received to change Thrupp primary school polling station because disabled access is poor, parking is limited and the effect it has on the school and families of the children when the school is closed for the day.



Thrupp (Div 2)	<b>MCA</b>	<b>Brimscombe and Thrupp SC</b> , London Road, Brimscombe, Stroud, Glos, GL5 2QF	Brimscombe & Thrupp (Div 2)	<b>T3</b>	<b>542</b>	<b>Brimscombe and Thrupp SC</b> , London Road, Brimscombe, Stroud, Glos, GL5 2QF	The current polling arrangements are satisfactory.	No comments received
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### **WOTTON-UNDER-EDGE (changes to ward arrangements)**

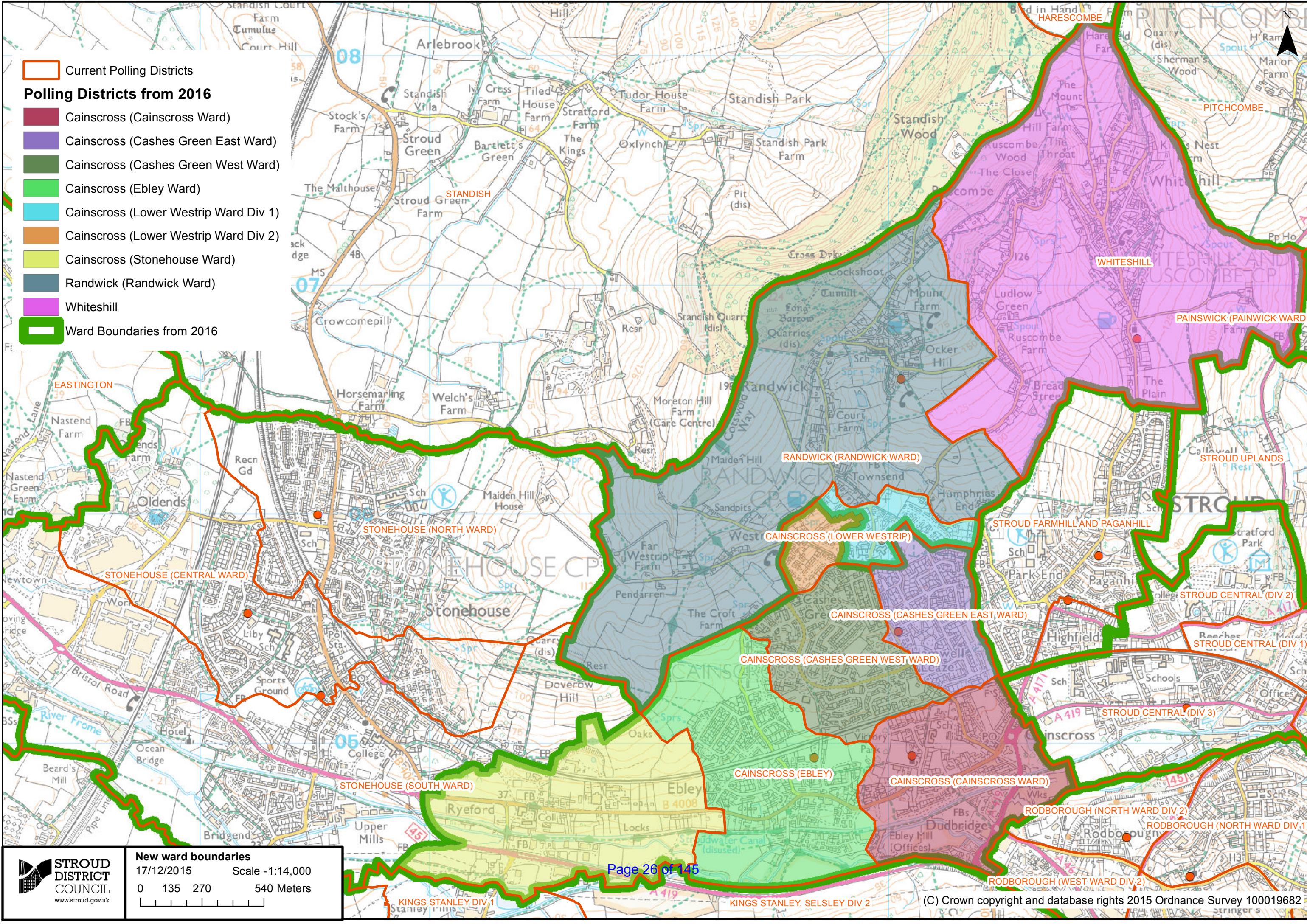
North Nibley	<b>LA</b>	<b>North Nibley Village Hall</b> , North Nibley, Dursley, Glos, GL11 6DP	North Nibley	<b>WUE1</b>	<b>699</b>	<b>North Nibley Village Hall</b> , North Nibley, Dursley, Glos, GL11 6DP	The current polling arrangements are satisfactory.	No comments received
Stinchcombe (NEW to ward)	<b>LT</b>	<b>Stinchcombe Village Hall (The Committee Room)</b> , The Street, Stinchcombe, Glos, GL11 6AW	Stinchcombe	<b>WUE2</b>	<b>410</b>	<b>Stinchcombe Village Hall (The Committee Room)</b> , The Street, Stinchcombe, Glos, GL11 6AW	The current polling arrangements are satisfactory.	No comments received
Wotton-Under-Edge (Div 1)	<b>MK</b>	<b>The Chipping Clubroom (Double Station)</b> , The Chipping, Wotton Under Edge, Glos, GL12 7AD	Wotton-Under-Edge (Div 1)	<b>WUE3</b>	<b>2401</b>	<b>The Chipping Clubroom (Double Station)</b> , The Chipping, Wotton Under Edge, Glos, GL12 7AD	Boundary to the south of the polling district has been amended to reflect changes to the district ward boundary	No comments received
Wotton-Under-Edge (Div 2)	<b>ML</b>	<b>The British School</b> , The Green, Synwell, Wotton-Under-Edge, Glos, GL5 3PS	Wotton-Under-Edge (Div 2)	<b>WUE4</b>	<b>1945</b>	<b>The British School</b> , The Green, Synwell, Wotton-Under-Edge, Glos, GL5 3PS	Boundary to the south of the polling district has been amended to reflect changes to the district ward boundary	No comments received

The Acting Returning Officer for Cotswold District Council was invited to comment that they were happy with the arrangements and suggested polling stations for Wotton-under-Edge, Minchinhampton and Kingswood District wards.

Current Polling Districts

**Polling Districts from 2016**

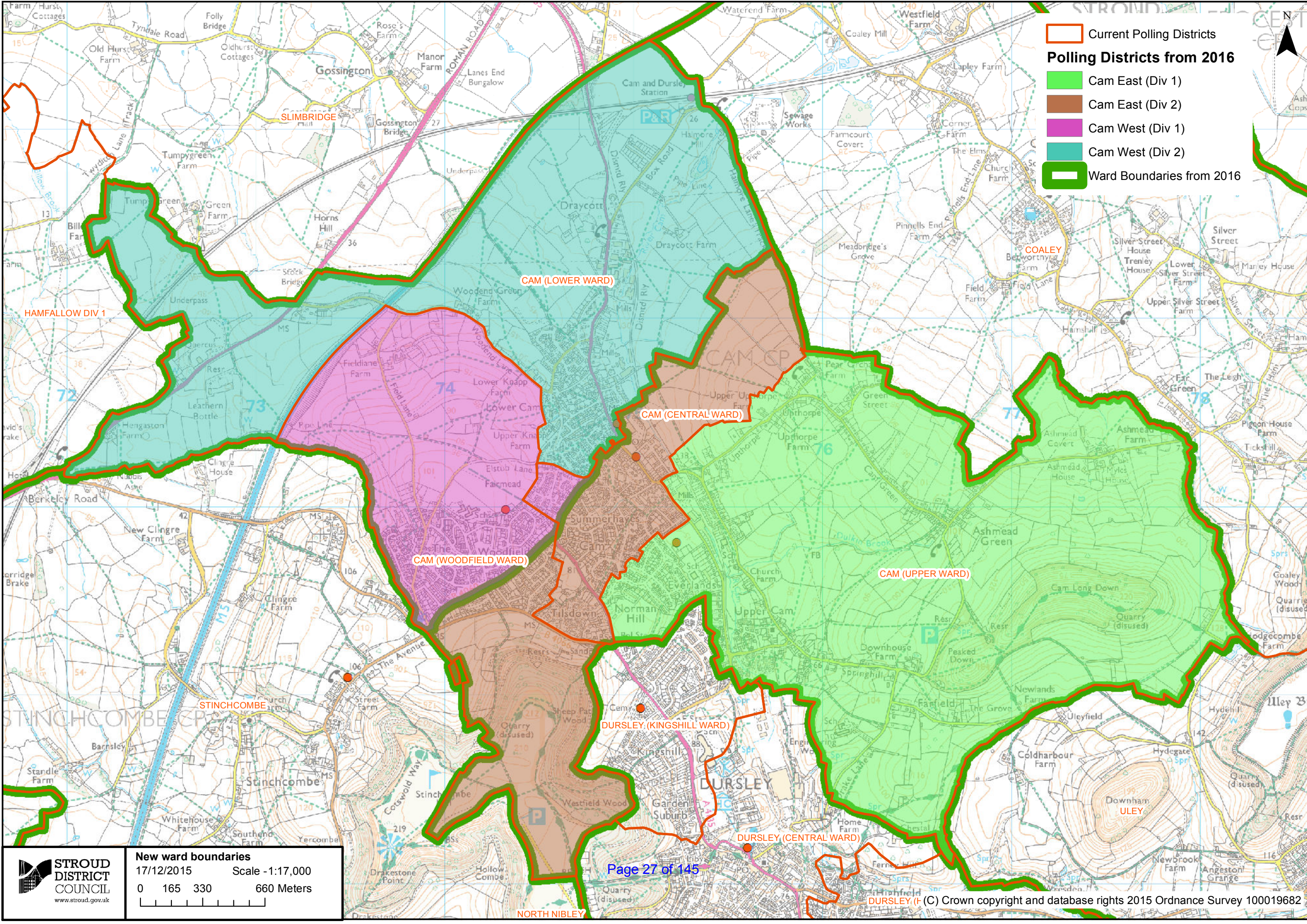
- Cainscross (Cainscross Ward)
- Cainscross (Cashes Green East Ward)
- Cainscross (Cashes Green West Ward)
- Cainscross (Ebley Ward)
- Cainscross (Lower Westrip Ward Div 1)
- Cainscross (Lower Westrip Ward Div 2)
- Cainscross (Stonehouse Ward)
- Randwick (Randwick Ward)
- Whiteshill
- Ward Boundaries from 2016



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**New ward boundaries**  
17/12/2015 Scale -1:14,000

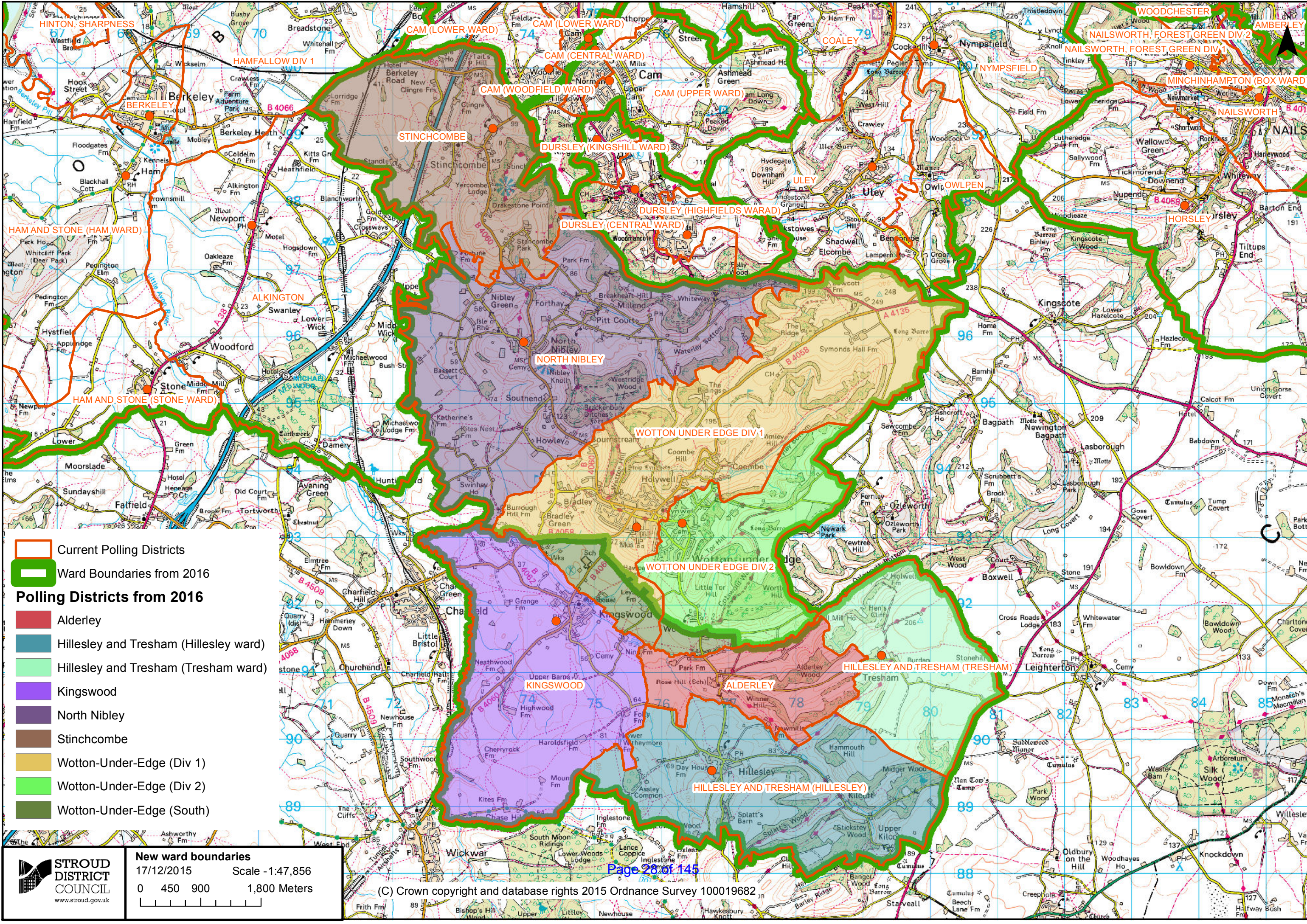
0 135 270 540 Meters



- Current Polling Districts
- Polling Districts from 2016**
- Cam East (Div 1)
- Cam East (Div 2)
- Cam West (Div 1)
- Cam West (Div 2)
- Ward Boundaries from 2016



**New ward boundaries**  
 17/12/2015 Scale -1:17,000  
 0 165 330 660 Meters

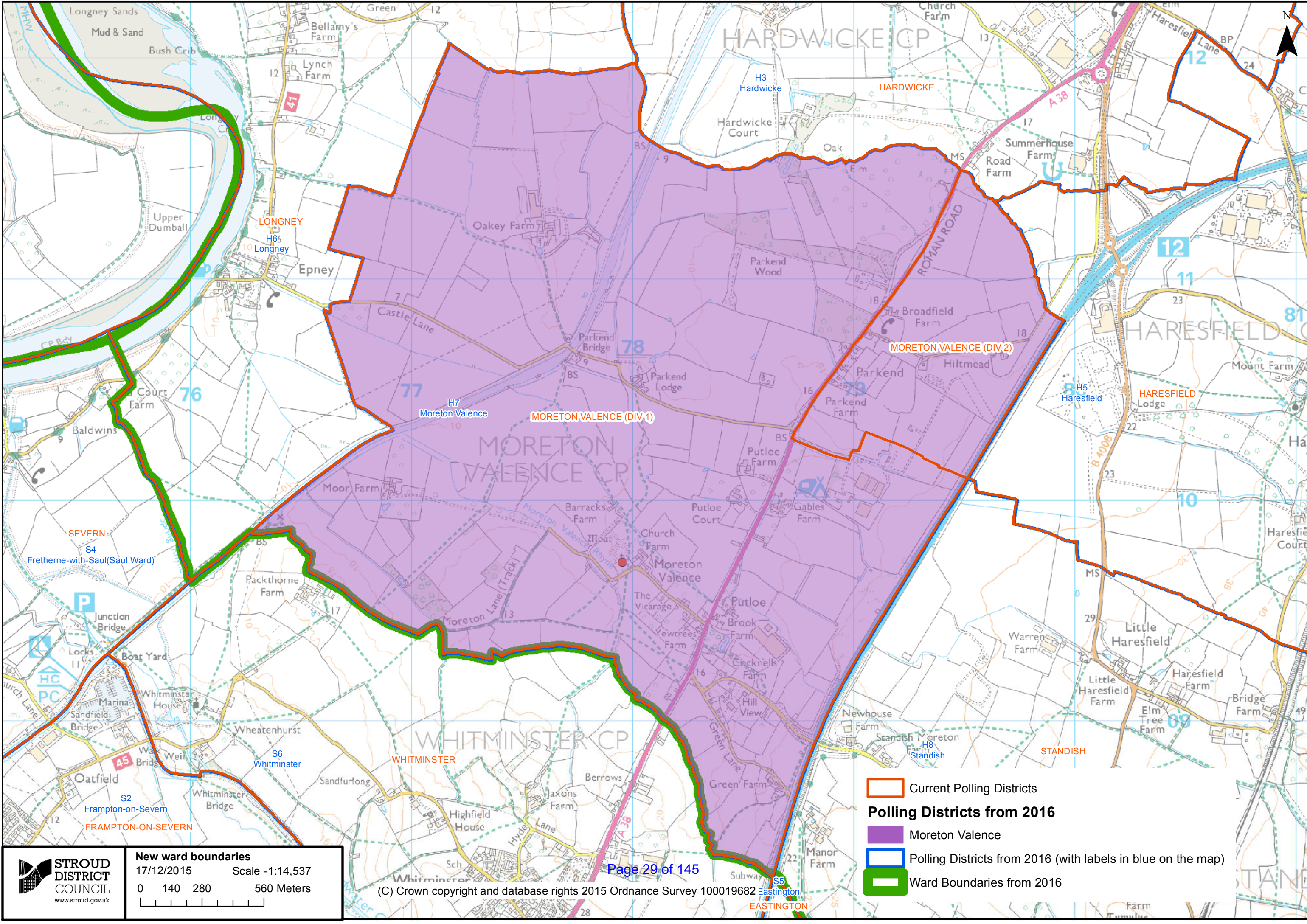


- Current Polling Districts
- Ward Boundaries from 2016
- Polling Districts from 2016**
- Alderley
- Hillesley and Tresham (Hillesley ward)
- Hillesley and Tresham (Tresham ward)
- Kingswood
- North Nibley
- Stinchcombe
- Wotton-Under-Edge (Div 1)
- Wotton-Under-Edge (Div 2)
- Wotton-Under-Edge (South)

**STROUD DISTRICT COUNCIL**  
www.stroud.gov.uk

**New ward boundaries**  
17/12/2015      Scale -1:47,856

0    450    900    1,800 Meters

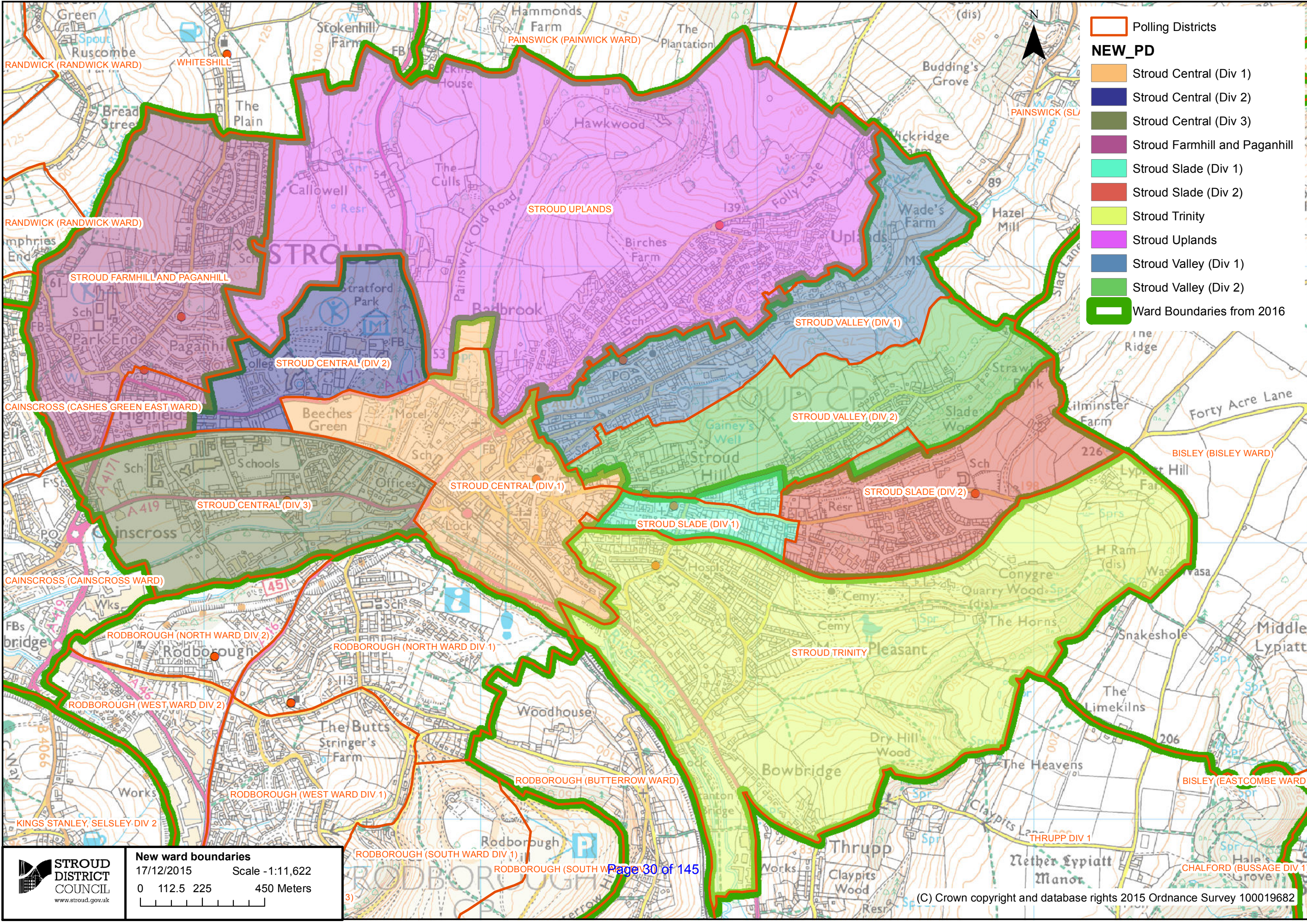


**STROUD DISTRICT COUNCIL**  
www.stroud.gov.uk

**New ward boundaries**  
17/12/2015 Scale -1:14,537

0 140 280 560 Meters

-  Current Polling Districts
- Polling Districts from 2016**
-  Moreton Valence
-  Polling Districts from 2016 (with labels in blue on the map)
-  Ward Boundaries from 2016



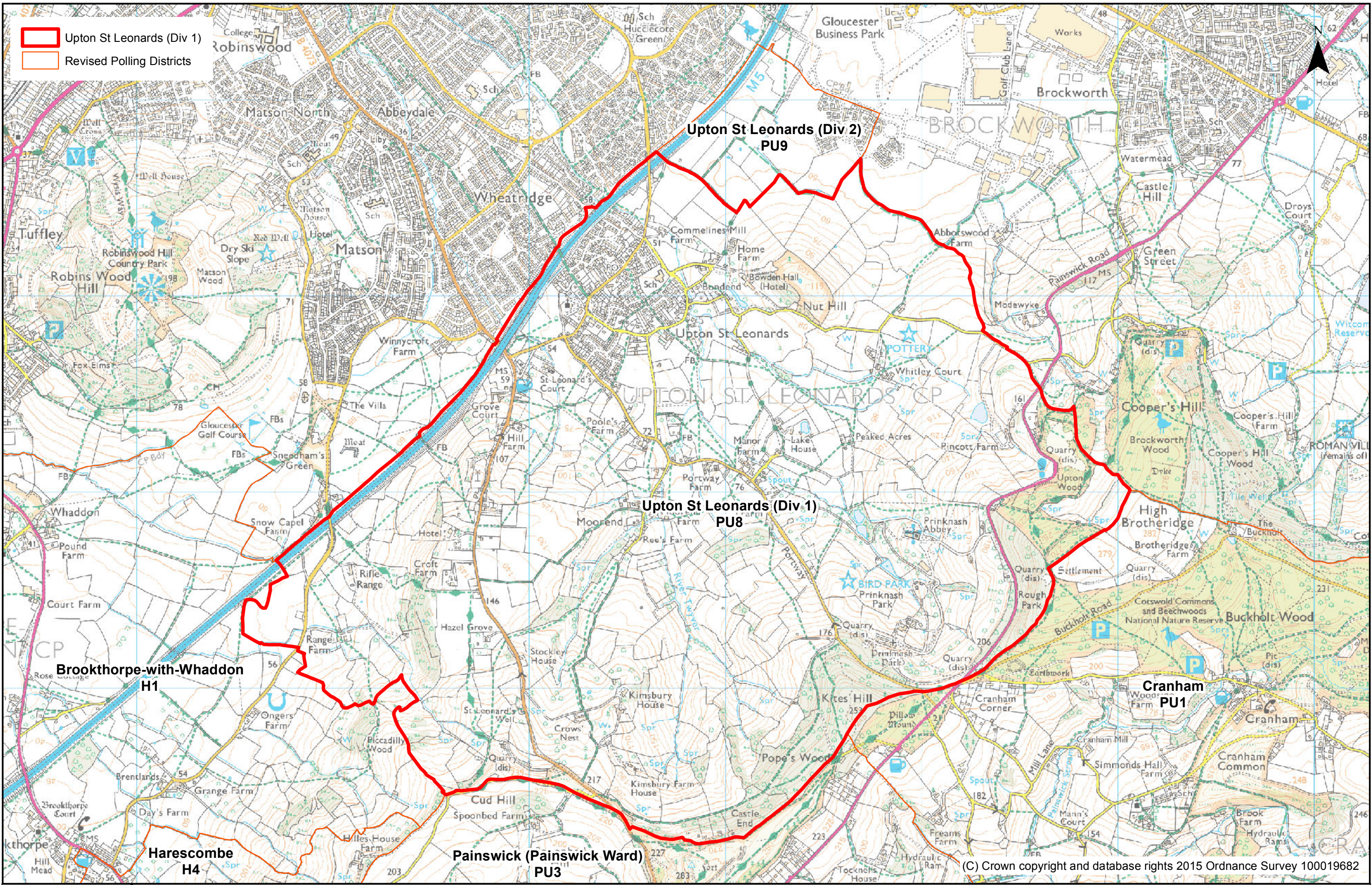
- Polling Districts
- NEW\_PD**
- Stroud Central (Div 1)
- Stroud Central (Div 2)
- Stroud Central (Div 3)
- Stroud Farmhill and Paganhill
- Stroud Slade (Div 1)
- Stroud Slade (Div 2)
- Stroud Trinity
- Stroud Uplands
- Stroud Valley (Div 1)
- Stroud Valley (Div 2)
- Ward Boundaries from 2016

**STROUD DISTRICT COUNCIL**  
www.stroud.gov.uk

**New ward boundaries**  
17/12/2015 Scale -1:11,622

0 112.5 225 450 Meters

Upton St Leonards (Div 1)  
 Revised Polling Districts



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**Polling District Upton St Leonards (Div 1)**

26/10/2015



Scale -1:17,171

**STROUD DISTRICT COUNCIL**  
**COUNCIL**

**AGENDA**  
**ITEM NO**

**28 JANUARY 2016**

**4a**

<b>Report Title</b>	<b>HALF YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2015/16</b>
<b>Purpose of Report</b>	To provide an update on treasury management activity as at 30/09/2015.
<b>Decision(s)</b>	<b>The Audit and Standards Committee RECOMMENDS that the Council APPROVES treasury management activity half year report for 2015/2016, including the revisions to the 2015/16 strategy as set out in paragraphs 3.5, 5.2 and 5.3.</b>
<b>Consultation and Feedback</b>	Capita Asset Services Limited
<b>Financial Implications and Risk Assessment</b>	Interest of £132k in the first half year means that it is likely the budgeted figure of £180k will be exceeded.  David Stanley, Accountancy Manager Tel: 01453 754100 E-mail: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a>
<b>Legal Implications</b>	This report is largely provided for information and as such there are no significant legal implications. (Ref:rl121115c161115)  Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a>
<b>Report Author</b>	Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a>
<b>Chair of Committee</b>	Councillor Nigel Studdert-Kennedy Tel: 01453 821491 E-mail: <a href="mailto:cllr.nigel.studdert-kennedy@stroud.gov.uk">cllr.nigel.studdert-kennedy@stroud.gov.uk</a>
<b>Options</b>	None
<b>Performance Management Follow Up</b>	A third quarter report and a full 2015/16 annual report.



<b>Background Papers/ Appendices</b>	<ul style="list-style-type: none"> <li>o Council Report 26 February 2015, Agenda Item 8a, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2015/16</li> <li>A – Economic Update</li> <li>B – Prudential Indicators as at 30 September 2015</li> <li>C – Explanation of prudential indicators</li> </ul>
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## **1. Background**

- 1.1 Treasury management is defined as: ‘The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’
- 1.2 This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first half of the financial year, and to report on prudential indicators and compliance with treasury limits. A mid year report is essential under the Code of Practice for Treasury Management (the Code).

## **2. Discussion**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code in November 2011, originally adopted by this Council on 21 January 2010. This half year report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:
- o An economic update – Appendix A
  - o A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
  - o A review of the Council’s investment portfolio for 2015/16
  - o A review of the Council’s borrowing strategy for 2015/16
  - o A review of compliance with Treasury and Prudential Limits for 2015/16.
  - o Other Treasury issues

## **3. Treasury Management Strategy Statement and Investment Strategy update**

- 3.1 The TMSS for 2015/16 was approved by Council on 26 February 2015. The Council’s Investment Strategy, which is incorporated in the TMSS, outlines the Council’s investment priorities as follows:
- o Security of Capital
  - o Liquidity
  - o Yield

- 3.2 The Council will aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, less than 1 year, with highly credit rated financial institutions, using Capita's suggested creditworthiness approach, which includes a sovereign credit rating and Credit Default Swap (CDS) overlay. The Council is prepared to invest for up to 366 days with UK Government supported banks.
- 3.3 A breakdown of the Council's investment portfolio as at 30 September 2015 and 30 June 2015 is shown in Table 2 of this report. Investments and borrowing during the year have been in line with the Strategy, and there have been no deviations from the strategy.
- 3.4 Capita's latest economic analysis is set out in Appendix A. Current advice from Capita is to invest for less than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Capita's weekly list.
- 3.5 The rating for permitted investments in Money Market Funds in the Strategy approved in February 2015, should be changed to AAA from AAAMmf (Fitch), Aaa mf (Moody's) and AAAM (S&P). This will permit the Council to invest in variable net asset value money market funds (VNAV) as well as constant net asset value money market funds (CNAV). This will provide a better return for minimal additional risk.

#### **4. Investment Portfolio 2015/16**

- 4.1 In accordance with the Code, it is the Council's priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first and second quarters is shown in the table below:

**TABLE 1: Average Interest Rate Compared With Benchmark Rates**

<b>Period</b>	<b>Investment Interest Earned</b>	<b>Average Net Investment</b>	<b>Average Interest Rate</b>	<b>Benchmark 7 day LIBID</b>	<b>Benchmark 3 month LIBID</b>
01/04/15 - 30/06/15	£53,298	£29.640m	0.72%	0.36%	0.45%
01/07/15 - 30/09/15	£61,193	£34.012m	0.64%	0.36%	0.46%
<b>Total</b>	<b>£114,491</b>	<b>£31.83m</b>	<b>0.68%</b>	<b>0.36%</b>	<b>0.46%</b>

- 4.2 An amount of Icelandic Krona equivalent to £331k was held in an Escrow account due to currency controls in Iceland earning 3.65%. This interest amount is excluded from the figures shown in the above table. Also the Local Area Mortgage Scheme investment of £1m at 3.8% with Lloyds is excluded. If this interest is included the interest earned is £132k at an average interest rate of 0.80%.
- 4.3 Towards the end of September 2015 the Council sold its remaining Icelandic Krona to Deutsche bank. This means that in all 98% of the original principal sum invested has been recovered.
- 4.4 Table 2 below shows the investments and borrowing position at the end of September 2015.
- 4.5 The approved limits as set out in the Treasury Management Strategy report to Council 26th February 2015 within the Annual Investment Strategy were not breached during the first 6 months of 2015/16.
- 4.6 Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and canal project. The authority holds £6m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year).
- 4.7 Lloyds banking group is no longer classified by Capita Asset Services as a government supported group. A consequence of this is that, according to the Council's Investment Strategy a maximum of £8m per bank (Lloyds and Bank of Scotland) within the group can be invested, rather than up to 50% of total investments.

**TABLE 2: Investments & Borrowing**

	Jun 2015 £'000	Sep 2015 £'000
Standard Life	38	3,199
Federated Prime Rate	3,973	3,873
Goldman Sachs	2,487	2,965
<b>Money Market Funds Total</b>	<b>6,498</b>	<b>10,037</b>
Bank of Scotland	4,000	7,000
Lloyds	4,000	6,000
<b>Lloyds Banking Group Total</b>	<b>8,000</b>	<b>13,000</b>
NatWest	222	0
Royal Bank of Scotland	2,007	2,008
<b>RBS Banking Group Total</b>	<b>2,229</b>	<b>2,008</b>
Credit Suisse	2,000	
Standard Chartered	1,000	1,000
Santander	7,959	2,000
Barclays Bank Plc	3,000	7,001
Svenska Handelsbanken	10	10
<b>Other Banks Total</b>	<b>13,969</b>	<b>10,011</b>
Nationwide	2,000	0
<b>Building Society Total</b>	<b>2,000</b>	<b>0</b>
<b>TOTAL INVESTMENTS</b>	<b><u>£32,696</u></b>	<b><u>£35,056</u></b>
Local Authority	2,000	2,000
PWLB	93,717	97,717
<b>TOTAL BORROWING</b>	<b><u>£95,717</u></b>	<b><u>£99,717</u></b>

## 5. External Borrowing

5.1 The Council's Capital Financing Requirements (CFR) for 2015/16 is £107.611m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has borrowing of £99.717m as at 30 September 2015. During August two £2m PWLB loans were taken at rates of 3.16% and 3.20% for 48 and 50 years respectively. These rates are 0.3% lower than the preferential rates offered by the Government for HRA self-financing. Further HRA borrowing of £7m is planned during the year.

5.2 The Council's policy on borrowing in advance of need, which was applied to the borrowing in August 2015, as set out in the February 2015

strategy is further defined as follows. Ordinarily, the Council will consider borrowing up to 12 months ahead of capital spend:

- If such capital spend is considered very likely to occur within 12 months
- Treasury advisers demonstrate that rates are particularly low and likely to move higher within 12 months
- Treasury advisers evaluate a net saving after assessing cost of carry
- A trigger rate(s) will be set by s151 officer in consultation with treasury advisers and treasury officers
- Borrowing will be conducted in parcels – eg £4m could be split into 4 x £1m or 2 x £2m

5.3 The foregoing usual procedure will not prevent the S151 officer from forward borrowing to the fullest extent permitted by the Prudential Code, CFR for the current year plus the following two years, if extraordinary conditions arise in the short term to make such action in the interests of the authority.

## **6. Compliance with Treasury and Prudential Limits**

- 6.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.
- 6.2 During the period to 30 September 2015 the Council has operated within the treasury limits and Prudential Indicators set out in the Council’s TMSS and in compliance with the Council’s Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix B.

## **7. Selection of Property Fund**

- 7.1 The Council can invest up to £3m in a property fund as set out in the Treasury Management Strategy approved in February 2015. It is proposed to contract an adviser to run a selection process to evaluate the options and to select a fund.

## **8. Contract Extension and Service from October 2016**

- 8.1 The contract with Capita Asset Services commenced in October 2012. It reached the end of the initial 3-year term in September 2015. An option to extend for one year has been exercised. A procurement will be conducted to secure treasury management advice from October 2016.

## Capita Asset Services economic background for the quarter ended 30 September 2015 and Interest Rate Forecast

### U.K.

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% though there was a rebound in quarter 2 to +0.7%. The Bank of England's August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years. However, the subsequent forward looking Purchasing Manager's Index, (PMI), surveys in both September and early October for the services and manufacturing sectors showed a marked slowdown in the likely future overall rate of GDP growth to about +0.3% in quarter 4 from +0.5% in quarter 3. This is not too surprising given the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets creating headwinds for UK exporters. Also, falls in business and consumer confidence in September, due to an increase in concerns for the economic outlook, could also contribute to a dampening of growth through weakening investment and consumer expenditure. For this recovery to become more balanced and sustainable in the longer term, the recovery still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly over the last few years although it has now ticked up recently after the Chancellor announced in July significant increases planned in the minimum (living) wage over the course of this Parliament.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. It has therefore been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which slipped back to zero in June and again in August. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings ticking up to 2.9% y/y in the three months ending in July, (as announced in mid-September), this was unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth meant that net labour unit costs appeared to be only rising by about 1% y/y. However, at the start of October, statistics came out that annual labour cost growth had actually jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

There are therefore considerable risks around whether inflation will rise in the near future as strongly and as quickly as previously expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just

financial markets. On the other hand, there are also concerns around the fact that the central banks of the UK and US have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are therefore arguments that they need to raise rates sooner, rather than later, so as to have ammunition to use if there was a sudden second major financial crisis. But it is hardly likely that they would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has therefore progressively been pushed back during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

### **U.S.**

GDP growth in 2014 of 2.4% was followed by first quarter 2015 growth depressed by exceptionally bad winter weather at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) and strong growth was initially expected going forward. Until the turmoil in financial markets in August caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. might start to increase rates in September. However, the Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, and due to a 20% appreciation of the dollar which has caused the Fed to lower its growth forecasts. Since then the nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to significantly weaken. This has pushed back expectations of the first rate increase from 2015 into 2016.

### **Eurozone**

The ECB fired its big bazooka by announcing a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y) and +0.4%, (1.5% y/y) in Q2 GDP. The ECB has also stated it would extend its QE programme if inflation failed to return to its target of 2% within this initial time period.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and

degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

### **China and Japan**

Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth. In Q2 2015 growth was -1.6% (annualised) after a short burst of strong growth of 4.5% in Q1. During 2015, Japan has been hit hard by the downturn in China. This does not bode well for Japan as the Abe government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy, due to political lobbies which have traditionally been supporters of Abe's party.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market. Many commentators are concerned that recent growth figures around that figure, could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer. Overall, China is still expected to achieve a growth figure that the EU would be envious of. However, concerns about whether the Chinese cooling of the economy could be heading for a hard landing, and the volatility of the Chinese stock market, have caused major volatility in financial markets in August and September such that confidence is, at best, fragile.

### **Emerging countries**

There are considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in western currency denominated debt since the financial crisis, caused by western investors searching for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields (due to QE), and near zero interest rates, into emerging countries, there is now a strong current flowing to reverse that flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields. This change in investors' strategy and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US and UK, has helped to cause the dollar and sterling to appreciate. In turn, this has made it much more costly for emerging countries to service their western currency denominated debt at a time when their earnings from commodities are depressed. There are also going to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates, if available at all.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by sovereign wealth funds of countries highly exposed to falls in commodity prices which, therefore, may have to liquidate investments in order to cover national budget deficits.



### Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PVLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PVLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PVLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PVLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PVLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

Despite market turbulence since late August causing a sharp downturn in PVLB rates, the overall trend in the longer term will be for gilt yields and PVLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The disappointing US nonfarm payrolls figures and UK PMI services figures at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place. In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## Prudential Indicators as at September 2015

Prudential Indicator	2015/16 Indicator £'000	Actual as at 30 June 2015 £'000	Actual as at 30 September 2015 £'000
Capital Financing Requirement (CFR)	107,611	98,565	101,581
Gross Borrowing	106,779	95,717	99,717
Authorised Limit for external debt	118,000	95,717	99,717
Operational Boundary for external debt	112,000	95,717	99,717
Limit of fixed interest rates based on net debt	100%	100%	100%
Limit of variable interest rates based on net debt	100%	0%	0%
Principal sums invested > 364 days	6,000	0	0
<b>Maturity structure of borrowing limits</b>			
Under 12 months	100%	0%	0%
12 months to 2 years	100%	1%	1%
2 years to 5 years	100%	2%	2%
5 years to 10 years	100%	0%	0%
10 years and above	100%	97%	97%

## **Explanation of prudential indicators**

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

**Gross borrowing** – compares estimated gross borrowing in February 2015 strategy with actual gross borrowing as at 30 September 2015.

**Capital financing requirement (CFR)** – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £101.581m provides the Council with the opportunity to borrow if appropriate. Further borrowing of £7m is planned during 2015/16 for HRA & the Refuse Contract.

**Authorised limit for external debt** - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2015 to 30 September 2015.

**Operational boundary for external debt** – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2015 to 30 September 2015.

**Upper limit for fixed and variable interest rate exposure** – these limits allow the Council flexibility in its investment and borrowing options. Current investments are either fixed rate term investments or on call. Borrowing is at a fixed rate.

**Upper limit for total principal sums invested for over 364 days** – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years, apart from the £1m invested for 5 years as part of the Local Area Mortgage Scheme.

<b>Report Title</b>	<b>CANAL PROJECT UPDATE AND PHASE 1B FUNDING</b>
<b>Purpose of Report</b>	To provide an update on the progress made in implementing the Canal Project and to take forward a request from the Cotswold Canals Trust to manage the cashflow for Phase 1B.
<b>Decision(s)</b>	The Strategy and Resources Committee <b>RESOLVES</b> to note progress in delivering the Canal Project. <b>RECOMMENDS TO COUNCIL</b> that subject to final discussions and a formal financing agreement SDC will cashflow finance Phase 1B of the Canal Project.
<b>Consultation and Feedback</b>	Consultation on the Canal Project continues to be extensive. Quarterly meetings of the Western Canals Consultative Group enable two-way exchange with town/parish councils between Saul and Chalford, together with interest groups affected by the project. The Cotswold Canals Partnership continues to be briefed on a quarterly basis, and in May 2015, over 1000 towpath users took part in a survey. Details of the latter are contained within this report.
<b>Financial Implications and Risk Assessment</b>	This report provides an update on the progress and financial position of the Canal Project.  Table 4.2 shows the revised income budget following the decision by Strategy and Resources committee in June 2015 to allocate an additional £0.777m from the capital reserve to address the shortfall in funding. The projected income of £20.061m assumes that the disposal of the Ship Inn site generates a capital receipt of £0.550m.

<b>Financial Implications and Risk Assessment</b>	<p>Paragraphs 6.1 to 6.5 highlight a request from the Cotswold Canals Trust (CCT) for the council to assist in the management of cashflow associated with the Phase 1B bid. The committee is asked to approve in principle this request, subject to further discussions and a formal financing agreement. In agreeing to the request, the council would be committing to make available up to £2m from its balances over the period of the Phase 1B project. As a result, the council would be forgoing any potential investment income on this balance over the period, or it may have to limit capital expenditure or borrow externally at a potentially higher cost to finance them.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>There are no significant legal implications arising from the report other than in respect of the first item of paragraph 5.4. With regard to that issue the comments on “financial implications” in respect of the need for a formal legal agreement setting out the terms of the cashflow arrangement are endorsed.</p> <p>Alan Carr, Solicitor Tel: 01453 754357 Email: <a href="mailto:alan.carr@stroud.gov.uk">alan.carr@stroud.gov.uk</a></p>
<b>Report Author</b>	<p>David Marshall, Canal Project Manager Tel: 01453 754646 Email: <a href="mailto:david.marshall@stroud.gov.uk">david.marshall@stroud.gov.uk</a></p>
<b>Performance Management Follow Up</b>	<p>The progress of this Project is managed and monitored by the Canal Project Board, which meets monthly and comprises the Leader of the Council, the Chair of the Environment Committee, the Chief Executive, the Strategic Head of Finance and Business Services and the Canal Project Manager.</p>
<b>Background Papers/ Appendices</b>	<p>The following Background Papers are relevant to this Report: <i>Strategy &amp; Resources Committee, 25th June 2015.</i> <i>Agenda Item 10 – Canal Project Update</i></p>

## 1. BACKGROUND

- 1.1 Previous reports to Committee on 24th March and 25th June 2015 provided updates on both progress and programme. Further updates on these items are contained within this report, as is detail of the present financial position.
- 1.2 The 25th June report also updated members on the Cotswold Canals Trust’s HLF bid for funding for phase 1B restoration – Stonehouse

Ocean – Saul Junction. In particular, mention was made of CCT's likely need for cashflow assistance. This is also addressed within this report.

## **2. PROGRESS**

2.1 Progress since the June report is as follows:

### **2.2 Lodgemore Swing Bridge**

ECS Contractors of Sutton in Ashfield began work here on 26th October with the old bridge being removed on 4th November. Temporary vehicle and pedestrian routes have been provided to minimise inconvenience.

Works are now delayed by approximately 2 weeks due to the discovery of a large amount of wood placed below the original swing bridge pintle. This is believed to date from when the canal was built and has not been found in other former swing bridge locations. The wood has been removed, but the resulting hole needed approximately 50 tonnes of fill. This has had a knock on effect in terms of the bridge foundations needing to be redesigned, with minor changes to the new bridge itself as a further result. We are still optimistic that the new lift bridge will be installed before Christmas, though it will not be capable of lifting until January.

### **2.3 Wallbridge Lower Lock**

As per the previous report, Land & Water Services removed debris from the lock and created a walkway along the offside during June. The lock was then examined, particularly the offside wall, which was exhibiting signs of failure. It has been established that the failure only relates to the bottom (downstream) third of the wall.

This has meant that volunteers have made excellent progress on brickwork repairs covering the rest of the lock. This is complete for the lock chamber itself and the process of refixing coping stones is now well advanced. They have also made good progress in cutting out the lock ladder recesses.

The failed wall remains a problem. The bank above is steep and the failed wall carries the weight of a somewhat precarious demolished building. Before it can be removed, the failed wall needs to be shored up, which is an expensive operation. We are reluctant to do this until a full solution is reached for replacing the wall; as we otherwise risk a piecemeal – and therefore expensive – approach. It is proving difficult to find a contractor willing to involve themselves in this project, since it is relatively small but highly complex.

A further problem manifested itself in late August, when water in the pound above the lock found its way through the clay underlying the stop plank cill. This caused a sudden drop in water level, which in turn caused a bank collapse. Although the leak has been fixed and the water level temporarily reinstated, we cannot undertake any permanent bank repairs until May/June, once the fish spawning season has ended. We are currently examining alternatives – which are likely to be either some form of retained bank, or a sloped solution. The latter is likely to require the acquisition of a small strip of land. Works will also include relocation of two 11kVA cables away from the canal.

#### 2.4 Bowbridge Lock

This volunteer-led lock restoration is substantially complete, with gates being fitted during August. Remaining works are mainly around brickwork repairs between the lock and bridge, together with a general tidy-up and reinstatement of the towpath alongside the lock. Work here has principally been undertaken by our own Tuesday and Thursday volunteers, ably assisted by visiting work camps.

#### 2.5 Ham Mill Lock

Another volunteer-led restoration, carried out by Cotswold Canals Trust. Again, this is virtually complete and gates have been fitted. Remaining work focuses on the upstream brickwork. Trust volunteers are experiencing problems with a failed tail wall below the adjacent bridge, but this is beyond the scope of the HLF-funded project.

#### 2.6 Towpath user survey

With the help of a substantial number of volunteers, 1163 towpath users were surveyed in May. Responses were overwhelmingly positive. Asked to choose the statements they most agreed with, the most common choices were:

- “Good for wildlife and environment” (selected by over 73% of respondents);
- “Good for the area” (72%); and
- “A pleasant place to visit” (70%).

Next on the list were “It celebrates our heritage” (47%), and “It’s good for the local economy” (43%), while a much lower proportion of people chose “A good use of money” (35%) or “It’s a healthy place” (22%).

37 (3%) of respondents chose to say that “It could be better” and just 14 (1%) said that they preferred the canal before being restored. When all the opinions chosen are added together, 98% of them were positive in some way, with only 2% being either neutral or negative about the project.



## 2.7 Cotswold Boatmobility

October saw the launch of Cotswold Boatmobility, a newly-formed volunteer charity which aims to give a canal boating experience to those with mobility difficulties. The charity has obtained its first katakanu, and is now fundraising for the purchase of a wheelyboat. This is an excellent example of the leisure opportunities afforded by the canal project to the whole community.

## 2.8 Living Waterways Award

We were proud to have won the Restoration & Historic Environment category of the awards – the most prestigious for canal restoration in the UK. This is the third such award for the project and sits alongside 7 other awards gained since 2011. This number of awards confirms us as the leading canal restoration in the country and is an excellent springboard for the funding bid made to the Heritage Lottery Fund by the Cotswold Canals Trust at the end of last month.

# 3. PROGRAMME

## 3.1 Dredging at Cheapside

It was previously reported that a start on site was expected in late summer. This did not prove possible because the old wharf area at Wallbridge, which needs to be used as a handling and drying out area for material removed from the canal, was not available. With the determination of Newland Homes' planning application expected shortly, the site should then become available. Accordingly, we expect that work will start early next year. Work will be carried out by Land & Water Services following an Early Contractor Involvement process. This is due to the specialised nature of the plant needed and the requirement to not put the land above at any additional risk, given that landslips have already occurred.

## 3.2 Dredging at Arundel

Under the terms of its existing planning consent, Newland Homes is required to dredge 300m of the 400m stretch of canal between Arundel Aqueduct and Bowbridge Bridge. The company is commissioning this work for early 2016; to include the remaining 100m stretch, with the council paying the difference.

## 3.3 Bowbridge Bridge

Construction of a new bridge alongside the historic single carriageway bridge is being undertaken by Gloucestershire County Council (GCC) with SDC canal project funds making a fixed contribution of up to £250,000. GCC hopes to have a final scope and price agreed with Britannia Construction (via Amey) within two weeks. Essentially, the bridge is likely to be a familiar brick and concrete box. This would see the existing river culvert retained, making it much more likely that Temporary Flood Defence Consent can be obtained. It is extremely unlikely that the towpath will run under the new bridge – which it doesn't at present. GCC is optimistic that work could begin shortly.

### 3.4 Wallbridge Lower Lock

As reported above, this constitutes the biggest problem area for the project. Due primarily to the constraints imposed by the fish spawning season, it is likely that this will be the last major project to be completed as part of phase 1A – probably in August 2016.

## 4. FINANCE UPDATE

4.1 The Canal Project Cost Plan (Appendix 1) remains in line with that reported on 25th June. However, there are a number of upward pressures, which it is hoped can be contained, but cannot yet be quantified:-

- i. Total costs for Lodgemore Bridge will exceed the budget, though not by a large margin. Three contractor's early warnings have been received.
- ii. Permanently resolving the bank slip at Wallbridge Lower Lock
- iii. Finding a solution to the failed wall problem at Wallbridge Lower Lock
- iv. 'Spot' dredging may be necessary to render the canal navigable before the Heritage Lottery Fund releases its retention

4.2 Income also remains in line with the 25th June report:-

Source of funding	Forecast Amount	Amount Paid	Balance	When
HLF	£12,716,306	£11,705,852	£1,010,454	November 2015 HLF 66 claim total £12,449,107.62
Stroud DC	£3,692,000	£3,692,000	£0	Complete
Sport England	£208,000	£208,000	£0	Complete
Brimscombe Port	£430,000	£430,000	£0	Complete
Gloucestershire County Council	£816,000	£266,000	£550,000	Balance represents future disposal value of Ship Inn site.
Cotswold Canals Trust	£762,000	£741,000	£21,000	November 2015
Waterways Trust	£131,000	£131,000	£0	Complete
S106 and Other Public	£216,000	£216,000	£0	Complete
Veolia Environmental Trust	£100,000	£80,000	£20,000	Final claim submitted
Stroud Valleys Canal Company	£150,000	£120,000	£30,000	£10k invoiced. Further invoices on 30th June 2016 and 2017
	£28,000	£8333	£19,667	Contribution to employment costs.

				Further £8333.33 invoice issued
Private donation (landing stages)	£10,000	£10,000	£0	Complete
Halcrow refund	£25,000	£25,000	£0	Complete
<b>Total</b>	<b>£19,284,306</b>	<b>£17,624,852</b>	<b>£1,649,454</b>	
Stroud DC (S&R 25 June 2015)	£777,000	£777,000	£0	Complete
<b>Revised Total</b>	<b>£20,061,306</b>	<b>£18,401,852</b>	<b>£1,649,454</b>	

## 5. PHASE 1B

- 5.1 The Cotswold Canals Trust is making a bid to the Heritage Lottery Fund for approximately £15m, to restore the canal between Stonehouse Ocean to Saul Junction.
- 5.2 If successful, this would enable boats from the national waterways network to reach Stroud and ultimately Brimscombe Port. Inevitably, there would be an economic and leisure benefit to this, as well as generating an income stream to finance maintenance of the restored canal.
- 5.3 The outcome of the bid is expected to be known in April/May 2016
- 5.4 The Leader of Council has sent a letter of support to the Cotswold Canals Trust, which includes the following text, outlining how the council can support the project:-

“Promote the benefits the project will provide to the District, using its networks both inside the Council and with other stakeholders and partners;

Provide practical support by:

- Contributing to the management of cashflow for the project, in accordance with the Phase 1B business plan and as agreed with the relevant SDC officers;
- Providing office accommodation and related services within Ebley Mill;
- Providing additional services where appropriate, for example, legal advice and support with Human Resources matters;
- Access to documents and archival material related to Phase 1A, where these are relevant to Phase 1B;
- Assistance with liaison with communities both close to the canal and elsewhere in the District;

- Where opportunities arise, negotiating S106 and/CIL contributions to the project.

Provide advice on:

- Obtaining planning permissions and Listed Building Consents where these are required;
- Lessons learnt from the experience of being lead partner in Phase 1A;
- Any other aspect of the project where SDC's skills and expertise are relevant."

## **6. PHASE 1B CASHFLOW**

- 6.1 As referred to above, and in the June committee report, it is proposed that the council provides cashflow financing to support the delivery of phase 1B. A request to this effect has been made by the Cotswold Canals Trust (CCT). This would provide a financing facility to cover the timing differences between contractor invoices being paid for work completed and the subsequent claim and reimbursement of these costs from HLF.
- 6.2 Initial discussions between CCT and SDC officers indicate a potential need to cover around £2m of cashflow during the course of the project.
- 6.3 The main impact on the council is that a reduced balance will be available to invest in Treasury Management activities over the period, leading to a lower level of investment income. By way of an example, if £2m were invested at 2% interest rates, the amount of investment income foregone each year would be £40,000. In committing to provide the cashflow to CCT, the council may also find that the total resource available to support both revenue and capital spending in future years is limited.
- 6.4 Any offer to CCT would be subject to further discussions between CCT, SVCC and the Council, and would require a legal agreement that would set out the terms and conditions of the offer. This would include:
- details of the financing facility including the mechanism to draw down funding and repayment of the funding once the subsequent HLF claim has been processed,
  - an upper limit on the financing facility to limit the council's exposure
  - arrangements around repayment of the facility in the event of Phase 1B failing to complete
  - arrangements around governance including authorisation of orders and how any potential funding shortfall in the project is managed.
- 6.5 It is understood that Gloucestershire County Council has agreed in principle to cashflow finance works around the A38 Roundabout Crossing.

## Appendix 1 – CANAL PROJECT COST PLAN

Work Package	Anticipated Final Outturn	Actual Spend @ October 2015	Balance
Swing Bridges	£1,228,121	£1,204,540	£23,581
Ebley to Wallbridge	£2,260,442	£2,209,025	£51,417
Lock Gates	£771,666	£681,731	£89,935
Griffins Mill	£136,408	£133,303	£3,105
Capels Mill	£4,082,802	£4,082,802	£0
Bowbridge Bridge replacement	£250,000	£350	£249,650
Bowbridge Lock	£50,000	41,264	£8,736
Cheapside Embankment and Channel	£393,601	£71,905	£321,696
Dudbridge Lock and Channel	£446,221	£446,740	-£519
Interpretation	£30,000	£22,038	£7,962
Lodgemore Bridge	£300,000	£10,097	£289,903
Multi User Trail - Saul to Ocean	£2,000	£688	£1,312
Skills and Education	£10,000	£2,680	£7,320
Towpaths - Ocean to Brimscombe	£502,283	£496,082	£6,201
Wallbridge Lower Lock Bypass + Channel	£583,241	£542,946	£40,295
Lodgemore to Wallbridge Dredging	£112,849	£83,727	£29,122
Wallbridge Lower Lock Restoration	£169,899	£41,660	£128,239
Ham Mill Lock	£72,792	£64,774	£8,018
SDC costs	£1,698,617	£1,685,638	£12,979
Consultants other than Halcrow	£415,936	£397,686	£18,250
Evaluation of phase 1A	£5,000	£0	£5,000
Arundel - Bowbridge dredging	£50,000	£0	£50,000
Landing Stages (Non-HLF)	£50,000	£46,894	£3,106
Non-HLF	£25,405	£26,265	-£860
Completed Works	£6,414,216	£6,414,216	£0
<b>Totals</b>	<b>£20,061,499</b>	<b>£18,707,051</b>	<b>£1,354,448</b>

**STROUD DISTRICT COUNCIL**  
**COUNCIL**

**AGENDA  
ITEM NO**

**28 JANUARY 2016**

**4c**

<b>Report Title</b>	<b>HOUSING REVENUE ACCOUNT REVISED ESTIMATES 2015/16 AND ORIGINAL ESTIMATES 2016/17</b>
<b>Purpose of Report</b>	To present to the Council revised estimates for the Housing Revenue Account for 2015/16 and the original estimates for 2016/17.
<b>Decision(s)</b>	<p><b>The Committee RECOMMENDS to Council:</b></p> <p>a) (i) The revised HRA budget for 2015/16 and original HRA revenue and capital budgets for 2016/17 are approved;</p> <p>(ii) The movements to and from earmarked reserves as detailed in table 3 are approved</p> <p>b) That from 01 April 2016:</p> <p>i) Subject to implementation of proposed government legislation namely, the Housing Bill, social rents and affordable rents be decreased by 1% as calculated in accordance with such legislation</p> <p>ii) Garage rents increase by 1% (as detailed in Appendix A);</p> <p>iii) Other landlord service charges at general needs properties remain at 2015/16 levels (as detailed in Appendix A);</p> <p>iv) Landlord service charges at Sheltered Housing Schemes are increased by 1% (See para 24 and Appendix A).</p> <p>c) That the Capital Programme for 2016/17 be approved.</p> <p>d) That the Head of Asset Management be authorised to dispose of the freehold interest in land at Fountain Crescent, Wotton Under Edge on the open market.</p> <p>e) To appropriate the former Ship Inn site, Stonehouse from the General Fund to the</p>

	<p>Housing Revenue Account at market value to add it to the new build programme for social housing.</p> <p>f) To appropriate land at Wharfdale Way, Stonehouse from the Housing Revenue Account to the General Fund at market value for canal related development</p> <p>NB. Decisions from Strategy &amp; Resources regarding the budget will need to be recommended to Council for resolution.</p>
<b>Consultation and Feedback</b>	Members have been consulted at a series of 3 workshops at which the issues facing the HRA have been discussed and options considered
<b>Financial Implications and Risk Assessment</b>	<p>Due to a range of imminent legislative changes there is a greater level of risk and uncertainty of the finances of the HRA at any point since Self Financing began. To the extent it is possible, these risks have been considered and are being managed. However, some issues cannot yet be quantified as legislation is still in its early stages so a full understanding of their impact cannot be known.</p> <p>Ian Garrett, Principal Accountant Tel: 01453 754344 Email: <a href="mailto:ian.garrett@stroud.gov.uk">ian.garrett@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>The Council has power under the Local Government Act 1972 to appropriate land which is no longer required for the purpose for which it was acquired to use for any other purpose for which it has power to acquire land. In the case of land held for housing purposes, that power is subject to Section 19 of the Housing Act 1985 which requires the consent of the Secretary of State to appropriation of dwellings (or part thereof) from the HRA. If the disposal does not relate to dwellings, Section 19 consent will not be required.</p> <p>In any event, in appropriating property, the Council (or relevant committees) must be satisfied that the land in question is no longer required for the purposes for which it was previously held.</p> <p>Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>

<b>Report Author</b>	Ian Garrett, Principal Accountant Tel: 01453 754344 Email: <a href="mailto:ian.garrett@stroud.gov.uk">ian.garrett@stroud.gov.uk</a>
<b>Options</b>	a) Reduce or increase capital and revenue expenditure  b) Defer the proposed timescales for replacement homes or capital improvements
<b>Performance management follow up</b>	Budget monitoring reports to be undertaken during 2016/17

## Background

1. Strategy and Resources committee considered the Council's financial position at its meeting in October 2015 and agreed a strategy for setting the budget for 2016/17. The report identified a number of budget uncertainties faced by the Housing Revenue Account (HRA) for example the proposed 1% reduction in social rents and the 'Pay to Stay' policy, both likely to have significant impact on the rental income stream of the HRA.
2. This report brings together the revised 2015/16 and original 2016/17 budgets for the HRA and projects forward over the medium term to allow members to make informed decisions about setting the budget for 2016/17 in full knowledge of the risks and uncertainties faced in future years.
3. The format of the report and in particular the layout of the Medium Term Financial Plan has been changed to be more in line with the presentation of the General Fund MTFP and budget report. A more standard approach to reporting may assist members with their understanding of the finances, however, feedback is always welcome.
4. **Due to the volume of information and complexity of some of the issues within this report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or appropriate budget holder prior to the meeting**

## Summer Budget/Housing Bill

5. The 2016/17 budget setting comes at a time of several imminent and major legislative changes to housing finance. Due to the long timescales involved with implementing legislation, it is not possible at the time of preparing this report to quantify all of the potential affects. Therefore in future years, the Medium Term Financial Plan is likely to change more than it would do in a time of greater financial stability. The upcoming changes with indicative timescales are as follows
6. From April 2016 a mandatory reduction of 1% for all social and affordable rent properties for each of the next 4 years. This replaces the previous recommended approach of an increase based on the Consumer Price Index (CPI)+1%. This will reduce rent income by a total of approximately £9m over



4 years. This legislation is presently progressing through the Lords and is likely to received Royal assent early in 2016. Should it be amended during the legislative process, an alternative decision maybe presented to council in January 2016

7. From April 2016, the extension of the 'Right to Buy' will be phased in for 1.3m tenants of Registered Providers (RP's). Stock holding local authorities will be obliged to fund the discount offered by RP's to their tenants wishing to purchase their property. However, what this means to Stroud in terms of the amount to be paid, how it will be calculated and when it needs to be paid, is still unknown. Therefore no provision has been made in the MTFP. The authority is awaiting the beginning of a government consultation process after which the detail should become clearer.
8. From April 2017, the tenants and/or their partners in a household earning a combined taxable income of £30,000 or more will be required to pay a higher 'Market rent' as opposed to the current social or affordable rent. Dependant on the mechanism used, the authority may have to pay an annual estimate of market rent to government and then seek to recover the actual market rent from tenants. Under this scenario the financial risk for any arrears arising would remain with the authority.
9. From 2020/21 Universal Credit and direct payments to tenants on benefit will be fully implemented. Steps are already being taken to support those tenants subject to the policy in order to manage their finances effectively and by doing so maintain their tenancy.
10. From April 2016, five year fixed term tenancies will be introduced for new tenants only. A tenant qualifies for the 'Right to Buy' after 3 years so there is potential the authority will see an increase in Right to Buy applications arising from fixed term tenants wishing to purchase the property before their tenancy expires.

### **Priorities for the HRA**

11. Despite the financial constraints imposed on the HRA through the Housing Bill, the Council remains committed to delivering new affordable homes in the district and maximising the use of the assets available. The priorities in terms of resources available are as follows:
  - a) the protection of the existing new build programme
  - b) the redevelopment of various sheltered housing sites identified in the recent review
  - c) the redevelopment of estates
12. To achieve this, both the capital and revenue budgets have been reviewed. Some capital schemes have been re-prioritised or re-profiled or removed from the programme.
13. The Council needs to maintain a level of balances in the HRA that provides some resilience for the many risks and uncertainties that are clearly set out in the report. New earmarked reserves have been established so that any

resources available over and above the general balances required can be set aside to enable the Council to achieve the priorities identified above.

### HRA Revised Estimates 2015/16

14. The 2015/16 HRA net budget of £1.041m was approved by Council in January 2015. The budget is subsequently revised to £0.494m by the updated outturn estimates contained in this report and which are summarised in Appendix C (see row called “Use of / addition to (-) working balances”). Changes have arisen for various reasons but commonly originate from some parts of the programme completing planned annual works within budget and therefore allowing the ‘spare’ budget to be utilised elsewhere. Conversely it can be found that other areas of the programme may require more funding than originally provided if information comes to light during the year that identifies an increased need.

### HRA Medium Term Financial Plan (MTFP) Forecast

15. The HRA MTFP, proposes a gross expenditure budget of £31.38m in 2016/17 reducing to £22.87m by 2019/20. A statement showing the analysis of the movement from the 2015/16 original budget over the years 2015/16 to 2019/20 is shown in the table below. A more detailed analysis of the MTFP is shown in Appendix C. The assumptions made in the MTFP are set out in more detail below.

**Table 1 – Summary HRA MTFP**

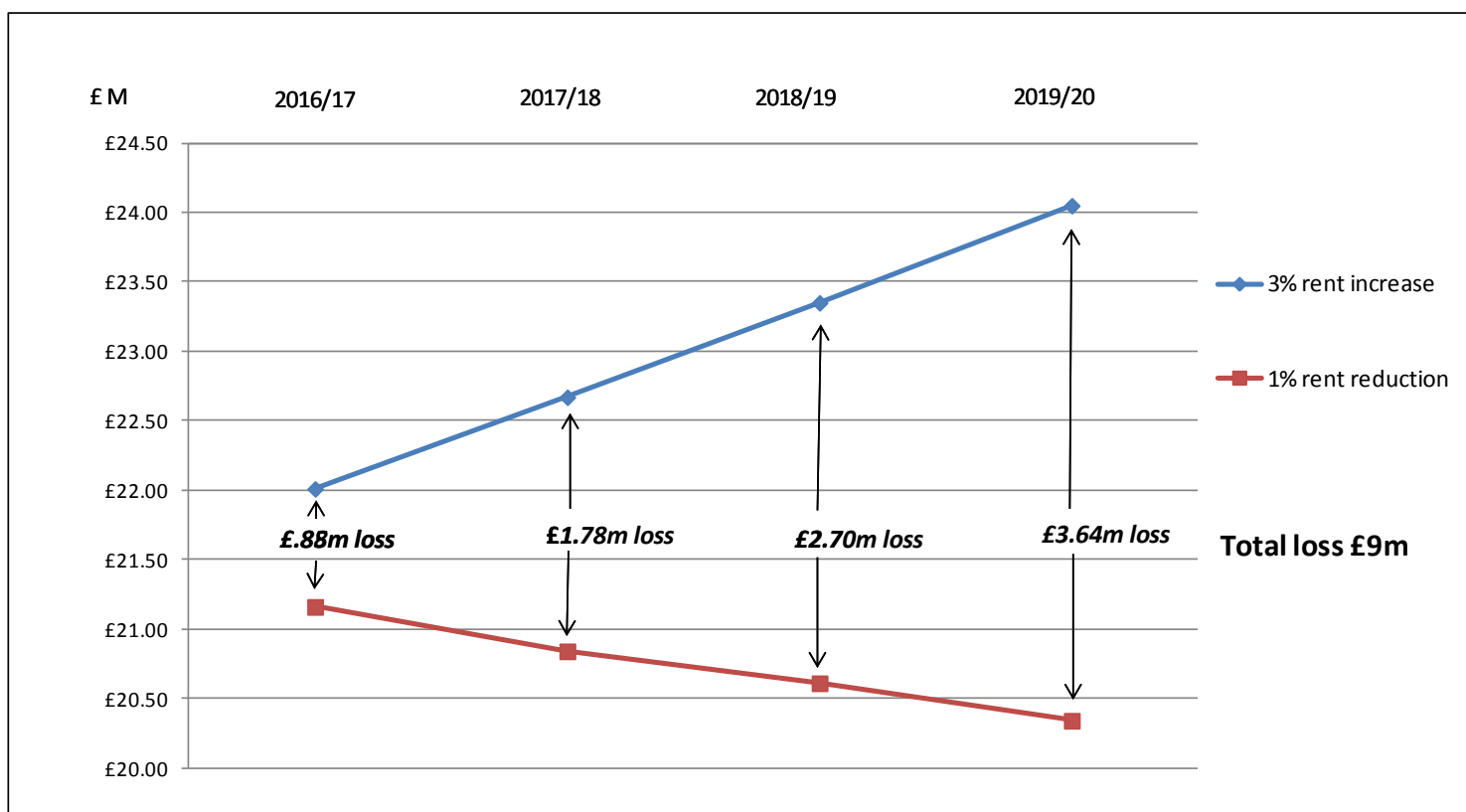
	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>HRA MTFP</b>						
HRA Service Revenue Expenditure	10,148	10,138	9,501	9,501	9,387	9,379
Accounting Adjustments/Provisions	2,783	2,040	4,742	5,382	6,102	6,372
Budget Pressures	0	0	0	67	135	203
Budget and Efficiency Savings	0	0	0	(220)	(220)	(220)
HRA Capital Expenditure	21,252	17,767	17,136	9,540	7,290	7,140
<b>Proposed HRA Budget</b>	<b>34,183</b>	<b>29,945</b>	<b>31,379</b>	<b>24,270</b>	<b>22,694</b>	<b>22,874</b>
Income from Rents/Funding	(33,142)	(29,451)	(29,713)	(23,811)	(23,055)	(22,858)
<b>Use of / addition to (-) HRA balances</b>	<b>1,041</b>	<b>494</b>	<b>1,666</b>	<b>459</b>	<b>(361)</b>	<b>16</b>

### Proposed Rent and Service Charges for 2016/17

16. The summer budget included an announcement that results in control of the annual rent increase being taken away from the authority from 2016/17 onwards, for a total of 4 years. The Housing Bill which includes the legislation for this is currently making its way through parliament and is due to be enacted in the Spring 2016. The stated objective is to help reduce national expenditure on housing benefit by a total of £6bn by 2020/21 (Source: DWP impact assessment).

17. Subject to the passing of the bill, from 1 April 2016 all 'social' rents (defined as social and affordable, but not shared ownership) are decreased by 1%. They will be decreased by a further 1% for each of the following 3 years. Beyond that time it has been indicated, but is not certain, that rent increases will return to the previous recommendation of CPI plus 1%.
18. The loss of control over rent setting presents a significant and unexpected challenge to HRA income. The previous MTFP assumed a rent increase of 3% a year. Therefore the compounded effect of decreasing rather than increasing rents creates a loss of approximately £9m of income from existing stock by 2019/20. The following chart demonstrates this effect:

**Graph 1 – Impact of 1% rent decrease to 3% increase on stock over 4 years**



19. Offsetting this loss to an extent is income from new properties originating from the 'new homes and regeneration' capital programme. By the end of 2017/18 236 new and replacement properties will be added to the housing stock. Those and further additions in later years are expected to generate around £4m of additional income over the term of the MTFP.
20. It was originally envisaged income from new properties would be used to increase reserves to help begin repaying the loans taken out to fund new homes construction. However, in the medium term, the income they generate

will now support the funding of activity within the HRA over the next few difficult years before reverting back to that original objective.

21. The rent reduction for both existing properties and those under construction will have far reaching consequences. The self financing debt the authority received in 2012 was calculated on assumptions around rent increases that have now changed significantly. Less income will mean the potential to pay off some of this debt earlier than originally scheduled becomes more remote. Furthermore, when constructing new homes the rent income they generate is used to calculate how long it will take to repay the cost of constructing and maintaining the property. By suppressing income the payback period will be extended, possibly by a number of years.
22. Garage rents are recommended to increase by 1%. This will provide suitable resources to carry out work in order to maintain the garage stock in a suitable condition.
23. General needs service remain at the same level as 2015/16. The increase in these charges has historically been linked to the inflation indices of RPI, and more recently CPI at September each year. It is recommended to broadly remain consistent with this approach, although unusually CPI was negative (-0.1% in September), it is not recommended that charges are reduced. Deflation at that time is a 'snapshot' and may not be consistent with inflation across the whole of the 2016/17 financial year.
24. Sheltered housing services charges are increased by 1% (or 23 pence per week). Although it is not recommended to increase general needs charges, sheltered service charges have historically not kept pace with the cost of running the service. Even with a 1% increase, there remains a £399k funding deficit for sheltered in 2016/17 which will be met, as in previous years, by other resources of the HRA. The funding shortfall for sheltered housing has always been broadly comparable to this figure but would have been much higher had the recent changes to the service not been implemented following the withdrawal of 'Supporting People' external funding.

### **Self Financing Debt and Interest Rates**

25. The remaining self financing 'headroom' borrowing of £3.762m will be utilised in 2016/17. This will take the HRA up to its debt cap, with no prospect of this being amended.
26. It is recommended to continue to repay only interest on the £98.7m of debt the HRA has taken. Although a £1m loan is due for repayment in 2018 and a further £2m in 2019, the difficulties presented by the 1% rent loss suggest it would be favourable to renew these loans when they mature. Should members wish to repay the loans, savings equivalent to them would need to be found within the MTFP which would significantly affect the delivery of services.

## **Pay and Price Inflation, National Insurance changes**

27. In line with Government expectations on public sector pay, provision for a 1% pay award for 2016/17 has been included in the revenue budget. Future years pay inflation has been provided for in the MTFP at a rate of 1%.
28. From April 2016 Employers National Insurance contributions will be changing due to the introduction of the new State Pension. Both employers and employees will pay the standard rate of National Insurance instead of the contracted-out rate. For employers the standard rate of National Insurance is 13.8% of all earnings above the secondary threshold, we will no longer get the national 3.4% rebate on the proportion of earnings.
29. The Council has set a standstill budget for a number of years now and only added inflation where we are contractually-bound using specific relevant inflation factors. Other price inflation increases are generally for software licenses, increases in Business Rates (where applicable) and energy prices.
30. General price inflation has fallen during 2015/16, with CPI, the Government's preferred measure of inflation, having fallen below the target of 2.0%. The latest inflation figures (October 2015) show CPI at -0.10% and RPI at 0.7%, with the Bank of England anticipating inflation to remain very low over the next 12 months.

## **Local Government Pension Scheme**

31. In common with the General Fund, a significant cost pressure to the HRA is the funding of the Local Government Pension Scheme (LGPS). The level of the Council's contribution to the scheme is determined by the actuarial valuation that takes place every 3 years. The next valuation is due in March 2016 and will report back in the Autumn 2016.
32. A potential outcome from the valuation is a significant increase in the level of employer's contributions to ensure adequate funding is available to cover the scheme liabilities, but balanced against what is affordable to the council.
33. The amount actually paid to the pension fund is split between the General Fund and HRA in proportion to the current workforce. It is made up of future service costs based on the current workforce, currently 13.7% of gross pay and past service costs, a lump sum of £0.432m in the current year rising to £0.500m in 2016/17. The HRA funds approximately 27.5% of the lump sum. Provision has been made in the MTFP for future increases to pension fund costs in line with the stabilisation previously agreed with the actuary.

## **Material assumptions made in the HRA MTFP**

34. The MTFP forecast is made under a number of assumptions. The main ones of note are summarised below:-
  - Rents are decreased by 1% across all housing social stock, i.e. except shared ownership which is under a different rent regime (Increasing by

RPI as at January 2016). On average this will reduce rents by 83p a week or £43.16 a year.

- General reserves will be maintained at around £1.5m over the MTFP period to help provide resilience against the negative financial impact of HRA legislative changes
- 10 'Right to Buys' a year are assumed

### **Budget & Efficiency Savings, productivity gains**

35. The identification of budget savings and efficiencies is an important aspect in setting the HRA budget in future years. As outlined earlier in the report, the restriction placed upon rental income places greater emphasis on the HRA being able to deliver budget savings and efficiencies to deliver on its key priorities.
36. There are 2 key projects within Tenant Services that share a common theme of reviewing structures and work processes with an aim to increase productivity and deliver budget and efficiency savings. – IT Project (also referred to as Business Improvement) and Tenant Services redesign.
37. The Business Improvement Team have reviewed the processes being undertaken across Tenant Services with a focus on identifying key system linkages and critical processes.
38. At present, the review team have concluded that it would not be prudent to replace the system we use to collect and monitor rents at this time due to a number of external factors including
  - the introduction of Universal Credit
  - 1% reduction in social rents
  - Devolution agenda.
39. Therefore, the review team recommended delaying the preparation of a systems specification until June 2016, at which point a revised timetable can be presented to members.
40. In the intervening period, the review team will bring forward the re-design phase, introducing a more streamlined process to the current systems, review and automate direct debit process for rental income, liaise with ICT to improve current system connectivity, and to streamline income and expenditure processes across Tenant Services.
41. Review of the Tenant Services redesign has been shaped in order to meet new and important challenges to the service and enable it to better meet these along with other council objectives. The redesign is refocusing the service priorities to meet key strategic priorities and respond to significant external challenges, changing the way we use IT, promoting greater individual team responsibility taking away the reliance on central support, and creating a new culture for the service.
42. A total saving is currently estimated to be £0.66m over the MTFP and this has reduced the gap between the level of expenditure and the funding

available. Work on this is continuing as the HRA needs to reduce annual costs further in future years as Government policies continue to put the HRA under financial pressure.

### HRA Capital Programme 2016/17 to 2019/20

43. As a consequence of the income lost from 2016/17 due to the reduction in rents, it has been appropriate to review the existing priorities of the HRA. It is understood that some local authorities and RP's immediately put on hold plans for new homes construction shortly after the Chancellors rent announcement was made. However, despite the challenging environment, this authority maintains committed to addressing the ongoing housing shortage in the district.
44. New homes schemes are detailed in Appendix D. For context the existing and planned new homes programme, with the number of units they will produce is detailed below:

**Table 2 - New Homes and Regeneration programme**

	No of Units	Status
Hanover	18	Completed
Ex warden conversions already completed	9	Completed
Stonehouse projects	9	Design stage
Minchinhampton	35	Completed
Woolaways -Leonard Stanley	51	on site
Top of Town Phase 1	22	On site
Top of Town Phase 2	14	On site
Top of Town Phase 3	23	Design stage
The Corriet,Cam	6	On site
Fishers Road, Berkeley	4	On site
Hillside, Coaley	4	On site
Southbank, Woodchester	5	On site
Chapel St Cam	14	Procurement
Littlecombe, Dursley	18	Completed
Littlecombe, Dursley -Additional units	4	Completed
<b>Total number of units</b>	<b>236</b>	

45. As well as existing schemes a budget has been provided for the disposal of the site at Queens Court, Thrupp. A paper also being presented at this Committee explores the options for Queens Court. The budget allocated aligns with the costs involved with the recommendation to dispose of the site. Should an alternative option be approved, the budget for this scheme may require amendment. It is believed the sale of the site could realise a potential £1.5m - £2.0m but this has not been incorporated into the income budget due to the inherent uncertainty about the precise amount and timing.

46. It is recommended that The Ship Inn site in Stonehouse is included within the new build programme as a substitute for the scheme at Wharfdale Way, both sites are close together on opposite sides of the canal. It was proving difficult to produce a layout and design that everyone was happy with for the site at Wharfdale Way due to the shape and constraints of the site. Part of the site can be disposed of for housing development, the remainder of the site is a strip that lies alongside the Canal and towpath. This area could provide a wharf edge, parking and open space for community use and is a larger area than that which could have been provided on the Ship Inn site. The two sites are very close to each other and of a similar size. The Ship Inn site can provide a new build scheme of a similar size to that proposed for Wharfdale Way.
47. In order to achieve and fund this the former Ship Inn site will need to be 'swapped' with Wharfdale Way and appropriated into the HRA from the general fund at market value (£500,000) and the strip of land at Wharfdale Way appropriated into the General Fund at market Value (£200,000). The capital receipt for the rest of the Wharfdale site will then come into the HRA (see Appendix D).
48. As reported to Housing Committee in October 2015, a review of sheltered housing assets has been undertaken and highlighted that substantial investment is now required in some sheltered housing schemes. This is due to the age and configuration sites are reaching the point where they are no longer meeting modern standards and expectations. To prioritise work at 28 sites and nearly 800 homes, sites have been classified using a 'Traffic light' system of red/amber/green to indicate priorities (red being most in need). Those sites in the red category will be addressed first and across the duration of the MTFP a combined budget of £.4m, along with a reserve of £5.81m for redevelopment, is being made available to begin the work required.
49. The Renewable Energy programme will not continue beyond 2015/16. Imminent changes in the Feed-In-Tariff (FIT), which generates an income for the HRA based on the energy output produced by Photovoltaic (PV) panel's means it will no longer be cost effective to continue with PV installations after December this year. From the 1st January 2016 the FIT will drop by 87% from 12.47 pence p/kwh to 1.63 pence p/kwh. Although new PV installations could still offer some benefit for the tenant, the FIT drop means the return on the investment in PV to the authority will not be sufficient to recover the cost of the installation within a reasonable timescale.
50. The annual income produced from renewable installations is likely to be less than originally estimated. Gross annual income is approximately £160,000. £100,000 of this is set aside to pay maintenance on renewable installations, including the current £50,000 payment for maintenance/ monitoring of PV installations.



51. The authority also retains a stock of £500,000 worth of renewable equipment for use in installations. The majority of equipment will be used in 'Non traditional' properties element of the capital programme. Some of the equipment is likely to be disposed of. £100,000 has been set aside as a provision to cover obsolescence or any losses on disposal.
52. Although £5.9m of 'Decent homes' grant was utilised in 2014/15 there is still a need to maintain and improve existing stock and as such a substantial ongoing programme of improvements remains in place. This programme will be informed in future years by ongoing stock condition surveys.
53. It was stated at the Council budget meeting in January 2015 that new stock condition surveys were to be commissioned to establish whether work completed to date has proved to be value for money, and to confirm what further work remains outstanding. Those surveys commenced in October 2015 and although the results will not be available to inform the 2016/17 budget setting process, they will contribute to setting the 2017/18 budget. Additionally, further stock condition surveys will be a regular undertaking to ensure up to date information on stock is available to plan future work programmes.
54. The 30 year business plan initially developed for the start of self financing in April 2012 has now been refreshed for the updated to include information around the new homes and regeneration programme and the proposed 1% rent reduction. Additionally, when the stock condition survey is received, this will also be input into the model to inform future capital works and revenue repairs. The original plan indicated the self financing debt could be repaid within approximately 17 years. The upcoming changes in housing legislation are likely to adversely affect this timescales and work is to be undertaken to revisit when full repayment of debt is possible.

### **New Earmarked Reserves**

55. In order to meet the priorities set out earlier in the report around Sheltered Housing and Estates Redevelopment, two new earmarked reserves have been set up. Work is already underway to progress with the Sheltered Housing sites and a project manager has been appointed. A business case will need to be developed for each site before any resources are committed and further feasibility work may be needed. As such, more funds have been set aside for this project.
56. Some resources have been set aside for Estates Redevelopment. This is limited at this stage due to other commitments on the HRA budget. The outcome of the stock condition survey will better inform this work and the resourcing of this can be revisited once there is some clarity on some of the risks and uncertainties detailed in the report. The table below details the resources that have been set aside in the budget proposed.

**Table 3 – New HRA Earmarked Reserves**

<b>Funding for HRA Priorities</b>	<b>2016/17 (£'000)</b>	<b>2017/18 (£'000)</b>	<b>2018/19 (£'000)</b>	<b>2019/20 (£'000)</b>	<b>TOTAL (£'000)</b>
Sheltered Housing	(650)	(1,390)	(1,390)	(2,380)	(5,810)
Estate Redevelopment - Queens Court	(200)	(200)	0	0	(400)
Estate Redevelopment - Future schemes	(350)	0	(820)	0	(1,170)
<b>Total HRA Earmarked Reserves</b>	<b>(1,200)</b>	<b>(1,590)</b>	<b>(2,210)</b>	<b>(2,380)</b>	<b>(7,380)</b>

### **Risks and Uncertainties**

57. The HRA budget is prepared using best estimates for the level and timing of expenditure, budget & efficiency savings and available resources. However, a number of uncertainties exist which could have an impact on the budget.

- Right to Buy Receipts – Some of the ‘Right to Buy’ receipts may need to be returned to Government if the continuing obligation to spend them within 3 years is not met. The majority of the new homes schemes are part funded by £2.8m of Homes and Communities Agency (HCA) grant which means these schemes cannot also be part funded by Right to Buy receipts. This would be considered a ‘double subsidy’. There remains a substantial benefit from having obtained the grant and should the authority find itself in a position of not having sufficient eligible schemes to apply right to buy receipts to, there are options available e.g. working in partnership with a RP to deliver new homes with some of the receipts.
- Renewable Energy Grant conditions – The Energy Savings Trust provided a grant of £880,000 awarded for the installation of Air Source Heat Pumps to 400 properties. This grant was conditional on the properties having received other appropriate energy efficiency measures (cavity or loft insulation, etc). Some of this work remains outstanding and has been budgeted for completion. This will ensure all properties involved have received the appropriate work and ensure no part of the grant needs to be repaid.

<b>PROPOSED LEVEL OF RENTS AND SERVICE CHARGES</b>			
<b>On a weekly basis over 52 weeks</b>			
	<b>Current 2015/16</b>	<b>Proposed 2016/17</b>	<b>Increase over 2015/16</b>
<b>Rents</b>			
Dwelling Rents - average	£83.14	£82.31	-£0.83
Garage **	£11.73	£11.85	£0.12
[**subject to VAT for non-Council tenants]			
<b>Landlord Service Charges</b>			
TV Relay (communal aerials)			
- basic IRS	£0.32	£0.32	£0.00
- comprehensive IRS	£0.84	£0.84	£0.00
Cleaning Charges - typical	£2.35	£2.35	£0.00
Sheltered Housing	£23.28	£23.51	£0.23

## HRA Original &amp; Revised budget 2015/16 and Original Budget 2016/17

HRA Detailed Revenue Estimates	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 Original (£'000)
<b>Supervision and Management</b>			
Strategic Head (Tenant & Corporate Services)	80	81	86
Head of Housing Contracts	76	77	83
Head of Housing Management	74	76	82
Housing Asset Management Team	1,568	1,530	1,614
I.T. Project team	0	137	66
Development Team	93	178	191
Allocations team	115	183	180
Performance & Improvement team	894	922	884
Tenancy management team	874	921	983
Right to buy administration team	65	68	81
HRA Strategic Policy	223	154	164
Performance & Improvement	470	397	400
Tenant Participation	210	184	106
Tenancy financial inclusion	14	14	14
Tenancy fraud	3	6	3
HRA Contingency	104	50	50
<b>Subtotal</b>	<b>4,860</b>	<b>4,977</b>	<b>4,985</b>
<b>Sheltered Housing (Net)</b>			
Communal Areas	387	443	504
Sheltered Housing - expenditure	1,537	1,360	1,391
Sheltered Housing - support	13	13	13
Sheltered Housing - income	(1,110)	(996)	(1,006)
<b>Subtotal</b>	<b>826</b>	<b>820</b>	<b>903</b>
<b>Revenue Repairs and Maintenance</b>			
Repairs & Maintenance - Responsive	1,847	1,857	1,247
Repairs & Maintenance - General voids	868	868	868
Repairs & Maintenance - Cyclical / external decs	1,414	737	500
Septic Tank Renewal			8
Repairs & Maintenance - Other cyclical non decs			87
Gas IHP		556	574
<b>Subtotal</b>	<b>4,129</b>	<b>4,018</b>	<b>3,283</b>
Corporate and Democratic Core	333	323	330
<b>HRA Service Revenue Expenditure</b>	<b>10,148</b>	<b>10,138</b>	<b>9,501</b>

## HRA Medium Term Financial Plan 2015/16 – 2019/20

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>HRA MTFP</b>						
Supervision and Management	4,860	4,977	4,985	4,985	4,985	4,985
Sheltered Housing (Net)	826	820	903	903	903	903
Revenue Repairs and Maintenance	4,129	4,018	3,283	3,283	3,283	3,283
Revenue Repairs adjustments					(114)	(122)
Corporate and Democratic Core	333	323	330	330	330	330
<b>HRA Service Revenue Expenditure</b>	<b>10,148</b>	<b>10,138</b>	<b>9,501</b>	<b>9,501</b>	<b>9,387</b>	<b>9,379</b>
<b>Technical Accounting Adjustments</b>						
Provision for Bad Debts	135	100	100	100	100	100
Self Financing Debt Management	3,517	3,400	3,520	3,520	3,520	3,520
Stock Adjustment		100				
IAS19 Retirement Benefits	(272)	(275)	(428)	(428)	(428)	(428)
Employers Pension Contributions	364	432	500	500	500	500
Net transfer to / from (-) Reserves	(962)	(1,717)	1,050	1,590	2,210	2,380
<b>Subtotal</b>	<b>2,783</b>	<b>2,040</b>	<b>4,742</b>	<b>5,282</b>	<b>5,902</b>	<b>6,072</b>
<b>Adjusted Budget</b>	<b>12,931</b>	<b>12,178</b>	<b>14,243</b>	<b>14,783</b>	<b>15,289</b>	<b>15,451</b>
<b>Inflation</b>						
Contract/Non-Pay Inflation	0	0	0	50	100	150
Pay Inflation (1% increase)	0	0	0	50	100	150
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>200</b>	<b>300</b>
<b>Base Budget</b>	<b>12,931</b>	<b>12,178</b>	<b>14,243</b>	<b>14,883</b>	<b>15,489</b>	<b>15,751</b>
<b>Budget Pressures</b>						
Increase in Employers Pension Contributions				67	135	203
Extension of RTB to Housing Associations						
Impact of Universal Credit roll-out						
Impact of Market Rents/'Pay to Stay'						
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67</b>	<b>135</b>	<b>203</b>
<b>Budget &amp; Efficiency Savings</b>						
Workforce planning savings				(220)	(220)	(220)
Contract and procurement efficiencies						
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(220)</b>	<b>(220)</b>	<b>(220)</b>
<b>Standstill Budget including Pressures</b>	<b>12,931</b>	<b>12,178</b>	<b>14,243</b>	<b>14,730</b>	<b>15,404</b>	<b>15,734</b>
<b>Capital Expenditure</b>						
New Build and Development Programme	11,126	9,192	9,266	1,750	250	0
Capital Repairs and Maintenance	10,127	8,575	7,870	7,790	7,040	7,140
<b>Subtotal</b>	<b>21,252</b>	<b>17,767</b>	<b>17,136</b>	<b>9,540</b>	<b>7,290</b>	<b>7,140</b>
<b>Proposed Net HRA Budget</b>	<b>34,183</b>	<b>29,945</b>	<b>31,379</b>	<b>24,270</b>	<b>22,694</b>	<b>22,874</b>

## Appendix C

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>HRA MTFP</b>						
<b>Proposed Net HRA Budget</b>	<b>34,183</b>	<b>29,945</b>	<b>31,379</b>	<b>24,270</b>	<b>22,694</b>	<b>22,874</b>
<b>Funded By:</b>						
Dwelling Rents	21,815	21,815	21,769	21,963	21,739	21,463
Non-Dwelling Rents	368	368	382	392	402	412
Other income and contributions	432	433	433	433	433	433
Capital/Shared Ownership receipts	1,624	1,522	2,003	0	0	0
HRA Borrowing	7,762	4,000	3,762			
Right to Buy Capital Receipts	500	500	550	550	550	550
HCA Grant	641	813	991	567	0	0
Repayment of HRA capital receipts			(177)	(94)	(69)	
<b>Subtotal</b>	<b>33,142</b>	<b>29,451</b>	<b>29,713</b>	<b>23,811</b>	<b>23,055</b>	<b>22,858</b>
Use of / addition to (-) working balances	1,041	494	1,666	459	(361)	16
<b>TOTAL Funding</b>	<b>34,183</b>	<b>29,945</b>	<b>31,379</b>	<b>24,270</b>	<b>22,694</b>	<b>22,874</b>

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>HRA BALANCES</b>						
HRA Balance b/f	3,729	3,729	3,235	1,569	1,110	1,471
Change in Balances	(1,041)	(494)	(1,666)	(459)	361	(16)
<b>HRA Balance c/f</b>	<b>2,688</b>	<b>3,235</b>	<b>1,569</b>	<b>1,110</b>	<b>1,471</b>	<b>1,455</b>
Reductions in expenditure / increases in income to maintain balances at £1.5m	0	0	0	390	29	45
HRA Balance as % of Net Revenue Budget	7.86%	10.80%	5.00%	4.57%	6.48%	6.36%

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>EARMARKED RESERVES</b>						
Earmarked Reserves b/f	2,067	2,067	350	1,400	2,990	5,200
New Build & Regeneration	(1,517)	(1,517)	0	0	0	0
IT Project	(200)	(200)	(150)	0	0	0
Sheltered Housing	0	0	650	1,390	1,390	2,380
Queens Court	0	0	200	200	0	0
Estates Redevelopment	0	0	350	0	820	0
<b>Earmarked Reserves c/f</b>	<b>350</b>	<b>350</b>	<b>1,400</b>	<b>2,990</b>	<b>5,200</b>	<b>7,580</b>

## HRA Capital Programme 2015/16 – 2019/20

HRA Capital Programme	2015/16 (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>New Homes and Regeneration</b>					
Minchinhampton	53				
Woolaways - Leonard Stanley	3,501	2,227			
Woolaways - Top of Town, Phase 1	1,742				
Woolaways - Top of Town, Phase 2	326	4,052	500		
The Corriett, Cam	387	51			
Fishers Road, Berkeley	408				
Hillside, Coaley	144	326			
Southbank, Woodchester	47	516			
Chapel street, Cam	50	1,383			
Littlecombe	1,440				
Littlecombe - additional units	457				
Fountain Crescent	524				
Bridgend/Wharfdale Way, Stonehouse	12	500	1,000		
New Homes and Regeneration Contingency	101	211	250	250	0
<b>Sub total New Homes</b>	<b>9,192</b>	<b>9,266</b>	<b>1,750</b>	<b>250</b>	<b>0</b>
<b>Planned and cyclical capital</b>					
Property Refurbishment	600	500	500	500	500
External Works		2,250	2,250	2,250	2,250
Kitchens		1,120	1,125	750	750
Bathrooms	2,025	1,120	1,125	750	750
Door entry	100	200	200	200	200
Electrical works	300	200	200	200	200
Suited Locks		140			
Doors and Windows	600	500	500	500	650
Central heating	1,598	670	670	670	670
Passenger lift replacement /refurb		20	50	50	
Estate works	1,000				
Professional fees	50	50	50	50	50
Disabled adaptations	250	300	300	300	300
Asbestos	400	400	400	400	400
Roofing	700	0	0	0	0
Environmental works		90	90	90	90
Renewable heating	805				
Scheme Renovations	30				
Non traditional properties	70	310	330	330	330
Gas in-house provider	47				
<b>Total planned and cyclical capital</b>	<b>8,575</b>	<b>7,870</b>	<b>7,790</b>	<b>7,040</b>	<b>7,140</b>
<b>Total Capital Programme</b>	<b>17,767</b>	<b>17,136</b>	<b>9,540</b>	<b>7,290</b>	<b>7,140</b>

## Memorandum Table – New Homes and Regeneration Income

	2015/16	2016/17	2017/18	2018/19	2019/20
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
<b>Funding for HRA priorities</b>					
Minchinhampton - Sales and other income	(951)				
Littlecombe - Sales and other income	(281)				
Littlecombe, additional - Sales and other income	(290)				
Leonard Stanley - sales income		(951)			
Wharfdale way receipt		(500)			
Top of Town - sales income		(310)			
Chapel St, Cam uncommitted sales income		(242)			
<b>Total Capital / shared ownership receipts</b>	<b>(1,522)</b>	<b>(2,003)</b>	<b>0</b>	<b>0</b>	<b>0</b>
HCA grant committed	(702)	(880)	(305)		
HCA grant uncommitted	(111)	(111)	(262)		
<b>HCA grant</b>	<b>(813)</b>	<b>(991)</b>	<b>(567)</b>	<b>0</b>	<b>0</b>
<b>Total income</b>	<b>(2,335)</b>	<b>(2,994)</b>	<b>(567)</b>	<b>0</b>	<b>0</b>
Gross expenditure	9,192	9,266	1,750	250	
<b>Net Expenditure</b>	<b>6,857</b>	<b>6,272</b>	<b>1,183</b>	<b>250</b>	<b>0</b>



**Actual Rent**

Social & affordable rent reduces 1% from April 2016. For 2016/17 this means an average 83p a week reduction and an average weekly rent of £82.31. Average rents for properties by bedroom size are detailed below.

Property Type	SDC average actual rents (over 52 Weeks)
Bedsits	£63.43
1 bed	£72.74
2 beds	£83.20
3 beds	£91.43
4 beds	£100.09
5 beds	£102.49
6+ beds	£126.71

**Limit Rent**

'Limit rent' was introduced to give authorities an incentive to control rent increases. If an authority increases its average weekly rent above the limit, (likely to be £86.36) it will only receive housing benefit payments from the Department of Work Pensions up to the 'limit rent' and will have to fund the cost of additional rebates to those tenants on benefits from the

**The Limit Rent for 2016/17 will not be announced until January 2016 but is likely to be £86.36. As average rent is far below the Limit rent there will be no loss from the benefit claim**

<b>Report Title</b>	<b>GENERAL FUND REVENUE ESTIMATES – REVISED 2015/16 AND ORIGINAL 2016/17</b>
<b>Purpose of Report</b>	To present to the committee the revised estimates for 2015/16 and original estimates for 2016/17
<b>Decision(s)</b>	<p><b>The Committee RESOLVES to note</b></p> <p>a) the estimates set out in Table 2 of this report be approved;</p> <p><b>The Committee RECOMMENDS to Council</b></p> <p>b) the estimates set out in Appendix B of this report be approved</p>
<b>Consultation and Feedback</b>	Consultation has been undertaken with residents and businesses. Feedback on the outcome of the consultation will be presented to Strategy and Resources committee at the meeting on 07 January 2016.
<b>Financial Implications &amp; Risk Assessment</b>	<p>The estimates have been incorporated into the Council's Medium Term Financial Plan (MTFP) which is being presented to Strategy &amp; resources Committee on 07 January 2016</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>The report proposes increases in charges or other forms of income generation (of 2% and above in some cases). Any changes must be consistent with statutory requirements; consequently not all proposed changes may be achievable. (ref:lrc2212)</p> <p>Karen Trickey, Legal Services Manager Tel: 01453 754269 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>
<b>Report Author</b>	<p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>

<b>Options</b>	The Administration is considering its budget options at the Strategy and Resources Committee meeting on 7 January 2016. Council will consider the overall budget position for 2016/17 on 28 January 2016.
<b>Performance Management Follow Up</b>	Budget monitoring reports are presented to Committee in September and February/March each year. Members will be informed of the outturn position for 2015/16 at the Strategy and Resources Committee meeting in June 2016.
<b>Background Papers and Appendices</b>	None

## Background

1. The Medium Term Financial Plan (MTFP) sets out a projection of General Fund Expenditure over the 5 year period 2015/16 to 2019/20. This report sets out a more detailed analysis of the changes to the Strategy and Resources Committee budget and presents the General Fund budget for 2015/16 (Revised Estimates) and 2016/17 (Original Estimates).
2. This report is split into 2 sections. **Section A** deals with the budgets Strategy and Resources Committee is responsible for. **Section B** presents the General Fund budget thereby incorporating budgets that Community Services and Licensing and Environment committees considered at their meetings in December 2015. This report does not cover these committee's budgets in detail in order to avoid repetition within the report. Members are directed to the background papers for the detailed estimates. Summary budgets are included in **Section B**.
3. **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting**

## SECTION A – STRATEGY AND RESOURCES COMMITTEE BUDGETS

### Revenue Budget position

4. The net General Fund revenue budget for 2015/16, approved by Council in February 2015, was £15.458m. The latest budget for Strategy and Resources committee is £6.2m.
5. This has subsequently been used as the base estimate for both 2015/16 revised and 2016/17 original estimates. The revised estimates incorporate changes arising from budget pressures and efficiency savings. These have generally only changed from the original budget approved in February 2015 as a result of items reported to the committee in budget monitoring reports.
6. The original estimate for 2016/17 is **£6.7m**, an **increase of £453k** on the base budget. This is largely due to accounting adjustments for pension costs with other significant budget changes including pay inflation **£91k**, budget

pressures of **£121k**, increase in the past service pension costs of **£216k** and budget and efficiency savings of **(£117k)**.

7. Table 1 provides a summary of the changes to the 2015/16 and 2016/17 estimates. A more detailed breakdown of the budget pressures and the budget & efficiency savings are detailed in Tables 2 and 3.

**Table 1 – Summary of changes from the 2015/16 Original Budget**

<b>Strategy and Resources Committee</b>	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
Original Budget	6,211	6,211	6,211
Technical Adjustments		19	19
Reversal of Prior-year Budget Proposals			(25)
Pay inflation, National Insurance 2016/17			91
Price inflation & income inflation		(8)	(4)
<b>Base Budget</b>	<b>6,211</b>	<b>6,222</b>	<b>6,292</b>
Budget Pressures			121
Budget and Efficiency Savings		(11)	(117)
IAS19/FRS17 Pension Adjustment			382
Recharge Adjustment		(9)	(14)
<b>Net Service Revenue Expenditure Budget</b>	<b>6,211</b>	<b>6,202</b>	<b>6,663</b>

**Table 2 - Details of the changes to the Committee's revenue budgets**

<b>Strategy &amp; Resources Committee</b>	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
Brunel Mall	(53)	(55)	(51)
Industrial Units	(18)	(21)	(16)
Brimscombe Port	0	4	54
<b>Subtotal Investment Assets</b>	<b>(71)</b>	<b>(73)</b>	<b>(13)</b>
Dursley Bus Station	(5)	(5)	(5)
Bus Shelters	2	2	2
Miscellaneous Properties and Land	13	19	19
Cornhill Market	40	40	41
Kingshill House	2	2	2
Old Town Hall	(19)	(19)	(19)
Shambles	(9)	(9)	(9)
Woodchester Mansion	15	15	15
<b>Subtotal Other Assets</b>	<b>37</b>	<b>44</b>	<b>45</b>
Car Parks - Outside Stroud	34	32	33
Car Parks - Stroud Town Centre	(346)	(350)	(349)
Multi Storey Car Park	(47)	(48)	(46)
Multi Storey Car Park - Merrywalks	0	0	1
<b>Subtotal Car Parks</b>	<b>(359)</b>	<b>(366)</b>	<b>(362)</b>
<b>Head of Asset Management</b>	<b>97</b>	<b>97</b>	<b>88</b>
Asset Management Business Support	56	56	69
Asset Management	209	209	225
Building Maintenance	69	69	70
<b>Subtotal Asset Management Team</b>	<b>334</b>	<b>333</b>	<b>363</b>
Facilities Management	155	203	216
Ebley Mill	517	511	537
Emergency Management	136	111	116
<b>Subtotal Facilities Management</b>	<b>809</b>	<b>826</b>	<b>869</b>

<b>Strategy &amp; Resources Committee</b>	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
Members Expenses	401	397	399
Civic Fund	11	11	11
Membership Subscriptions	13	13	13
Twinning Expenses	4	4	4
Council Publications	13	13	13
Democratic Representation and Management	(196)	(220)	(222)
Electoral Registration	103	102	128
Elections	109	108	113
Youth Councils	3	5	3
<b>Subtotal Democratic Representation and Mgt</b>	<b>462</b>	<b>434</b>	<b>464</b>
Past Service Pension Costs/Central Budget Alloc	1,496	1,496	1,714
Corporate Management	(120)	(102)	(108)
Audit Fee	55	55	55
Bank Charges	20	20	20
Treasury Management and Consultancy	9	9	9
Pension Costs	49	49	49
Land & Property Custodian	(19)	(29)	(23)
<b>Subtotal Resources and Finance</b>	<b>1,490</b>	<b>1,498</b>	<b>1,715</b>
<b>Chief Executive</b>	<b>185</b>	<b>185</b>	<b>195</b>
<b>Strategic Head (Corporate Services)</b>	<b>93</b>	<b>93</b>	<b>56</b>
Human Resources	404	404	396
Policy and Review	154	153	162
Marketing	77	77	75
<b>Subtotal Corporate Services (HR etc)</b>	<b>635</b>	<b>634</b>	<b>633</b>
Monitoring Officer	82	82	86
Legal Services	364	364	369
Democratic Services	139	139	140
<b>Subtotal Corporate Services (Legal)</b>	<b>586</b>	<b>586</b>	<b>596</b>
<b>Strategic Head (Finance &amp; Business Services)</b>	<b>113</b>	<b>113</b>	<b>120</b>
Financial Services	798	797	839
Business Projects	62	62	67
Information & Communication Technology	941	940	990
<b>Subtotal Finance &amp; Business Services</b>	<b>1,800</b>	<b>1,799</b>	<b>1,896</b>
<b>STRATEGY &amp; RESOURCES Total</b>	<b>6,211</b>	<b>6,202</b>	<b>6,664</b>

\* Support service charges are not included within the committee's budgets for reporting purposes and are included within the overall General Fund budget (Section B).

## 8. **Technical and Prior-year adjustments**

The 2015/16 revised estimate includes a **transfer of service**. This reflects the re-structure of the Community Safety and Facilities Service. It is a percentage re-apportionment of the management salary budget that will now sit within Strategy and Resources Committee of **£29k**, and a re-distribution off duties within the Land Charges service to Development Control (Environment Committee) of **(£10k)**.

Additional budget of £25k was only required for 2015/16 to fund a Payroll Officer post in advance of the payroll service coming back 'in-house' from April 2016. All costs associated with the payroll service from 2016/17 are contained within existing resources.

### **Inflation**

#### **a) Pay Inflation**

For 2016/17 salary budgets have been increased by an initial further 1%.

#### **b) National Insurance Contributions**

From 6<sup>th</sup> April 2016 Employers National Insurance Contributions will be changing due to the introduction of the new State Pension. Both employers and employees will pay the standard rate of National Insurance instead of the contracted-out rate. For employers the standard rate of National Insurance is 13.8% of all earnings above the secondary threshold, we will no longer get the national 3.4% rebate on the proportion of earnings.

#### **c) Price inflation**

The 2016/17 revised estimate includes a net reduction of **(£8k)** to the amount of price inflation required in the current year's budget. This is due to the lower than expected inflation rate required on the council's contracts (e.g. the major contract the council has incurred inflation of 1.18% against the budgeted figure of 3%).

For 2016/17, we have allowed for price inflation on contracts and software licenses in line with the budget strategy; but not increased the inflation provision for major contracts beyond the 3% allowed for in the base budget

#### **d) Income inflation**

The Budget Strategy report recommended that fees and charges should be increased by 2% unless to do so had a detrimental impact on the service. With these two issues in mind, a number of income targets have been revised slightly and the remaining income budgets have only been increased where it is considered achievable.

## 9. **Budget Pressures and Efficiency Savings**

The council has been working on identifying savings for the Medium Term Financial Plan (MTFP) since July 2015 and these have been reviewed by Strategic Heads and Committee chairs and vice-chairs. Further consultation on the budget and efficiency savings took place with committee members in September 2015.

Appendix A table 3 provides a detailed overview of the budget pressures and savings for 2015/16 and 2016/17, which have been incorporated into the General Fund budget. There are a number of changes to the 2016/17 budget:

- **Brimscombe Port** - £50k budget provision in respect of the council's contribution to SVCC, as agreed by Strategy and Resources committee (June 2015)
- **Elections restructure** – £25k staffing pressure identified within the current team.
- **Phase 3 Industrial Units** - £5k – Expiry on lease of Phase 3 of the industrial units. Realignment of income and expenditure budgets.
- **New Multi-Service contract** – Additional service revenue expenditure in relation to the Multi-Service contract in 2016/17. Additional budget of £250k was allowed for in the MTFP as agreed by Council in February 2015. Any Capital Financing costs associated with asset acquisition (Depot and Vehicles\_ will be reported in the Council MTFP report.

The major savings areas are:

- **Workforce Planning savings** – (£75k) in 2016/17. Budget Holders, Finance and budget holders have worked together to review the establishment and the associated staffing budgets for 2016/17. Budgets have been set in accordance with the agreed establishment.
- **Income Generation** – Rental of ground floor space at Ebley Mill, increased fee income within Legal Services.
- **Mileage (£11k)** – excess budget removed from 2015/16 & 2016/17.

**Table 3 – Budget Pressures and Efficiencies**

<b>Budget Pressures</b>	<b>2015/16 (£'000)</b>	<b>2016/17 (£'000)</b>
Asset Management: Industrial Units Phase 3 - removal of budget		5
Asset Management: Brimscombe Port - SSC annual contribution		50
Elections: Restructure resulting in additional staffing pressure		24
Waste & Recycling: Previous Policy Decision - New Waste Management Contract		43
<b>Subtotal Budget Pressures</b>		<b>121</b>



	2015/16 (£'000)	2016/17 (£'000)
<b>Budget and Efficiency Savings</b>		
Facilities management: Additional income generated from lease of ground floor Ebley Mill		(12)
Legal Services: Additional income from Planning and Property related legal fees.		(20)
Marketing: Workforce planning savings - Deletion of post from Sept 2016		(10)
Human Resources: Workforce planning savings - budget now set in accordance with agreed establishment		(6)
Head of Human Resources: Workforce planning savings - Structure reviewed as postholder now Strategic Head (Tenant and Corporate Services)		(44)
Asset Management: Workforce planning savings - review of Strategic Head (Tenant and Corporate Services)		(7)
Democratic Services: Workforce planning savings - budget now set in accordance with agreed establishment		(8)
Strategy & Resources: Excess mileage budget removed from budgets where there were consistent underspends	(11)	(11)
<b>Subtotal Budget and Efficiency Savings</b>	<b>(11)</b>	<b>(117)</b>

#### 10. Pension Accounting Adjustment

The way in which the council budgets and accounts for contributions to the Local Government Pension Scheme (LGPS) was amended from 2013/14. Employer's pension contributions in respect of current members of the Local Government Pension Scheme (LGPS) will remain at 13.7% of salary costs. The lump sum element in respect of past service contributions for 2016/17.

#### 11. Support Services Recharges

Support service charges (SSCs) have been reviewed and allocated to service budgets in accordance with guidance contained within the CIPFA's Service Reporting Code of Practice (SeRCOP) for the accounting of overheads. The net change to the General Fund is a decrease in the level of SSC 'income' of £29k in 2015/16 and an increase of £24k in 2016/17.

### SECTION B – GENERAL FUND REVENUE BUDGET

12. The net General Fund Revenue budget for 2015/16, approved by Council in February 2015, was £15.458m. This has subsequently been used as the base estimate for both 2015/16 revised and 2016/17 original estimates. The revised estimates incorporate changes arising from budget pressures and efficiency savings.

13. The revised estimate for 2015/16 is £15.66m an increase of £208k. This is predominantly due to the addition of budget carry forwards from 2014/15 of £276k approved by Strategy & Resources Committee in June 2015, additional budget and efficiency savings arising during the year of (£54k).

14. The original estimate for 2016/17 is £16.1m, an increase of **£645k** on the base budget. This is largely due to accounting adjustment for pension costs along with other significant budget changes being the removal the one-off 2014/15 budget proposals of **(£95k)**, pay inflation and National Insurance adjustment of £299k, budget pressures of £139k and budget and efficiency savings of **(£321k)**.
15. Table 4 provides a summary of the changes to the 2015/16 and 2016/17 estimates. A more detailed breakdown of the previous policy decisions, budget pressures and the budget & efficiency savings are included in Table 5.

**Table 4 – Summary of changes from the 2015/16 Original Budget**

	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
<b>General Fund</b>			
Original Budget	16,707	16,707	16,707
2014/15 Carry forwards		276	0
Technical Adjustments		3	3
Reversal of Prior-year Budget Proposals		0	<b>(95)</b>
Pay inflation, National Insurance 2016/17		0	299
Price inflation & income inflation		<b>(37)</b>	<b>(5)</b>
<b>Base Budget</b>	<b>16,707</b>	<b>16,949</b>	<b>16,908</b>
Previous Policy Decisions		0	<b>(26)</b>
Budget Pressures		16	139
Budget and Efficiency Savings		<b>(70)</b>	<b>(321)</b>
IAS19/FRS17 Pension Adjustment		0	690
Recharge Adjustment		<b>(9)</b>	<b>(14)</b>
<b>Net Service Revenue Expenditure Budget</b>	<b>16,707</b>	<b>16,886</b>	<b>17,376</b>
Less: Support Service Charges	<b>(1,249)</b>	<b>(1,220)</b>	<b>(1,273)</b>
<b>Net Service Revenue Expenditure Budget</b>	<b>15,458</b>	<b>15,666</b>	<b>16,103</b>

**Table 5 - GF Budget Pressures, Budget and Efficiency Savings**

<b>Ctte</b>	<b>Budget Area</b>	<b>Budget Pressures</b>	<b>2015/16 (£'000)</b>	<b>2016/17 (£'000)</b>
CS&L	Community Safety	Increased charges for Tunstall Service which supports Careline	16	16
CS&L	Cultural Services	Rise in Insurance premium for storing Museum artifacts at Lansdown Art College		2
S&R	Asset Management	Asset Management: Industrial Units Phase 3 - removal of budget		5
S&R	Asset Management	Asset Management: Brimscombe Port - SSC annual contribution		50
S&R	Elections	Elections: Restructure resulting in additional staffing pressure		24
S&R	Waste & Recycling	Waste & Recycling: Previous Policy Decision - New Waste Management Contract		43
		<b>Subtotal Budget Pressures</b>	<b>16</b>	<b>139</b>

Ctte	Budget Area	Budget and Efficiency Savings	2015/16 (£'000)	2016/17 (£'000)
CS&L	All Community Service budgets	Excess mileage budget removed from budgets where there were consistent underspends	(31)	(31)
CS&L	Cultural Services	Transfer of Wotton JUSC back to Sports Wotton Ltd - removal of budget	(11)	(11)
CS&L	Homelessness	Savings offered from overall surplus budget within payroll		(2)
CS&L	Community Safety	Salary Savings due to restructure of Community services and Facilities Management service		(18)
CS&L	Environmental Health	Cessation of Gardening Assistance Scheme		(15)
CS&L	Homelessness prevention	Additional funding not required as Central government have increased their grant		(20)
CS&L	Subscription Rooms	Proposed generation of additional income		(5)
CS&L	Community Services	Previous Policy Decisions - Dursley Pool (£81K), Waste Management Contract £75K, In house enforcement agents (£20K)		(26)
ENV	All Environment budgets	Excess mileage budget removed where consistent underspends have been identified	(17)	(17)
ENV	Environmental Health	Savings from Public Analyst Budget		(6)
ENV	Development Control	Budget savings from Head of Planning Post		(7)
ENV	Development Control	Additional Income generated from Pre- App Fees		(15)
ENV	Building Control	Shared Service Additional Income		(7)
ENV	Waste & Recycling	Previous Policy Decision- New Waste Management Contract.		(51)
S&R	Facilities management	Facilities management: Additional income generated from lease of ground floor Ebley Mill		(12)
S&R	Legal Services	Legal Services: Additional income from Planning and Property related legal fees.		(20)
S&R	HR/Marketing etc	Workforce planning savings: Strategic Head (Tenant and Corporate Services, Human Resources and Marketing		(74)
S&R	All S&R Budgets	Strategy & Resources: Excess mileage budget removed from budgets where there were consistent underspends	(11)	(11)
<b>Subtotal Budget &amp; Efficiency Savings</b>			<b>(70)</b>	<b>(347)</b>

<b>Committee Service Area</b>	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
<b>Community Services Committee</b>			
Community Safety	428	415	423
Youth Services	90	118	92
Grants to Voluntary Organisations	337	337	337
Housing (General Fund)	660	655	621
Licensing	(66)	(67)	(59)
Strategic Head (Customer Services)	195	188	198
Customer Services	386	386	421
Cultural Svcs - Arts and Culture	892	897	950
Cultural Svcs - Sports and Health Development	157	187	167
Cultural Svcs - Sports Centres	1,062	1,141	1,028
Public Spaces	1,138	1,135	1,228
Revenues and Benefits	405	398	432
<b>Subtotal Community Services Committee</b>	<b>5,683</b>	<b>5,791</b>	<b>5,839</b>
<b>Environment Committee</b>			
Canal	7	7	7
Strategic Head (Development Services)	113	113	123
Head of Environmental Health	70	70	75
Environmental Health	873	935	908
Head of Planning	71	12	0
Statutory Building Control	165	174	203
Strategic Planning of Local Plan	270	280	288
Development Control	159	214	269
Economic Development	206	196	183
Carbon Management	103	142	94
Waste and Recycling	2,164	2,137	2,123
Street Cleansing	612	612	601
<b>Subtotal Environment Committee</b>	<b>4,813</b>	<b>4,893</b>	<b>4,874</b>

## Appendix A

Committee Service Area	2015/16 Original Estimate (£'000)	2015/16 Revised Estimate (£'000)	2016/17 Original Estimate (£'000)
<b>Strategy &amp; Resources Committee</b>			
Investment Assets	(71)	(73)	(13)
Other Assets	37	44	45
Car Parks	(359)	(366)	(362)
Head of Asset Management	97	97	88
Asset Management Team	334	333	363
Facilities Management	809	826	869
Democratic Representation and Management	462	434	464
Resources and Finance - Direct Spend	1,490	1,498	1,715
Chief Executive	185	185	195
Strategic Head (Corporate Services)	93	93	56
Corporate Services (HR etc)	635	634	633
Corporate Services (Legal)	586	586	596
Strategic Head (Finance and Business Services)	113	113	120
Finance & Business Services	1,800	1,799	1,896
<b>Subtotal Strategy &amp; Resources Committee</b>	<b>6,211</b>	<b>6,202</b>	<b>6,664</b>
Services Charges	(1,249)	(1,220)	(1,273)
<b>Subtotal SERVICE REVENUE EXPENDITURE</b>	<b>15,458</b>	<b>15,665</b>	<b>16,103</b>

<b>Council (General Fund) Subjective Analysis</b>	<b>2015/16 Original Estimate (£'000)</b>	<b>2015/16 Revised Estimate (£'000)</b>	<b>2016/17 Original Estimate (£'000)</b>
<b>Expenditure</b>			
Direct Employee Costs	11,721	11,708	12,913
Other Employee Costs	260	263	264
Premises Related Costs	1,951	1,931	2,037
Transport Related Costs	254	195	206
Supplies and Services	3,651	3,890	3,835
Third Party Payments	3,781	3,780	4,421
Transfer Payments	25,273	25,273	25,273
Corporate Support Service Charges	4,762	4,804	4,978
Service Management Support Charges	1,670	1,588	1,695
Depreciation & Impairment Losses	1,178	1,178	1,213
<b>Gross Expenditure</b>	<b>54,499</b>	<b>54,610</b>	<b>56,835</b>
<b>Income</b>			
Government Grants	(25,499)	(25,499)	(25,499)
Other Grants and Reimbursements	(1,787)	(1,733)	(2,160)
Customer and Client Receipts	(4,075)	(4,100)	(5,126)
Interest	(1)	(1)	(1)
Internal Recharges	(7,680)	(7,612)	(7,946)
<b>Gross Income</b>	<b>(39,042)</b>	<b>(38,945)</b>	<b>(40,732)</b>
<b>Net Budget</b>	<b>15,458</b>	<b>15,665</b>	<b>16,103</b>

**STROUD DISTRICT COUNCIL**  
**COUNCIL**

**AGENDA  
ITEM NO**

**28 JANUARY 2016**

**4e**

<b>Report Title</b>	<b>CAPITAL PROGRAMME AND PROPOSED SCHEMES</b>
<b>Purpose of Report</b>	1) To revise the current year's capital programme; 2) To advise of the estimated capital resources for the financial years 2015/16 to 2019/20.
<b>Decision(s)</b>	<b>The Strategy and Resources Committee <u>RECOMMENDS</u> to Council:-</b>  1) that the revised current year's programme in Appendix A to this report is approved; 2) that the programme is funded by the capital resources shown in Appendix B.
<b>Consultation and Feedback</b>	Strategic Heads, Heads of Service and Budget holders have been consulted.
<b>Financial Implications and Risk Assessment</b>	The report sets out the Council's capital programme for 2015/16 to 2019/20 and the resources available to finance this over the same period.  The revised capital programme for 2015/16 is £23.886m rising to £29.759m in 2016/17. The capital programme reduces significantly in 2017/18 to 2019/20.  There are limited capital resources available to support the General Fund capital programme, and recent Government policy changes to social rents also limits the total resource available to the HRA.  David Stanley, Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a>



<b>Legal Implications</b>	No significant legal implications beyond those set out in the report. (Ref:r1612c1612)  Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a>
<b>Report Author</b>	Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a>
<b>Options</b>	Proposals for any new capital schemes are considered in a separate report to this meeting.
<b>Performance Management Follow Up</b>	Further budget monitoring reports to the committee in 2015/2016 and future years
<b>Background Papers/ Appendices</b>	<p><b>Strategy and Resources</b> Capital Programme &amp; Proposed Schemes Jan 15 Capital Outturn Report 2014/2015 Canal Project Update Dursley Pool Fitness Extension Funding Acquisition and Redevelopment of Brimscombe Port, Thrupp Council Property Asset Register Review Phase 1</p> <p><b>Environment</b> Carbon Management Programme Update Ebley Mill Hydro Report</p> <p><b>Community Services and Licensing</b> Review of the Design and Tendering Process for Dursley Pool Fitness Extension</p> <p><b>All Committees</b> Budget Monitoring Report 2015-16 Q1 Revenue Estimates – Revised 2015-16 &amp; Original 2016-17</p> <p><b><u>APPENDICES:</u></b> A Capital Programme 2015-16 to 2019-20 B Capital Financing Statement</p>

## **Background**

1. Strategy and Resources Committee last approved the capital programme and funding on 25 June 2015, 'General Fund Final Revenue Outturn Report 2014-15'. Budget monitoring reports for quarter 1 of the current year capital programme have been presented to Environment Committee, Community Services and Licensing Committee and Strategy and Resources Committee.
2. This report updates the estimates for the capital programme 2015/16 to 2019/20 and the available funding for schemes.

## **Revised Capital Programme 2015/2016 – 2019/2020**

3. Preparations for the new Multi-Service contract which commences in July 2016 involve considerable capital expenditure financed mainly by borrowing. In 'Budget Monitor Report 2015/16 Q1' Strategy and Resources committee were advised that much of the expenditure would not occur until financial year 2016/17.
4. 'Redevelopment of Brimscombe Port, Thrupp' report Agenda item 8 to Strategy and Resources December meeting set out the proposal to take a £2m loan from the Homes and Community Agency and £1m from the General Fund Housing reserve in order to lead the redevelopment of this strategic site. The Committee resolved to embark on this redevelopment. The loan is repayable in 21 years.
5. Funding of £80,000 from the ICT Reserve for the replacement of Webcasting equipment was approved by Strategy and Resources Committee in October 'Budget Monitor Report 2015/16 Q1' agenda item 10.
6. The current year's capital programme includes a new Sensory Garden project at Stratford Park. This £20,000 first phase of the project is funded by a section 106 contribution.
7. 'Council Property Asset Register Review Phase 1' report to October 2015 Strategy and Resources Committee updated members on active management of the Council's property assets. This is part of a rolling programme of property reviews first reported to Committee in October 2014. Future reports are likely to have significant implications for the Council's capital programme.

## **Funding**

8. The resources available to fund the capital programme in 2015/16 and the next four financial years (as shown in Appendix A) are set out in Appendix B.
9. From 2015/16 annual allocation to the Council towards the cost of meeting its Disabled Facilities Grant (DFG) obligations is included in the Better Care Fund. The Better Care Fund is being administered by Adult Social Care and the Clinical Commissioning Group and the funding is received by the County Council, although the legal Mandatory duty to provide DFG's will remain with District Councils.
10. In 2015/16 the Government issued guidance that indicated a specific amount of £330,000 which they expected the County Council to pass on Stroud District Council to fund DFG work. However, for 2016/17 onwards there is currently no

identified figure, and Government are expecting two tier authorities to come to suitable arrangements themselves. There is therefore a risk that this Council could receive significantly reduced funding from the Better Care Fund. Funding of the Private Sector Housing Strategy assumes grant of £330,000 in 2016/17 and reduced funding in later years. Clearly this funding stream needs to be kept under regular review.

11. During this financial year Homebuy loans of £167,000 have been repaid on sale of three properties. This amount has been added back into the LA Social Housing 2016/17 budget.
12. During the current financial year there have been 16 council house sales completed with an average sale price net of discount of £80,000. Under new pooling arrangements £469,000 is payable to government in 2015/16 from these sales. Funding of the general fund capital programme set out in Appendix B has included right to buy receipts of £75,000 for 2015/16.
13. Right to Buy receipts not pooled with the government or earmarked for the General Fund will be fully utilised by the HRA to provide replacement homes for right to buy property sales, except for £0.34m which may have to be repaid to the government because the Council's housebuilding programme is coming to an end. A preferred option for return of capital receipts would be to pass these funds direct to local Housing Associations for housebuilding, and so benefit the local area.

## **Canal**

14. Expenditure and funding plans included in this report are based on the authorised budget set out and approved together with additional funding of £777,000 by Strategy and Resources Committee 'Canal Project Update' Agenda item 10. The Canal project is restoration of the canal from Ocean to Bowbridge Bridge. Phasing of the expenditure over the period 2015-16 to 2016-17 is shown in Appendix A.
15. An important element of the funding of the canal project is the sale of the Former Ship Inn site. Current proposals under consideration include an appropriation of the site by the HRA as a housing site, together with the appropriation from the General Fund of the nearby Wharfedale Way site.
16. The canal project is scheduled to complete in late summer 2016.

## **Walled Garden**

17. The capital construction works in the first phase of the Walled Garden project are being completed over two financial years (2014/15 and 2015/16). The total budget for the capital phase of the project (incl. clearance and preparation of the ground, building and kitting out the Pavilion, building the Entranceway, including contingency and professional fees) is £627,000. £619,000 has been committed or awarded to this phase of project from all sources. External funding applications continue for the remaining capital element (kitting out), and for phase two - soft landscaping/planting - which will only occur once approximately £25,000 of funding is secured, most likely in 2016/17.

18. It should be noted that the project was awarded the largest ever grant of £282,000 by the Gloucestershire Environmental Trust with landfill tax contributions donated by Cory Environmental. This was awarded for the Pavilion, a new multi-use learning building. This Trust also awarded a further £30,000 for the Entranceway. Including this Trust, external funding has been attracted from eight different bodies to date.

### **Dursley Pool Fitness Extension**

19. The revised budget of £1.766m for this scheme is that set out in the 'Dursley Pool Fitness Extension Funding' report to Strategy and Resources Committee in June when additional funding of £95,000 was approved from the Capital Reserve.

## Capital Programme 2015/16 to 2019/20

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Community Services and Licensing</b>					
1 Dursley Pool Fitness Extension	1,551	150	-	-	-
2 LA Social Housing	72	167	-	-	-
3 Private Sector Housing Strategy	401	350	350	350	350
4 Walled Garden - Museum in the Park <sup>(Note 1)</sup>	174	36	-	-	-
5 Stratford Park Sensory Garden	20	-	-	-	-
<b>Total Community Services and Licensing</b>	<b>2,218</b>	<b>703</b>	<b>350</b>	<b>350</b>	<b>350</b>
<b>Environment</b>					
6 Canal <sup>(Note 2)</sup>	891	700	-	-	-
7 CMP - Ebley Mill Hydro	365	-	-	-	-
8 CMP - Heat and Power	147	-	-	-	-
9 CMP - Invest to Save	45	-	11	-	-
10 CMP - Target 2050 Loans	150	-	-	-	-
11 Wheeled Bins	-	600	-	-	-
<b>Total Environment</b>	<b>1,598</b>	<b>1,300</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>Housing Revenue Account</b>					
12 New Build and Development	9,192	9,266	1,750	250	-
13 Capital Repairs and Maintenance	8,575	7,870	7,790	7,040	7,140
<b>Total Housing Revenue Account</b>	<b>17,767</b>	<b>17,136</b>	<b>9,540</b>	<b>7,290</b>	<b>7,140</b>
<b>Strategy and Resources</b>					
14 Building Maintenance	113	-	-	-	-
15 Car Park Ticket machines	120	-	-	-	-
16 Ebley Mill New Block Lift	94	-	-	-	-
17 Financial Systems	9	-	-	-	-
18 Stroud Valleys Initiative	100	500	-	-	-
19 MSC - Depot	1,450	2,000	-	-	-
20 MSC - Equipment	100	1,204	-	-	-
21 MSC - Vehicles	-	4,466	-	-	-
22 Multi-Storey Car Park, Merrywalks, Stroud	97	-	-	-	-
23 Wallbridge - public open space	90	-	-	-	-
24 GF House Building	-	1,000	-	-	-
25 Brimscombe Port Redevelopment	50	1,450	1,500	-	-
26 Webcasting Equipment	80	-	-	-	-
<b>Total Strategy and Resources</b>	<b>2,303</b>	<b>10,620</b>	<b>1,500</b>	<b>-</b>	<b>-</b>
<b>Total Capital Programme</b>	<b>23,886</b>	<b>29,759</b>	<b>11,401</b>	<b>7,640</b>	<b>7,490</b>

## Appendix A

Walled Garden - Museum in the Park	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Externally Funded	106	4	-	-	-
Externally Funded - unconfirmed	-	25	-	-	-
Stroud District Council Funded	68	7	-	-	-
<b>Total Funding</b>	<b>174</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>

Canal - Funding	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Externally Funded	264	550	-	-	-
Stroud District Council Funded	627	150	-	-	-
<b>Total Funding</b>	<b>891</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>-</b>

Ref	Capital Scheme Notes	Contact
1	Construction of a fitness extension at Dursley Pool.	AG
2	Assistance to social housing providers in order to help attract external grant and support the delivery of new affordable housing.	PS
3	Private sector housing grants including mandatory disabled facility grants, Home Repair Loans, Warm and Well grants.	JB
4	Walled Garden project to renovate and develop a derelict 2,000m <sup>2</sup> garden adjoining the award winning Museum in the Park into a flexible and vibrant space offering new community opportunities. Delivered with external funding from the Gloucestershire Environmental Trust, Arts Council England, Summerfield Charitable Trust and Friends of the Museum.	KW
5	Stratford Park Sensory Garden - first phase, using s106 funding, of a project to develop an old putting green in Stratford Park.	RJ
6	Canal restoration project including external funding from the Heritage Lottery Fund, Gloucestershire County Council, Cotswold Canals Trust, Waterways Trust and Sport England.	DM
7	Generation of electricity from the river Frome adjacent to Ebley Mill.	JB
8	Generation of combined heat and power at Stratford Park Leisure Centre and Dursley Pool.	BW
9	Energy efficiency measures for Council operational buildings.	BW
10	Loans for home energy efficiency measures.	JB
11	Purchase of wheeled bins at the end of the Multi-Service Contract.	CN
12	New build and development of existing HRA dwellings.	AR
13	Major repairs and maintenance of the HRA dwellings	AR
14	Backlog building maintenance.	BM
15	Replacement of ticket machines at the Council's car parks.	MH
16	Installation of a lift in the new build part of Ebley Mill.	BM
17	Agresso financial system upgrade to version 5.6.	SC
18	Stroud Valley Initiative - to provide a strategic solution to the Frome floodplain and potentially unlock sites for housing and business development.	BW

## Appendix A

Ref	Capital Scheme Notes	Contact
19	Multi-service contract depot site purchase and construction.	CN
20	Multi-service contract equipment.	CN
21	Multi-service contract vehicles.	CN
22	Capital works required as a part of taking over management of Merrywalks multi-storey car park.	AF / AN
23	Public open space at Wallbridge - match funding for a public open space on the Wallbridge site to provide a focal point and landmark as visitors enter Stroud.	AF / AN
24	New house building in the District - options for delivering affordable new homes outside of the HRA.	SC
25	Redevelopment of the Brimscombe Port site.	AF / AN
26	Replacement of equipment in the Council chamber.	SS

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SS Stuart.Spain@stroud.gov.uk	4250

## Capital Financing Statement

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
<b>1. Capital Expenditure</b>					
Community Services	2,218	703	350	350	350
Environment	1,598	1,300	11	-	-
Housing Revenue Account	17,767	17,136	9,540	7,290	7,140
Strategy and Resources	2,303	10,620	1,500	-	-
<b>Estimated Expenditure</b>	<b>23,886</b>	<b>29,759</b>	<b>11,401</b>	<b>7,640</b>	<b>7,490</b>
<b>Financed by:</b>					
Housing Revenue Account funded works	10,932	9,765	8,517	6,809	6,590
HRA Usable capital receipts (3)	2,022	2,376	456	481	550
Borrowing HRA	4,000	3,762	-	-	-
Borrowing GF	2,400	8,670	1,000		
Capital grants (5)	1,143	1,563	817	175	-
Capital reserve (4)	1,975	1,270	600	175	15
Direct Revenue funding	21	-	-	-	-
ICT reserve	89	-	-	-	-
Other reserves / external funding	1,215	2,186	-	-	299
General Fund usable capital receipts (2)	90	167	11	-	36
<b>Total Financing</b>	<b>23,886</b>	<b>29,759</b>	<b>11,401</b>	<b>7,640</b>	<b>7,490</b>
<b>2. General Fund Usable Capital Receipts</b>					
Brought forward 1 April 2015	599	781	644	663	693
add: received in year	272	30	30	30	30
less: applied as above	(90)	(167)	(11)	-	(36)
<b>Carried forward 31 March 2016</b>	<b>781</b>	<b>644</b>	<b>663</b>	<b>693</b>	<b>687</b>
<b>3. HRA Usable Capital Receipts</b>					
Brought forward 1 April 2015	909	1,724	1,724	1,724	1,724
add: received in year	2,837	2,376	456	481	550
less: applied as above	(2,022)	(2,376)	(456)	(481)	(550)
<b>Carried forward 31 March 2016</b>	<b>1,724</b>	<b>1,724</b>	<b>1,724</b>	<b>1,724</b>	<b>1,724</b>
<b>4. Capital Reserve</b>					
Brought forward 1 April 2015	2,251	1,963	717	121	(54)
add: received in year	1,687	24	4	0	-
less: applied as above	(1,975)	(1,270)	(600)	(175)	(15)
<b>Carried forward 31 March 2016</b>	<b>1,963</b>	<b>717</b>	<b>121</b>	<b>(54)</b>	<b>(69)</b>
<b>5. Capital Grants</b>					
Disabled Facilities Grant due	330	330	250	175	-
Homes and Community Agency Grant	813	1,233	567	-	-
<b>Capital grants</b>	<b>1,143</b>	<b>1,563</b>	<b>817</b>	<b>175</b>	<b>-</b>



## Appendix B

Usable Capital Receipts - Received in year	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Net usable Council house sales - GF	75	-	-	-	-
Land sales	-	-	-	-	-
Other	197	30	30	30	30
<b>In year usable capital receipts</b>	<b>272</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
HRA Capital / Shared Ownership Receipts	1,522	2,003	-	-	-
HRA net usable Council House sales	1,315	550	550	550	550
Return of capital receipts	-	(177)	(94)	(69)	-
<b>HRA net usable Council House sales</b>	<b>2,837</b>	<b>2,376</b>	<b>456</b>	<b>481</b>	<b>550</b>

Assumed Sales/resales	2015/16	2016/17	2017/18	2018/19	2019/20
Number of council house sales	20	10	10	10	10
Number of shared ownership / resales	4	3			

**STROUD DISTRICT COUNCIL  
COUNCIL**

**AGENDA  
ITEM NO**

**28 JANUARY 2016**

**4f**

<b>Report Title</b>	<b>THE GENERAL FUND REVENUE BUDGET 2016/17 AND MEDIUM TERM FINANCIAL PLAN 2015/16-2019/20</b>
<b>Purpose of Report</b>	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2016/17.
<b>Decision(s)</b>	<p><b>The Committee RECOMMENDS to Council (subject to the Governments final settlement announcements):</b></p> <ul style="list-style-type: none"> <li>a) <b>To increase the council tax by 2% to £190.67 at Band D, an increase of 7p per week for the services provided by Stroud District Council;</b></li> <li>b) <b>to approve the Medium Term Financial Plan as set out in Appendix A;</b></li> <li>c) <b>to approve the changes to the reserves as set out in paragraphs 60 to 62 of the report and Appendix B.</b></li> <li>d) <b>To authorise the Strategic Head (Finance and Business Services) in consultation with the Chair of Strategy and Resources committee, to accept the Government's offer on a 4-year settlement when further details are announced with the final settlement if it is in the best interest of the Council to do so.</b></li> </ul>
<b>Consultation and Feedback</b>	<ul style="list-style-type: none"> <li>• Budget holders on budgets and savings</li> <li>• Residents and Business budget telephone survey</li> </ul>
<b>Financial Implications and Risk Assessment</b>	<p>The consolidated General Fund revenue budget for 2016/17 as set out in agenda item 7 to this meeting shows a net revenue budget of £15.557m.</p> <p>Should a 2% council tax increase be approved, total income from council tax will be £8.036m.</p> <p>Based on the provisional settlement figures provided, the total Government support will be £7.119m. This is made up of Business Rates (£2.856m), Revenue Support Grant (£1.053m) and New Homes Bonus (£3.210m).</p> <p>After funding the collection fund deficit, the shortfall of £1.1m will be funded from General Fund balances.</p>

	<p>The MTFP shown at Appendix A includes figures from the four-year funding settlement to 2019/20 that were included in the provisional finance settlement in December 2016. Paragraphs 14 to 17 of this report cover some of the issues members may want to consider in accepting this offer. It is worth noting the proposed Tariff/Top-up adjustment of £77k that the Council would need to pay over to the government in 2018/19 rising to £549k in 2019/20.</p> <p>The MTFP indicates a reliance on balances to finance the Council's spending plans. By 2019/20, the annual funding gap is estimated to be £3.3m. The Council needs to consider how it plans to reduce this gap over the coming year.</p> <p>The risks are set out more fully in the report but in summary centre around the future direction of funding through full business rates retention and New Homes Bonus. It is under these circumstances that holding balances at a higher level for the time being is the most appropriate course of action to protect the council from the financial uncertainty ahead and allow time for a robust savings plan to be put in place.</p> <p>Sandra Cowley, Strategic Head (Finance &amp; Business Services) Tel: 01453 754136 Email: <a href="mailto:sandra.cowley@stroud.gov.uk">sandra.cowley@stroud.gov.uk</a></p>
<p><b>Legal Implications</b></p>	<p>Section 32 of the Local Government Finance Act 1992 as amended places a duty on the Council, as Billing Authority, to calculate before 11<sup>th</sup> March 2016 its budget requirement for 2016/17.</p> <p>Under Section 25 of the Local Government Act 2003, the Section 151 Officer must report on the robustness of the estimates for the purposes of making the appropriate calculations and of the adequacy of the Council's proposed financial reserves.</p> <p>As such, this report is a necessary part of the Council's budget setting process for 2016/17. There do not appear to be any other substantial legal implications arising from this report. (Ref:rl140116c150116)</p> <p>Karen Trickey, Legal Services Manager and Monitoring Officer Tel: 01453 754369 Email: <a href="mailto:Karen.trickey@stroud.gov.uk">Karen.trickey@stroud.gov.uk</a></p>

<b>Report Author</b>	Sandra Cowley, Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: <a href="mailto:sandra.cowley@stroud.gov.uk">sandra.cowley@stroud.gov.uk</a>
<b>Options</b>	The Council must set a budget in time to start collecting council tax by 1 <sup>st</sup> April.
<b>Performance Management Follow Up</b>	Budget Monitoring report to the various service committees in February 2016. Outturn report to Strategy & Resources Committee in June 2016.
<b>Background Papers</b>	DCLG Provisional Finance Settlement; DCLG Consultation document on New Homes Bonus; Service revenue and capital reports (agenda items 7, 8 and 9)

## Background

1. Strategy and Resources committee considered the Council's financial position as shown by the Medium Term Financial Plan (MTFP) for the General Fund at its meeting on 1 October 2015 and agreed a strategy for setting the budget for 2016/17.
2. The MTFP was updated to take account of the outturn position and other known budget changes. At the time it was estimated that General Fund balances at the end of the 5 year plan would be almost depleted and the annual funding gap would be approximately £2 million.
3. The report also identified a number of budget uncertainties faced by the Council for example the backdated business rates appeals and the future of the New Homes Bonus incentive, both significant income streams to the Council.
4. This report brings together the revised 2015/16 and original 2016/17 budgets from each of the service committees and projects forward over the medium term to allow members to make informed decisions about setting the budget for 2016/17 in full knowledge of the risks and uncertainties faced in future years.
5. **Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (nominated Section 151 Officer) to make a statement to the Council on the robustness of the estimates and adequacy of financial reserves. This statement is set out in paragraphs 68 to 76 in this report. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.**

## Executive Summary

6. The Finance Settlement for 2016/017 for Stroud is very positive. The amount of New Homes Bonus due under the existing scheme will be paid in full. It had been assumed in the MTFP that the amount paid in 2015/16 of £2.3m would not be exceeded in 2016/17 or future years. The provisional settlement suggests £0.9m will be paid for growth achieved in 2015/16 making the total NHB that will be received in 2016/17 £3.2m.

7. A consultation on the future of NHB as an incentive scheme will take place in 2016/17 and will take effect in the finance settlement in 2017/18. Based on the published consultation document, it is likely that the amount the Council receives in NHB in 2019/20 will be half that received in 2016/17.
8. The Government have offered councils the opportunity to take up a four-year funding settlement to 2019/20. Whilst this may provide the council with some certainty on future funding levels, the offer only covers certain funding streams and does not include the New Homes Bonus. In order to receive the four year settlement, councils are required to submit an efficiency plan the details of which have yet to be announced.
9. Revenue Support Grant will be negative (a tariff) by 2018/19. With this and the reduction in NHB, it is estimated the Council will have £3m less annual Government funding by 2019/20 compared with 2016/17 (see table 3).
10. Income from Business Rates offers a more stable and reliable funding stream in the future and is currently forecast only to increase by inflation. Growth in this area has the potential to make a more significant contribution to the funding gap but is still subject to a fair amount of risk and uncertainty making it difficult to provide accurate forecasts of future growth.
11. Based on the Council's current spending plans and the forecast of the funding streams available, the Council will rely heavily on revenue balances over the MTFP to continue to provide the current level of services. In 2018/19 and 2019/20, it is estimated that the Council will spend £2m and £3m respectively from balances reducing them to £0.7m. This is clearly unsustainable and action needs to be taken over the next 12-18 months to address this.
12. Whilst the Council is continually looking at how to reduce costs and identify income generation opportunities, the annual funding gap that needs to be addressed is now at a level that needs more serious consideration and some difficult decisions will need to be made about future service delivery.

### **Spending Review and Local Government Finance Settlement 2016/17**

13. The main headlines from the Spending Review announcement on 25 November and the Finance Settlement announced on 17 December are as follows:
  - Reduction in New Homes Bonus of £800m (from £1.2bn) to fund social care. Consultation to take place in 2016/17 therefore scheme is unchanged in 2016/17
  - Underlying assumption in Government's 'spending power' of a CPI-based council tax rise year on year (averaging 1.75% per year)
  - Additional 2% council tax levy for upper tier authorities to fund social care
  - Revenue Support Grant (RSG) reducing more quickly than previously forecast and the introduction of a tariff (essentially negative RSG)
  - Full retention of Business Rate income but with additional responsibilities by the end of the Parliament.
14. The settlement is effectively for 1 year although indicative figures have been provided for a 4 year period as part of the government's offer of a four-year settlement to councils.

15. The four-year funding settlement offer does provide the council with some certainty on future funding streams but only for Business Rates and RSG. It is not clear from the consultation document what the implications are of not accepting a four year settlement and given the council is subject to a tariff adjustment in 2018/19 (£0.077m) and 2019/20 (£0.55m), we need to have greater clarity on how this figure has been arrived at.
16. In accepting the government's offer, it could be implied that the council to some extent accepts the methodology that the government have used in the finance settlement and the consequential effect of a negative RSG position from 2018/19. The council is not obligated to take-up this offer, with the government indicating that councils not opting for this would continue to receive an annual settlement over the period with the uncertainty this may bring.
17. It is proposed that the Strategic Head (Finance & Business Services) in consultation with the Chair of Strategy & Resources Committee, seeks further clarification on the four year settlement offer and is authorised to accept the offer if it is considered to be in the best interest of the Council to do so.
18. In light of the Government's consultation paper on New Homes Bonus issued on the same day as the settlement, the forecast for New Homes Bonus in the Medium Term Financial Plan has been modified to reflect the Governments preferred option.

### **New Homes Bonus (NHB)**

19. The NHB incentive is directly linked to housing growth and bringing empty property back into use and so growth in the tax base in any one year is rewarded with an incentive payment for 6 years. 2016/17 is the sixth year and so the funding will peak in this year if the scheme remains unchanged. Prior to the settlement announcement, it was widely expected that changes to the existing NHB incentive would take effect in 2016/17.
20. The table below shows how this funding stream has grown over the last 6 years. The figure for 2016/17 has been confirmed in the finance settlement and is particularly high due to an exercise undertaken during this year on bringing empty property back into use.

**Table 1 – New Homes Bonus Delivery up to 2016/17**

	<b>New Homes Bonus Allocations</b>					
	<b>2011/12 (£'000)</b>	<b>2012/13 (£'000)</b>	<b>2013/14 (£'000)</b>	<b>2014/15 (£'000)</b>	<b>2015/16 (£'000)</b>	<b>2016/17 (£'000)</b>
<b>New Homes Bonus</b>						
2010/11 Delivery	350	350	350	350	350	350
2011/12 Delivery		380	380	380	380	380
2012/13 Delivery			404	404	404	404
2013/14 Delivery				476	476	476
2014/15 Delivery					667	667
2015/16 Delivery (Provisional)						933
NHB payment 2017/18 to 2019/20						
<b>TOTAL New Homes Bonus</b>	<b>350</b>	<b>730</b>	<b>1,134</b>	<b>1,610</b>	<b>2,277</b>	<b>3,210</b>

21. The Government have stated their intention to ‘sharpen’ the incentive and will consult on the options for achieving this. The proposals are summarised below:
- Changing the number of years for which payments are made. The proposal is a reduction from 6 to 4 years but asks if the reduction should be to 3 or 2 years.
  - Transitioning this change from 2017/18 year on year or immediate reduction to the lower number of years agreed.
  - Withholding NHB allocations in areas where no Local Plan has been produced.
  - Reducing payments for homes built on appeal
  - Only making payments for delivery above a baseline representing ‘deadweight’ and/or capped if unexpected significant growth occurs
22. The Government’s preferred option appears to be a transitional approach to reducing the number of years from 6 to 4 and a combination of the ‘sharpening the incentive’ tools described above. It is on this basis that future receipts of NHB have been forecast in the MTFP.
23. The table below shows how the funding peaks in 2016/17 at £3.2m. It has been assumed that 5 years are paid in 2017/18 reduced to 4 years thereafter. It is also assumed that the stretch target is introduced and a reduction of the incentive for those homes built on appeal.

**Table 2 – New Homes Bonus Forecast from 2016/17**

	New Homes Bonus Estimates				
	2015/16 (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>New Homes Bonus</b>					
2010/11 Delivery	350	350			
2011/12 Delivery	380	380			
2012/13 Delivery	404	404	404		
2013/14 Delivery	476	476	476		
2014/15 Delivery	667	667	667	667	
2015/16 Delivery (Provisional)		933	933	933	933
NHB payment 2017/18 to 2019/20			200	400	600
<b>TOTAL New Homes Bonus</b>	<b>2,277</b>	<b>3,210</b>	<b>2,680</b>	<b>2,000</b>	<b>1,533</b>

### Business Rates Retention and Pooling

24. From April 2013, the Gloucestershire Councils have ‘pooled’ their business rates. The main benefit of pooling is that more of any growth generated in Gloucestershire can be retained in Gloucestershire than if the councils were operating independently. The downside risk is the level of outstanding business rate appeals that could be backdated and being in a pool takes away the safety net.
25. Members will be aware of the Pool position at the end of 2014/15 following the backdated appeal from the Virgin Media site in Tewkesbury. Given the ongoing threat that there will be further reductions in RV from this site, the Pool will be dissolved on 31 March 2016 and reformed in April 2016 excluding

Tewkesbury Borough Council. Confirmation has been received from the DCLG that the new pool can be formed.

26. It is likely that there will be a Pool surplus to be distributed in 2015/16 providing no appeals are settled before 31 March 2016 for the VM site. However, the governance arrangements for the Pool will be amended to ensure that the losses incurred by each of the pool members in 2014/15 will be recovered before any surpluses are distributed further.

### **Business Rates Retention**

27. The Spending Review included an announcement that the retention of 100% of Business Rates will be rolled out to all authorities by the end of the Parliament. However, this will come with additional responsibilities, the details of which are not yet known.
28. The forecast for business rates income will be updated once the NNDR1 form has been completed at the end of January 2016, which will also update the provisional deficit on the business rates collection fund of £0.750m in 2016/17. Based on historical performance to date, the forecast for business rate income remains fairly flat with only inflationary increases included. Once more details become available about the proposal for 100% retention and the additional responsibilities, the forecast will be reviewed.

### **Revenue Support Grant (RSG)**

29. RSG has historically been the stable source of Local Government funding largely until the introduction of Business Rates Retention and the New Homes Bonus Incentive. Over the last 5-6 years, RSG has reduced significantly as the funding was top-sliced to fund more incentive based funding streams.
30. It was widely expected that RSG would disappear over the next 3-4 years as the squeeze on Local Government finances continued and this was provided for in the Council's MTFP. RSG was estimated to fall from £1.8m in 2015/16 to £0.1m in 2019/20, a reduction of £1.7m.
31. The Finance Settlement has indicated that RSG will be negative for Stroud from 2018/19, i.e. Stroud will have to pay a tariff of £77,000. In 2019/20, this tariff is estimated to be £549,000. This is a far sharper reduction than expected pre-settlement, an additional reduction of £0.7m above that already provided for. It is currently unclear how this will work in practice but these projections have been included in the MTFP.

### **Council Tax Setting**

32. The Council has frozen the level of council tax for the last 5 years. This was encouraged by the Government and Council Tax Freeze Grant was paid to those Councils who followed this policy. There will be no freeze grant for future years and an assumption by the Government that Councils will increase council tax up to the referendum limit of 2% has been included in their projections of Local Authority spending power.



33. The Government has stated that the Council Tax Freeze Grant rolled into core funding continues to be paid. Analysis shows that in fact this funding has been scaled back by 21% for Stroud, a total annual amount of £94,000.
34. The recommendation to Council in the report is to increase Council Tax for 2016/17 by 2%. The Council is not committing to further council tax rises at this stage but clearly this will need to be considered annually based on the financial position of the Council and the need to reduce the funding gap outlined in the MTFP.
35. A council tax rise of 2% increases the Band D rate from £186.93 to £190.67, an increase of £3.74 for the year. This will generate approximately £158,000 in additional council tax revenue annually.
36. The table at the end of the MTFP in Appendix A shows the effect of a 2% year on year council tax rise. An additional £500,000 would be available annually by 2019/20 reducing the funding gap from £3.3m to £2.8m.
37. The Collection Fund for 2015/16 has been evaluated and it is estimated there will be a surplus of £1,182,792.52 for the year ended 31 March 2016. The Council's share of the surplus is £195,019 and has been included in the budget for 2016/17.
38. The council tax base has been calculated for 2016/17 as 42,148.28. This represents an increase on the tax base for 2015/16 of 1.7% and will raise additional council tax of approximately £137,000 per annum. Both the Collection Fund surplus and the council tax base have been approved by the Strategic Head (Finance & Business Services).

### **Local Council Tax Support and payments to Parish & Town Councils**

39. The Parish & Town Council share of the funding for LCTS has been paid to them for the last 3 years. As previously reported, the funding is split 40:60 between Business Rates and Revenue Support Grant (RSG) and the amount paid to P&TCs has reduced in line with the reduction in RSG. The total paid in 2015/16 was £156,854. It is proposed that this funding is no longer paid to Parish & Town Councils as a result of the Spending Review and Finance Settlement. As provision was made to make further payments, this represents a saving to the council over the MTFP totalling approximately £200,000.
40. A seminar was held on 21<sup>st</sup> December for all Parish & Town Councils to explain the impact of this proposal. The withdrawal of the funding will increase their council tax rates unless they absorb the loss of funding and maintain their precept at the same level. Generally, this was accepted by the Parish & Town Councils as inevitable given the financial position of the Council.

### **The Medium Term Financial Plan (MTFP) Forecast**

41. The MTFP proposes a net revenue budget of £15.557 million in 2016/17 and remains relatively flat to 2019/20. Budget and efficiency savings identified this year have been particularly important as there are a number of budget pressures that have had to be added to the budget. There have been a number of pay related pressures in particular the additional National Insurance Contributions required from employers which accounts for much of the increase in the overall budget.

42. A statement showing the analysis of the movement from the 2015/16 original budget over the years 2015/16 to 2019/20 is shown in the table below. A more detailed analysis of the MTFP is shown in Appendix A. The assumptions made in the MTFP are set out in more detail below.

**Table 3 – MTFP 2015/16 – 2019/20**

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Original Budget	15,376	15,665	16,311	16,311	16,311	16,311
Add: Budgets carried forward from 2014/15						
Adj: Previous Policy Decisions	160	0	0	(109)	(129)	(129)
Adj: Budget Pressures	359	0	139	139	139	139
Adj: Budget & Efficiency Savings	(437)	0	(347)	(388)	(388)	(388)
Adj: Capital Financing				(121)	(121)	(121)
<b>Restated Service Revenue Expenditure</b>	<b>15,458</b>	<b>15,665</b>	<b>16,103</b>	<b>15,832</b>	<b>15,812</b>	<b>15,812</b>
Technical Adjustments	(572)	(572)	(704)	(1,937)	(1,937)	(1,937)
Corporate Income and Expenditure	128	147	129	232	236	240
Inflation	20	0	0	200	400	600
<b>Base Budget</b>	<b>15,034</b>	<b>15,240</b>	<b>15,527</b>	<b>14,327</b>	<b>14,511</b>	<b>14,715</b>
TOTAL Budget Pressures (Future Years)	0	0	0	351	567	783
Welfare Reform Impact	0	0	30	30	30	30
<b>Proposed Net Revenue Budget</b>	<b>15,034</b>	<b>15,240</b>	<b>15,557</b>	<b>14,708</b>	<b>15,108</b>	<b>15,528</b>

#### Local Government Pension Scheme

43. The level of the Council's contribution to the Local Government Pension Scheme (LGPS) is determined by the actuarial valuation that takes place every 3 years. A revaluation is due in March 2016, the outcome of which will be known in the Autumn 2016.
44. With the potentially unsustainable increases in employer's contributions, a stabilisation increase in the employer contribution rates was agreed with the Actuary following the review in 2010, limiting the year-on-year change to +/- 1%. This was increased to +/- 2% each year reflecting the deterioration in the fund at the 2013 revaluation.
45. Stroud is currently in a negative cashflow position with more being paid from the pension fund than contributions being made. This clearly impacts on the performance of the fund as the assets are depleted. The fund for Stroud is currently estimated to be 62% funded with 31% active membership.
46. The amount actually paid to the pension fund is made up of future service costs based on the current workforce, currently 13.7% of gross pay and past service costs, a lump sum of £1.515m in the current year rising to £1.799m in 2015/16. The HRA funds £363,600 and £431,700 respectively of the lump sum.

47. The Council may need to consider increasing the percentage of gross pay from 13.7% to a higher rate or making a greater annual contribution to past service costs. The MTFP currently makes provision for a 2% increase to the lump sum payment and an increase by 1.5% in current service costs. This will clearly need to be reviewed following the outcome of the Actuarial revaluation.

#### Interest Rates and Investment Income

48. The Bank of England base rate has remained at 0.5% since March 2009. Capita Asset Management, the Council's Treasury Management advisers, forecasts that base rates will remain at 0.5% until June 2016 with the first increase of 0.25% likely. The forecast is for rates to increase slowly over the MTFP period rising to 2% by September 2018. The Council will usually achieve higher returns than base rate on its investments. Estimates are based on a rate of 0.85% in the current year, however, a cautious approach is taken as regards future interest rate rises. This will be amended in future forecasts if the outlook demands it.
49. A proportion of the investment income received is payable to the Housing Revenue Account as some of the balances being invested belong to the HRA. The rate paid is 0.25% based on the risk-free rate payable by investments with the Government, because the General Fund bears investment risk.

#### Pay and Price Inflation

50. Future years pay inflation has been provided for in the MTFP at a rate of 1%, in line with Government assumptions on public sector pay.
51. The Council has set a standstill budget for a number of years now and only added inflation where we are contractually-bound using specific relevant inflation factors. Other price inflation increases are for increases in Business Rates (which are linked to CPI) and energy prices.
52. Provision has been made in the MTFP for price inflation on major contracts at a rate of 3.0% in future years.

#### **Government Support (based on provisional figures announced in December)**

53. The table below shows a breakdown of the Government funding for Stroud District Council for 2015/16 and 2016/17 with a forecast of future years funding and a breakdown of the funding streams included in the four-year settlement offer. It is clear that the council needs to focus on driving up income from Business Rates and deliver on housing growth set out in the Local Plan in order to protect these funding streams.

**Table 4 – Government Support**

<b>Government Funding</b>	<b>2015/16 Latest (£'000)</b>	<b>2016/17 Provn (£'000)</b>	<b>2017/18 Forecast (£'000)</b>	<b>2018/19 Forecast (£'000)</b>	<b>2019/20 Forecast (£'000)</b>
Council Tax Freeze Grant	83	0	0	0	0
New Burdens Funding and other Grants	60	0	0	0	0
Business Rates Funding Baseline **	2,200	2,261	2,305	2,373	2,449
Business Rates - s31 grant etc	507	767	595	643	692
Revenue Support Grant **	1,866	1,053	347	0	0
Tariff/Top-Up adjustment **	0	0	0	(77)	(549)
New Homes Bonus Allocations	2,277	3,210	2,680	2,000	1,533
<b>Total Government Funding</b>	<b>6,994</b>	<b>7,291</b>	<b>5,928</b>	<b>4,939</b>	<b>4,125</b>
** Four-year funding settlement		3,314	2,652	2,297	1,900

**Budget & Efficiency Savings**

54. As set out in Table 2 of this report, the base budget estimates for 2015/16 to 2019/20 include budget savings and efficiencies. These are covered in more detail in the General Fund Revenue Estimates report, agenda item 7 to this meeting.
55. The continuing identification of these savings is key to setting a balanced budget each year although clearly, based on previous years performance, the ability to do so is becoming ever more difficult without making difficult decisions about future service delivery.
56. Officers and members have been working on 'Future Proofing the Business' as detailed in the Budget Strategy report in October 2015. Work on this must continue as the Council needs to reduce annual costs significantly in future years as Government support continues to be reduced.

**Service Improvements**

57. There are no service improvements planned for 2016/17 given the pressure on the Council's finances to reduce costs. It is proposed that the £30,000 set aside in the 2015/16 budget for welfare reform is treated as an ongoing revenue cost. This will provide continued support for organisations such as the CAB, Stroud Food Bank and the Credit Union who provide essential services to vulnerable people during difficult financial times.
58. Given the increasing projected shortfall in annual resources to fund expenditure plans from 2017/18, projects which commit the Council to ongoing spending would not be advisable. Investment which, in the longer term, generate a return, reduce costs or levers in funding through New Homes Bonus or Business Rates growth will be key to delivering a sustainable spending plan to support the Corporate Delivery Plan.

**Risks and Uncertainties**

59. The Council's budget is prepared using best estimates for the level and timing of expenditure, budget & efficiency savings and available resources.

However, a number of uncertainties exist which could have an impact on the budget of the Council:

- New Homes Bonus – The future of this funding will be determined following the outcome of the consultation. Provision has been made for a significant reduction in this funding stream.
- Business Rates – Backdated appeals will continue to challenge the performance of the Gloucestershire Pool. This risk has been reduced with the withdrawal of Tewkesbury from the Pool but equally the pool could lose out from growth in this area. The Government have carried out a review of the appeals process but the outcome has yet to be announced.
- Business Rates changes – There are a number of changes to the Business Rates system that will take effect during the MTFP period. The Government are due to report by the 2016 Budget on the review of the structure of the current system. A revaluation is also due in April 2017. There is the potential for both changes to impact on the level of business rates income.
- Interest rate forecasts – Forecasting interest rate movements has proved difficult even for the experts and so a very cautious approach has been taken in the MTFP forecasting for 2016/17 onwards.
- Welfare Reform – The introduction of Universal Credit has been delayed but once finally rolled out, will impact on local residents and ultimately the councils finances. The Council is continuing to give full council tax support in 2016/17.
- Waste & Recycling Contract – Provision has been made in the MTFP for the impact of the new contract during 2016/17. This will need to be kept under review as the changeover takes place and actual costs are known for the depot and vehicles.

### **Review of Earmarked Reserves**

60. The Council should periodically review its reserves to ensure they are adequate. A review of the Council's earmarked reserves has been undertaken and a small number of changes have been made.
61. The reserve balances shown at Appendix B only take account of known transfers to reserves and funding commitments from reserves. Where the level of expenditure that will need to be funded is unknown, no estimates have been made. For example, the Legal Counsel reserve is increased by £30,000 annually but the expenditure from the reserve will not be known until the end of each financial year.
62. There are some minor changes to the reserves proposed, largely reallocating balances from reserves that are no longer required into the Capital reserve. A further review will be undertaken as part of the Outturn Report in June 2016.

## Housing Revenue Account

63. The financial position of the Housing Revenue Account (HRA) is included as part of the Council's overall financial strategy. Whilst there are significant differences in the way that the HRA and General Fund are financed, many of the budget pressures facing the General Fund will also impact on the HRA, particularly interest rates, pension costs and the efficiency and savings agenda.
64. 2016/17 is the fifth year the HRA will be operating under the Self Financing regime. The MTFP has been updated at a time of great uncertainty around the finances of the HRA. Several items of legislation are in progress that will reduce the income of the HRA and unfortunately due to the current stage of this legislation, not all of their effects can yet be quantified and incorporated into the plan.
65. The most significant two of these are firstly the reduction in rent of 1% from 2016/17 and for each of the following 3 years and secondly the extension of the 'Right to Buy' to Registered Provider (RP) tenants from April 2016. Stock owning local authorities will have to fund the discount offered to RP tenants in purchasing their properties under the Right to Buy, but the methodology has not yet been finalised and so we cannot calculate the cost to the authority.
66. The consequence of such uncertainty means that future updates to the MTFP are certain to see more change than would be expected in a time of greater financial stability. To help address the risks being faced around reduced funding there has been a review of the priorities of the HRA. Emerging from that process has the been the decision to prioritise on 3 key areas of activity:-
- (i) Maintaining the New Homes and Regeneration Programme
  - (ii) Sheltered Housing redevelopment
  - (iii) Redeveloping Estates

The new homes and regeneration budget has sufficient funding to achieve the stated objectives, but in order to help achieve priorities around Sheltered Housing and Estates Redevelopment funding has been set aside in earmarked reserves which by the end of the MTFP will have reached £5.8m and £1.2m respectively. The contributions to these earmarked reserves are made after balances on the general reserve is maintained at around £1.5m each year. It will be important to retain sufficient general reserves in order to begin addressing the as yet unknown financial risks arising from new legislation.

67. The challenges the HRA faces in terms of meeting priorities and expectations over the next years cannot be underestimated. It is already understood that repayment of the Self Financing debt can no longer be made in 17 years, which was the calculation at the start of self financing. The loss in rent income has pushed that back many years and may be pushed back even further when the true impact of new legislation is understood. The long term plans of the HRA will therefore have to respond and plan accordingly.

## **Capital Programme**

68. Over the MTFP, the Council's capital resources are essentially committed to fund the existing capital programme. The Capital reserve will be depleted by the end of 2017/18 and there are limited capital receipts available to the GF. Any new capital schemes, unless funded from revenue resources would need to be funded by borrowing.
69. Should the estimates for the resources available not be realised or the capital spending is greater than estimated, e.g. the demand for disabled facilities grants, the Capital reserve would have to fund the shortfall.
70. The Capital Programme is detailed in agenda item 8 to this meeting and shows very few projects beyond 2016/17, except for the Housing Revenue Account, due to the limited capital resources available. The Council is able to borrow to fund capital schemes providing it has due regard to the ongoing revenue consequences.

## **Equalities Impact Assessment**

71. Changes may be required to the way services are provided in order to reduce costs. Service Managers are responsible for undertaking Equalities Impact Assessments for any changes they make to any services they provide and where appropriate, EIAs have been undertaken.
72. The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop the Council making decisions which may affect one group more than another. The equality duties enable the Council to demonstrate that they are making financial decisions in a fair, transparent and accountable way, considering needs and rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.

## **Corporate Delivery Plan 2015-19**

73. The Council's vision as set out in the Corporate Delivery Plan 2015-19 forms the basis for modelling the MTFP. The plan states that Stroud District Council will work to ensure efficient and effective service delivery for the people who live in, work in and visit Stroud and will work with its partners to create a great future for Stroud.

The five areas of focus are:

- ✓ Environment - Help the community minimise its carbon footprint, adapt to climate change, recycle more and send as little waste to landfill as possible
- ✓ Affordable Housing – Provide affordable and decent social housing
- ✓ Resources – Provide value for money to our taxpayers and high quality services to our customers
- ✓ Economy – Help local people and businesses recover from the recession, grow the local economy and increase employment
- ✓ Health and Wellbeing – Promote the health and wellbeing of our communities and work with others to deliver the public health agenda

74. In 2015/16, the Council was able to direct resources to support the areas of focus through the identification of budget and efficiency savings. For the forthcoming year, there is no requirement by the administration to commit any further funds to these priorities over and above that already set aside in earmarked reserves.

### **Statement of the Chief Financial Officer**

75. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to make a statement on the robustness of the estimates and adequacy of financial reserves when considering its budget, council tax and housing rents. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax and rent setting meeting.

76. The basis on which the budget for 2016/17 and the MTFP have been prepared has been set out very clearly in this report. I am satisfied that the budgets for the General Fund, the Housing Revenue Account and the Capital Programme have been based on sound assumptions.

77. The grant settlement for 2016/17 and based on what is currently forecast for future years, the Council will have to rely heavily on reserves and balances to fund spending plans. Savings need to be identified and a plan produced and implemented to significantly reduce the funding gap shown on the MTFP in future years. Urgent action needs to be taken to ensure that, in future years, the Council's spending plans are reduced to match the resources available.

78. The risks and uncertainties are clearly set out in the report and have been provided for as far as possible. Adverse changes to the grant settlement are a risk and although unlikely to affect the Council's ability to set a budget for 2016/17, may affect the Council's MTFP.

### Financial Reserves

79. The requirement for financial reserves is acknowledged in statute. Section 32 and 43 of the Local Government Finance Act 1992 requires billing authorities to have regard to the level of reserves needed for meeting future expenditure when calculating the budget requirement.

80. The Council's earmarked reserves have been reviewed as set out in the report. Clearly there is an opportunity cost to holding reserves and so a regular review is essential to ensure the Council does not hold money in reserves unnecessarily.

81. The General Fund balance is currently higher than would normally be advised and this is due in the main to a successful budget and efficiency savings agenda but also because of the uncertainty surrounding future funding levels, and so the level of balances held is reasonable.

82. Overall, I am satisfied that the projected levels of reserves and balances held by the Council are adequate for the forthcoming year but will continue to review the position as necessary during the course of the year as the Governments future plans become clearer.



## General Fund Medium Term Financial Plan (MTFP) – 2015/16 to 2019/20

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>GENERAL FUND MTFP</b>						
Original Budget	15,376	15,665	16,311	16,311	16,311	16,311
Adj: Service Improvements funding	160					
Adj: Previous Policy Decisions				(109)	(129)	(129)
Adj: Budget Pressures	359		139	139	139	139
Adj: Budget & Efficiency Savings	(437)		(347)	(388)	(388)	(388)
Adj: Service Revenue effect of Cap Fin				(121)	(121)	(121)
<b>Restated Service Revenue Expenditure</b>	<b>15,458</b>	<b>15,665</b>	<b>16,103</b>	<b>15,832</b>	<b>15,812</b>	<b>15,812</b>
<b>Technical Accounting Adjustments</b>						
Minimum Revenue Provision (MRP)	0	0	0	700	700	700
Capital Charges	(1,178)	(1,178)	(1,178)	(1,611)	(1,611)	(1,611)
IAS19 Retirement Benefits	(769)	(769)	(1,241)	(1,241)	(1,241)	(1,241)
Net transfer to / from (-) Reserves	1,375	1,375	1,715	215	215	215
<b>Subtotal</b>	<b>(572)</b>	<b>(572)</b>	<b>(704)</b>	<b>(1,937)</b>	<b>(1,937)</b>	<b>(1,937)</b>
<b>Corporate Income &amp; Expenditure</b>						
General Fund Contingency	50	50	50	50	50	50
Drainage Board Levies	103	106	125	128	132	136
Parish Council Funding for LCTS scheme	157	157				
Interest payable & similar charges	25	61	181	301	301	301
Interest & investment income	(180)	(200)	(200)	(220)	(220)	(220)
Feed-in-tariff Income	(27)	(27)	(27)	(27)	(27)	(27)
<b>Subtotal</b>	<b>128</b>	<b>147</b>	<b>129</b>	<b>232</b>	<b>236</b>	<b>240</b>
<b>Adjusted Budget</b>	<b>15,014</b>	<b>15,240</b>	<b>15,527</b>	<b>14,127</b>	<b>14,111</b>	<b>14,115</b>
<b>Inflation</b>						
Non-Pay Inflation	0	0	0	100	200	300
Pay Inflation (1% increase)	20	0	0	100	200	300
<b>Subtotal</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>400</b>	<b>600</b>
<b>Base Budget</b>	<b>15,034</b>	<b>15,240</b>	<b>15,527</b>	<b>14,327</b>	<b>14,511</b>	<b>14,715</b>
<b>Budget Pressures</b>						
Increase in Employers Pension Contributions				216	432	648
Impact of Pension Triennial Review				100	100	100
Apprenticeship Levy				35	35	35
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>351</b>	<b>567</b>	<b>783</b>
<b>Standstill Budget including Pressures</b>	<b>15,034</b>	<b>15,240</b>	<b>15,527</b>	<b>14,678</b>	<b>15,078</b>	<b>15,498</b>
<b>Service Improvements</b>						
Welfare Reform			30	30	30	30
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Proposed Net Revenue Budget</b>	<b>15,034</b>	<b>15,240</b>	<b>15,557</b>	<b>14,708</b>	<b>15,108</b>	<b>15,528</b>

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>GENERAL FUND MTFP</b>						
<b>Proposed Net Revenue Budget</b>	<b>15,034</b>	<b>15,240</b>	<b>15,557</b>	<b>14,708</b>	<b>15,108</b>	<b>15,528</b>
<b>Funded By:</b>						
Precept on Collection Fund	7,744	7,744	7,879	7,938	7,997	8,057
Increase in Council Tax (2% increase)			158	158	158	158
Council Tax Freeze Grant	83	83	0	0	0	0
New Burdens Funding and other Grants	60	60	0	0	0	0
Business Rates Retention Funding	2,840	2,840	2,856	2,948	3,066	3,194
Revenue Support Grant	1,866	1,866	1,053	347	0	0
Tariff/Top-Up adjustment				0	(77)	(549)
New Homes Bonus	2,277	2,277	3,210	2,680	2,000	1,533
<b>Subtotal Government Funding</b>	<b>7,126</b>	<b>7,126</b>	<b>7,119</b>	<b>5,975</b>	<b>4,989</b>	<b>4,178</b>
Council Tax Collection Fund surplus/-deficit	165	165	195	0	0	0
NNDR Collection Fund surplus/-deficit	(415)	(415)	(750)	0	0	0
Use of / addition to (-) working balances	414	621	1,114	795	2,121	3,293
<b>TOTAL Funding</b>	<b>15,034</b>	<b>15,240</b>	<b>15,715</b>	<b>14,866</b>	<b>15,265</b>	<b>15,685</b>
<b>BUDGET REQUIREMENT</b>	<b>14,620</b>	<b>14,620</b>	<b>14,601</b>	<b>14,070</b>	<b>13,144</b>	<b>12,393</b>

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>GENERAL FUND BALANCES</b>						
General Fund Balance b/f	8,647	8,647	8,026	6,912	6,117	3,995
Change in Balances	(414)	(621)	(1,114)	(795)	(2,121)	(3,293)
<b>General Fund Balance c/f</b>	<b>8,233</b>	<b>8,026</b>	<b>6,912</b>	<b>6,117</b>	<b>3,995</b>	<b>703</b>
Reductions in expenditure, or increases in income, to maintain balances at £1.5m	0	0	0	0	0	797
General Fund Balances as % of Net Revenue Budget	54.76%	52.66%	44.43%	41.59%	26.45%	4.53%

#### With 2% Council Tax Increase in future years (2017/18 to 2019/20)

	2015/16 Original (£'000)	2015/16 Revised (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
<b>GENERAL FUND BALANCES</b>						
General Fund Balance b/f	8,647	8,647	8,026	6,912	6,279	4,487
Increase in Council Tax (2% increase)				162	330	503
Use of Balances above			(1,114)	(795)	(2,121)	(3,293)
Revised Use of Balances		(621)	(1,114)	(633)	(1,792)	(2,789)
<b>General Fund Balance c/f</b>	<b>0</b>	<b>8,026</b>	<b>6,912</b>	<b>6,279</b>	<b>4,487</b>	<b>1,697</b>

<b>Earmarked Reserve</b>	<b>Purpose of Reserve</b>	<b>Balance as at 01/04/15 (£'000)</b>	<b>Est. Closing Balance 31/03/16 (£'000)</b>	<b>Est. Closing Balance 31/03/17 (£'000)</b>
Capital Reserve	Funding as per MTFP, Capital scheme financing	(2,251)	(929)	(735)
Closed Circuit Television	Provides a funding source for CCTV maintenance costs and equipment replacement	(83)	(83)	(83)
Information Communication Technology	To fund ICT infrastructure requirements over the medium term	(434)	(404)	(454)
Legal Counsel	To fund the cost of legal counsel advice within services	(120)	(150)	(180)
Opportunity Land Purchase	To fund land acquisitions	(250)	(250)	(250)
Planning appeal costs	To provide adequate resource to fund any planning appeals or tribunals	(355)	(380)	(405)
Property Maintenance	To fund the ongoing maintenance costs of the council's buildings	(389)	(326)	(396)
Workforce Planning	To fund any costs arising from delivering the Workforce Plan in future years	(400)	(400)	(400)
Risk Management & Insurance	To provide resource to manage the council's risk managements activities and provide funding for insurance policy excess.	(70)	(70)	(70)
Stratford Park Leisure Centre Sinking Fund	To fund the replacement plant and equipment at Stratford Park Leisure Centre	(140)	(140)	(140)
Housing (General Fund)	Funds set aside to facilitate building further new affordable homes in the district outside the HRA	0	(950)	(1,500)
S106 Maintenance	Provides funding for ongoing maintenance commitments funded from s106 agreements	(204)	(204)	(204)
Efficiency / Invest to Save	Upfront investment funding for Capital or Revenue projects that generate an income stream or reduce costs in future years	(179)	(179)	(179)
Warm & Well Grants	Transferred to Capital reserve	(68)	0	0
Climate Change Reserve	To Fund the Carbon Management Programme	(625)	(553)	0
Littlecombe	Littlecombe rental income received set aside for any future costs and commitments in managing the site	(421)	(421)	(421)

<b>Earmarked Reserve</b>	<b>Purpose of Reserve</b>	<b>Balance as at 01/04/15 (£'000)</b>	<b>Est. Closing Balance 31/03/16 (£'000)</b>	<b>Est. Closing Balance 31/03/17 (£'000)</b>
Waste Management Reserve	Committed in 2016/17 - to fund the purchase of the residual value of the wheeled bins at the end of the contract.	(560)	(600)	0
Unapplied Revenue Grants	Grant funding received in 2014/15 that was not spent - reprioritised in 2015/16	(39)	0	0
Unapplied Revenue Contributions	Contributions received from external partners that have not been fully spent in the financial year.	(82)	0	0
BRR Safety Net	Amount set aside for any potential business rates income shortfall under the Business Rates Retention Scheme	(162)	(162)	(162)
Welfare Reform	To provide resource for the revolving loan fund used by the Homelessness Prevention team - transferred from revenue balances	(122)	(120)	(120)
Retrofit Guarantee Reserve	To provide the funding to establish an Energy loan guarantee fund	(75)	(75)	(75)
Elections Reserve	To provide adequate funding for the Council's election costs when not combined with national elections	(35)	(35)	(35)
Merrywalks	Net income held prior to distribution as per Management agreement	(93)	(93)	(93)
Neighbourhood Planning	Funding received to support development of Neighbourhood Plans	(20)	(35)	(35)
Jobs and Growth	To provide funding to support the Council's Jobs and Growth Plan	(1,558)	(1,431)	(1,431)
Stroud Valleys Initiative	To provide funding for a strategic solution to the Frome floodplain and potentially unlock sites for housing and business development	0	0	0
<b>Total Earmarked Reserves</b>		<b>(8,735)</b>	<b>(7,990)</b>	<b>(7,368)</b>

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<b>Report Title</b>	<b>TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17</b>
<b>Purpose of Report</b>	<p>This report outlines the Council's prudential indicators for 2016/17 – 2018/19 and sets out the treasury strategy for this period. It fulfils three key reports required by the Local Government Act 2003:</p> <ul style="list-style-type: none"> <li>• reporting prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities;</li> <li>• a treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management;</li> <li>• an investment strategy in accordance with the DCLG investment guidance.</li> </ul> <p>It also fulfils the statutory duty to approve a minimum revenue policy statement for 2016/17.</p>
<b>Decision(s)</b>	<p><b>The Audit and Standards Committee RECOMMEND that Council:</b></p> <ol style="list-style-type: none"> <li><b>1. adopt the prudential indicators and limits for 2016/17 to 2018/19;</b></li> <li><b>2. approve the treasury management strategy 2016/17, and the treasury prudential indicators;</b></li> <li><b>3. approve the investment strategy 2016/17, and the detailed criteria for specified and non-specified investments; and approve the Minimum Revenue Policy Statement 2016/17.</b></li> </ol>
<b>Consultation and Feedback</b>	Capita Asset Services (CAS)

<b>Financial Implications and Risk Assessment</b>	<p>This report sets out the expected activities of the Council's Treasury function for 2016/17 and recommends the investment instruments that are available to the council and the limits on these investments. The report also sets out the Council's borrowing strategy, limits and associated policies.</p> <p>The Council has £99.717m of borrowing and the Council's capital spending plans increase the borrowing to £114.141m by 31 March 2019.</p> <p>It will be important to consider carefully, in conjunction with our Treasury Management advisers, the optimum timing and nature of any new borrowing to minimise the cost to the Council.</p> <p>The Council makes investments during the year as part of its management of treasury balances. The investment strategy sets out the Council's investment priorities and the criteria used to make those investments to ensure security of capital, liquidity and a return on investment. The Treasury Management Strategy is designed to protect the Council's finances through limiting exposure to risk.</p> <p>David Stanley, Accountancy Manager  Tel: 01453 754100  Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>No direct legal implications to report.</p> <p>Karen Trickey, Legal Services Manager  Tel: 01453 754369  Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>
<b>Report Author</b>	<p>Graham Bailey, Principal Accountant  Tel: 01453 754133  E-mail: <a href="mailto:graham.bailey@stroud.gov.uk">graham.bailey@stroud.gov.uk</a></p>
<b>Chair of Committee</b>	<p>Councillor Nigel Studdert-Kennedy  Tel: 01453 821491  E-mail: <a href="mailto:cllr.nigel.studdert-kennedy@stroud.gov.uk">cllr.nigel.studdert-kennedy@stroud.gov.uk</a></p>
<b>Options</b>	<p>Full Council is required to adopt the prudential indicators and approve the annual treasury management strategy. These are largely determined by the Council's revenue and capital budget decisions when setting the 2016/17 Council Tax and Housing rent levels.</p>

<p><b>Performance Management Follow Up</b></p>	<p>Quarterly, half-yearly and annual Treasury Management reports of actual compared with estimated prudential indicators for 2016/17.</p> <p>Any breaches of the Prudential Code will be reported to the Audit and Standards Committee. A breach of the Authorised Borrowing Limit would require immediate investigation and reporting to Council.</p>
<p><b>Background Papers/ Appendices</b></p>	<p><a href="#"><u>Treasury Management Policy Statement</u></a></p> <p><a href="#"><u>Treasury Management Practices - Main Principles</u></a></p> <p><a href="#"><u>Treasury Management Practices – Schedules</u></a></p> <p><a href="#"><u>The Prudential Code (2011)</u></a></p> <p><a href="#"><u>Treasury Management in the Public Services Guidance Notes for Local Authorities (2011)</u></a></p> <p><a href="#"><u>Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (2011).</u></a></p> <p>Reports:</p> <ul style="list-style-type: none"> <li>○ Capital Programme and Proposed Schemes, 7 January 2016</li> <li>○ General Fund Revenue Estimates – Revised 2015/16 and Original 2016/17, 7 January 2016</li> <li>○ The General Fund Revenue Budget 2016/17 and Medium Term Financial Plan 2015/16 – 2019/20, 7 January 2016</li> <li>○ Housing Revenue Account Revised Estimates 2015/16 and Original Estimates 2016/17, 7 January 2016</li> </ul> <p>A. <a href="#"><u>Investments at 22 December 2015</u></a></p> <p>B. <a href="#"><u>Explanation of Prudential Indicators</u></a></p> <p>C. <a href="#"><u>Economic Background</u></a></p> <p>D. <a href="#"><u>Treasury Management Scheme of Delegation</u></a></p>

## Discussion

1. Under the Local Government Act 2003 (the Act) and supporting regulations the Council is required to “have regard to” the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

2. Council is required to approve an Annual Treasury Management Strategy Statement for borrowing, and an Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to security and liquidity of investments.
3. Also, there is a statutory duty to approve a Minimum Revenue Provision (MRP) Policy Statement for the year and this is set out in paragraphs 2.6 – 2.9 of this report.
4. CIPFA Code of Practice on Treasury Management (revised November 2011) as adopted by this Council on 21 January 2010 requires the Council to maintain a Treasury Management Manual, which is reviewed annually. This manual is a record of internal procedures and operational guidance, as such it does not need to be approved by Members. The manual incorporates the following documentation relating to Treasury management:
  - Treasury Management Policy Statement. This was approved by Members in 2002 and is reviewed annually.
  - Treasury Management Practices (TMP) – Main Principles. There are 12 practices which set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. These were adopted in 2002. They are reviewed annually.
  - Treasury Management Practices – Schedules. These schedules set out the details of how the TMPs are put into effect by this Council. This document is revised annually to include the latest detailed procedural documents.
  - Counterparty Lending List and lending criteria. The list used by the Council is provided by Capita Asset Services (CAS), the Council's treasury advisors. A new list is provided weekly, and there are daily updates by email of any changes to ratings.
5. Other CIPFA requirements are:
  - a Mid-year Review Report and an Annual Report covering activities during the previous year;
  - delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. At this Council, delegation is to the Strategic Head (Finance & Business Services), the Council's Section 151 officer;
  - delegation by the Council of the role of scrutiny of treasury management reports and strategy to a specific named body. For this Council the delegated body is the Audit and Standards Committee.



# Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement 2016/17

## 1. INTRODUCTION

- 1.1 The Act and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The 2016/17 strategy for the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, CAS. The strategy covers:
  - limits in force to mitigate the Council's treasury risk;
  - Prudential Indicators;
  - current treasury position;
  - borrowing requirement;
  - prospects for interest rates;
  - borrowing strategy;
  - policy on borrowing in advance of need;
  - investment strategy;
  - creditworthiness policy;
  - policy on use of external service providers;
  - Minimum Revenue Provision (MRP) statement;
  - treasury management scheme of delegation and section 151 role;
  - miscellaneous treasury issues.
- 1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:
  - increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
  - any increases in running costs from new capital projects are limited to a level which is affordable for the foreseeable future.

## 2. CAPITAL PRUDENTIAL INDICATORS FOR 2016/17 TO 2018/19

2.1 Capital expenditure plans are a key driver of treasury management activity. There are prudential indicators that focus on the Council's capital spending plans.

2.2 The first prudential indicator is a summary of the Council's capital expenditure plans, shown in Table 1.

**Table 1: Capital Expenditure**

Capital Expenditure	2014/15 £000 Actual	2015/16 £000 Estimate	2016/17 £000 Estimate	2017/18 £000 Estimate	2018/19 £000 Estimate
Community Services	839	2,218	703	350	350
Environment	1,217	1,598	1,300	11	-
Strategy & Resources	225	2,303	10,620	1,500	-
<b>General Fund</b>	<b>2,281</b>	<b>6,119</b>	<b>12,623</b>	<b>1,861</b>	<b>350</b>
<b>HRA</b>	<b>12,818</b>	<b>17,767</b>	<b>17,136</b>	<b>9,540</b>	<b>7,290</b>
<b>Total</b>	<b>15,099</b>	<b>23,886</b>	<b>29,759</b>	<b>11,401</b>	<b>7,640</b>

2.3 Any shortfall of resources to finance the capital programme results in a borrowing need as set out in Table 2 below.

**Table 2: Capital Financing**

Capital Expenditure	2014/15 £000 Actual	2015/16 £000 Estimate	2016/17 £000 Estimate	2017/18 £000 Estimate	2018/19 £000 Estimate
General Fund	2,281	6,119	12,623	1,861	350
HRA	12,818	17,767	17,136	9,540	7,290
<b>Total</b>	<b>15,099</b>	<b>23,886</b>	<b>29,759</b>	<b>11,401</b>	<b>7,640</b>
Financed by:					
Capital receipts	812	1,812	2,127	211	-
Capital grants	8,478	1,143	1,563	817	175
Capital reserves	350	1,975	1,270	600	175
Revenue	5,459	12,557	12,366	8,773	7,290
<b>Net Financing Need for the year</b>	<b>-</b>	<b>6,400</b>	<b>12,432</b>	<b>1,000</b>	<b>-</b>

2.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic capital expenditure which has not yet been financed from either revenue or capital resources. It is the measure of the Council's underlying borrowing need. Any newly planned unfinanced capital expenditure will increase the CFR.

2.5 The Council is asked to approve the CFR projections below:

**Table 3: The Council's borrowing need (Capital Financing Requirement)**

Capital Financing Requirement	2014/15 £000 Actual	2015/16 £000 Estimate	2016/17 £000 Estimate	2017/18 £000 Estimate	2018/19 £000 Estimate
CFR - General Fund	7,569	9,969	18,639	18,935	18,231
CFR - HRA	87,980	91,980	95,742	95,742	95,742
Total CFR	95,549	101,949	114,381	114,677	113,973
<b>Movement in CFR</b>	-	6,400	12,432	296	-704

Movement in CFR represented by					
Net financing need for the year	-	6,400	12,432	1,000	-
Less MRP / VRP and other financing movements	-	-	-	-704	-704
<b>Movement in CFR</b>	-	6,400	12,432	296	-704

**Minimum revenue provision (MRP) policy statement 2016/17**

- 2.6 The Council's MRP policy statement for 2016/17 is in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. MRP is only chargeable on General Fund outstanding capital liabilities.
- 2.7 An MRP charge is not currently required for the HRA. Following the introduction of HRA self-financing it is currently proposed that the HRA will be required to charge depreciation on its assets. This will have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance as a proxy for depreciation until 31 March 2017. The Council awaits confirmation of the accounting requirements from accounting year 2017/18.
- 2.8 The government has protected the General Fund from any adverse MRP liability arising from HRA self-financing borrowing. Consequently, as there was no General Fund MRP liability for the General Fund prior to HRA Self-Financing, there is no General Fund MRP liability for 2016/17. The Council's MRP liability for 2016/17 is therefore NIL.
- 2.9 When the Council's General Fund CFR (for MRP purposes) becomes positive, MRP will be charged under Option 3 of the DCLG guidance. Option 3 is an MRP charge over a time period reasonably commensurate with the estimated useful life of a new asset. The Council is funding £1m of expenditure on Dursley Pool fitness extension by borrowing, there is £8.4m of borrowing planned in respect of the Multi-

Service Contract commencing in July 2016, and also £2m of borrowing in relation to Brimscombe Port redevelopment. Under Option 3, MRP will be chargeable in the year following the completion of the asset. So MRP will commence in 2017/18 and its duration will be linked to the asset funded and so will last from 5 to 25 years.

- 2.10 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

**Table 4: Core Funds and Expected Investments**

Year end resources	2014/15 £m Actual	2015/16 £m Estimate	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate
Fund balances / reserves	22.268	17.657	15.006	12.641	9.925
Capital receipts	1.507	1.283	-0.265	0.104	0.684
Provisions	0.859	0.859	0.859	0.859	0.859
Other	0.477	0.500	0.500	0.500	0.500
<b>Total Core funds</b>	<b>25.111</b>	<b>20.299</b>	<b>16.100</b>	<b>14.104</b>	<b>11.968</b>
Working capital	-0.467	0.500	0.500	0.500	0.500
Under / over borrowing	0.168	0.168	0.168	0.168	0.168
<b>Expected investments</b>	<b>24.812</b>	<b>20.967</b>	<b>16.768</b>	<b>14.772</b>	<b>12.636</b>

**Affordability of capital plans prudential indicators**

- 2.11 Prudential indicators are required to assess the affordability of capital expenditure plans. These provide an estimate of the impact of capital investment plans on the Council's overall finances. The Council is asked to approve the indicators shown in tables 5, 6 and 7.

- 2.12 The indicator shown in table 5 shows the cost of capital expenditure plans against the net revenue stream.

**Table 5: Ratio of financing costs to net revenue stream**

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	-2.86%	-1.31%	6.38%	7.21%	7.10%
HRA	15.09%	15.47%	16.05%	15.91%	16.08%

2.13 The indicator shown in Table 6 shows estimates of the revenue costs arising from proposed changes to the 2015-16 to 2018-19 capital programme recommended in this year's 'Capital Programme and Proposed Schemes' report compared to the Council's existing approved commitments and current plans.

**Table 6: Incremental impact of capital investment decisions on council tax**

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council Tax - Band D	£0.16	-£1.94	£2.84	£0.50	-£0.02

2.14 Similar to the council tax calculation, Table 7 indicator identifies the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

**Table 7: Estimates of the incremental impact of capital investment decisions on housing rent levels**

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Weekly Housing Rents	-£0.03	£0.19	£0.57	£0.00	-£0.30

### 3. BORROWING

- 3.1 Amongst the objectives of the treasury management function are to ensure that the Council's cash is managed in accordance with relevant professional codes and that sufficient cash is available at the right times to facilitate revenue and capital spending plans. Capital expenditure plans as set out in section 2 indicate if borrowing is required.
- 3.2 Table 8 shows the actual external debt (the treasury management operations), compared against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 8: Gross Debt compared with Capital Financing Requirement (CFR)**

	2014/15 £m Actual	2015/16 £m Estimate	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate
<b>External Debt</b>					
Debt at 1 April	95.717	95.717	102.117	114.549	114.845
Expected change in debt	-	6.400	12.432	0.296	-0.704
Other long term liabilities at 1 Apr	-	-	-	-	-
<b>Actual Gross Debt at 31 March</b>	95.717	102.117	114.549	114.845	114.141
<b>Capital Financing Requirement</b>	95.549	101.949	114.381	114.677	113.973
<b>Under / (over) borrowing</b>	-0.168	-0.168	-0.168	-0.168	-0.168

- 3.3 Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not for revenue purposes.
- 3.4 The Strategic Head (Finance & Business Services) reports that the Council complied with this prudential indicator in the current year and does not expect any breaches up to and including financial year 2018-19. This view takes into account current commitments, existing plans, and the proposals in this budget report.
- 3.5 There are two Treasury indicators set which limit external debt. The operational boundary is the limit that external debt should not normally exceed. If external debt were to exceed this figure then it should prompt an internal investigation to establish the reasons why the breach had occurred.

**Table 9: Operational Boundary**

Operational Boundary	2015/16 £m Estimate	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate
Debt	112	125	125	125
Other Long Term Liabilities	-	-	-	-
Total	112	125	125	125

3.6 The Authorised Limit is set or revised by full Council, and must not be exceeded. It represents the level of debt that is unsustainable in the longer term. It is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control local government borrowing in total or for specific councils. This power has not been used to date.

3.7 The Council is asked to approve the following Authorised Limit:

**Table 10: Authorised Limit for External Debt**

<b>Authorised Limit</b>	<b>2015/16 £m Estimate</b>	<b>2016/17 £m Estimate</b>	<b>2017/18 £m Estimate</b>	<b>2018/19 £m Estimate</b>
Debt	118	130	130	130
Other Long Term Liabilities	-	-	-	-
Total	118	130	130	130

3.8 A separate control on the Council's borrowing is a limit on the maximum HRA CFR introduced as part of HRA self-financing. This Council has some headroom to borrow over and above the self-financing settlement amount. This is set out in the next table:

**Table 11: HRA Debt Limit**

<b>HRA Debt Limit</b>	<b>2014/15 £m Actual</b>	<b>2015/16 £m Estimate</b>	<b>2016/17 £m Estimate</b>	<b>2017/18 £m Estimate</b>	<b>2018/19 £m Estimate</b>
Actual HRA CFR	87.980	91.980	95.742	95.742	95.742
Limit	95.742	95.742	95.742	95.742	95.742
Headroom	7.762	3.762	-	-	-

3.9 CAS are treasury advisers to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the CAS forecast as at November 2015.

**Table 12: Interest Rate Forecast**

Month	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
Mar-16	0.5	2.5	3.8	3.8
Jun-16	0.75	2.6	3.9	3.9
Sep-16	0.75	2.8	4	4
Dec-16	1	2.9	4.1	4.1
Mar-17	1	3	4.2	4.2
Jun-17	1.25	3.1	4.3	4.3
Sep-17	1.5	3.2	4.4	4.4
Dec-17	1.5	3.3	4.5	4.5
Mar-18	1.75	3.4	4.6	4.6
Jun-18	2	3.5	4.6	4.6

### **Borrowing Strategy**

- 3.10 Currently the Council has £99.7m of borrowing, compared with a Capital Financing Requirement (CFR) of £101.949m. This means that the capital borrowing need (the CFR), is greater than loan debt by £2.249m. The Council borrowed £2m of PWLB at a fixed rate of 3.20% on 18 August 2015 and £2m on 20 August 2015 at a fixed rate of 3.16% to take advantage of particularly low rates to fund part of the borrowing requirement.
- 3.11 There is a limit on HRA borrowing set by the Government in the Localism Act 2011 known as the HRA debt cap. The Council's HRA debt cap is £95.742m. This cap is the absolute limit for HRA borrowing under the Prudential Code, even if the Council considers further borrowing is affordable by the HRA. The current HRA CFR is £91.980m, which means a borrowing 'headroom' of £3.762m measured against the cap, as shown by table 11.
- 3.12 Current HRA capital plans are borrowings of £3.762m during 2016/17 and General Fund plans include borrowing of £8.672m. The Strategic Head (Finance & Business Services) will decide on the length and type of borrowing, as well as the optimum time to borrow in consultation with CAS, and take into account the latest projections for interest rates and other relevant factors including any benefits arising from internal borrowing.



### **Treasury management limits on activity**

3.13 The purpose of treasury management limits are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits

3.14 The Council is asked to approve the following treasury indicators and limits:

**Table 13: Limits on interest rate exposure**

<b>Interest Rate Exposures</b>	<b>2015/16 Upper</b>	<b>2016/17 Upper</b>	<b>2017/18 Upper</b>
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates on net debt	100%	100%	100%

**Table 14: Maturity structure of borrowing**

<b>Maturity structure of new fixed and variable rate borrowing during 2016/17</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

**Table 15: Non-specified investment limit**

<b>Upper Limit for total principal sums invested for over 364 days</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Investments	£8m	£8m	£8m	£8m	£8m

**Policy on borrowing in advance of need**

- 3.15 The Council will not borrow more than, or in advance of, need purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates as required by the Prudential Code (see paragraph 3.3). Decisions to borrow will seek to ensure value for money and security of funds.
- 3.16 The Council will consider borrowing up to 12 months ahead of capital spend:
- If such capital spend is considered very likely to occur within 12 months;
  - treasury advisers demonstrate that rates are particularly low and likely to move higher within 12 months;
  - treasury advisers evaluate a net saving after assessing cost of carry;
  - a trigger rate(s) will be set by s151 officer in consultation with treasury advisers and treasury officers;

- borrowing will be conducted in parcels – eg £4m could be split into 4 x £1m or 2 x £2m;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been fully considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;

3.17 The foregoing usual procedure will not prevent the S151 officer from forward borrowing to the fullest extent permitted by the Prudential Code, CFR for the current year plus the following two years, if extraordinary conditions arise in the short term to make such action in the interests of the authority.

#### **Debt rescheduling**

3.18 Now that the Council has £99.7m of long-term debt, the Strategic Head (Finance & Business Services) will keep under review opportunities for debt rescheduling. Debt rescheduling is reported to Council at the next meeting after it occurs.

## **4. ANNUAL INVESTMENT STRATEGY**

### **Investment Policy**

4.1 The Council will have regard to the DCLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance such as the March 2010 revision, and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code"). The Council's investment priorities in order are:

- 1) security of capital
- 2) liquidity of investments
- 3) rate of return

4.2 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what the ratings mean for each agency. CAS's bank ratings service enables real-time monitoring of a bank's rating. Daily emails are sent to the Council to notify of any significant change to a bank rating.

- 4.3 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector. Assessment will also take account of information reflecting the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" (CDS). Other information sources used will include the financial press, share price and other such information about the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 4.4 The intention of the strategy is to provide security of investment and minimisation of risk.
- 4.5 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of investments.
- 4.6 Borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 4.7 'Specified' and 'Non-Specified' Investments categories identify investment instruments for use during the financial year.

#### **Specified Investments**

- 4.8 All specified investments will be sterling denominated, with maturities up to 1 year (including any forward deal time), subject to CAS's colour coding rating system as set out in creditworthiness policy paragraphs 4.16 – 4.22.

**Table 16: Specified Investments**

Type of Investment	Minimum 'High' Credit Criteria	Max Sum per institution / group
Debt Management Agency Deposit Facility	*	£40m
Term deposits – local authorities	*	£8m
Term deposits – banks and building societies	Colour coded as per Sector Weekly counterparty listing (AAA countries & UK only)	£8m
UK Government Gilts	*	£12m
Bonds issued by multilateral development banks	*	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	£8m
Treasury Bills	*	£12m
Certificates of deposits issued by banks and building societies	Colour coded as per Sector Weekly counterparty listing (AAA countries & UK only)	£8m
Certificates of deposits issued by banks and building societies	Colour coded as per Sector Weekly counterparty listing (AAA countries & UK only)	£8m
Money Market Funds	AAA	£4m per MMF & £12m total in MMFs
Enhanced Money Market Funds	AAA	£4m per MMF & £12m total in MMFs

## Non-Specified Investments

4.9 All investments will be sterling denominated.

**Table 17: Non-specified Investments - Maturities in excess of 1 year**

Financial instrument / institution	Minimum Credit Criteria	Max. maturity period	Max. Sum**
Term deposits – banks and building societies	Colour coded as per Sector Weekly counterparty listing (AAA countries & UK only)	3 years	£8m
Certificates of deposits issued by banks and building societies	Colour coded as per Sector Weekly counterparty listing (AAA countries & UK only)	3 years	£8m
Property Funds	***	25 years	£3m
Corporate Bonds	AA-	3 years	£3m
UK Local Authorities	*	3 years	£8m
UK Government Gilts	*	3 years	£8m
Bonds issued by multilateral development banks	*	3 years	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	3 years	£8m

\* Government institutions have the highest security, although they are not formally rated.

\*\* A maximum sum refers to the combined total of specified and non-specified investments with a particular bank.

\*\*\* Any investment would be subject to an evaluation process and a report to Strategy and Resources Committee.

4.10 Under the Local Authority Mortgage Scheme (LAMS) as per Cabinet report 15 December 2011 the Council has a 5-year deposit of £1m with Lloyds bank. This £1m LAMS investment is a service investment, rather than a treasury management investment, and is therefore outside of the Specified and Non-Specified investment categories where there is a 3-year limit for banks.

## Investment Strategy

4.11 Cash flow forecast requirements and the outlook for short-term interest rates are important factors considered when making investments. During 2015 interest rates have continued to fall, whilst the number of available counter-parties has increased.

4.12 In 2016-17 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security. In particular instances the Strategic Head (Finance & Business Services) will authorise UK investments in excess of a year for example to take advantage of enhanced interest rates on Lloyds 366-day notice deposit. Otherwise, the length of investments permitted will vary if necessary in line CAS advice subject to the Council's 3-year upper limit.

**Table 18: Investments maturing after the end of the current financial year.**

<b>Financial Institution</b>	<b>Amount £</b>	<b>Maturity</b>	<b>Rate</b>
Nationwide	2,000,000	01/06/2016	0.68%
Santander	1,400,000	10/05/2016	1.15%
Bank of Scotland	2,000,000	08/04/2016	1.00%

4.13 Bank Rate has been unchanged at 0.5% since March 2009. Bank Rate is forecast to commence rising in quarter 2 of 2016.

4.14 The Council will primarily make short-dated deposits of up to a year with appropriately rated banks or UK local authorities rather than utilising call accounts or money market funds in order to maximise interest. Transaction costs will be taken into account in any investment decision for smaller sums, which means balances of up to £1m may be retained in lower interest rate, but transaction cost free, accounts for short periods when this is cost-efficient.

4.15 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

**Creditworthiness policy**

4.16 This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

4.17 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined

with an overlay of CDS spreads for which the end-product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- **Yellow** 3 years
- **Dark pink** 3 years
- **Light pink** 3 years
- **Purple** 2 years
- **Blue** 1 year (only applies to nationalised or semi nationalised UK Banks)
- **Orange** 1 year
- **Red** 6 months
- **Green** 100 days
- **No colour** not to be used

4.18 This creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

4.19 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings, but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.20 All credit ratings will be monitored prior to making an investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the CAS creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via CAS's Passport website. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

4.21 The Council will not place sole reliance on the use of this external service. In addition this Council will use market data and information on government support for banks and the credit ratings of particular countries.

### **Country limits**



- 4.22 The following countries have sovereign ratings of AA- or higher, and also have banks operating in sterling markets which have credit ratings of green or above in CAS credit worthiness service.

<b>AAA</b>	<b>AA+</b>	<b>AA</b>	<b>AA-</b>
Australia	Finland	Abu Dhabi (UAE)	Belgium
Canada	Netherlands	France	
Denmark	UK	Qatar	
Germany	USA		
Singapore			
Sweden			
Switzerland			

## **5. MISCELLANEOUS TREASURY ISSUES**

### **Use of external service providers**

- 5.1 Capita Asset Services (CAS) are the Council's treasury management advisers. As responsibility for treasury management decisions remains with the Council at all times, undue reliance will not be placed upon our external treasury management advisers.
- 5.2 The contract with CAS expires on 30 September 2016, and so treasury advice services for October 2016 onwards need to be procured during 2016.

### **Member Training**

- 5.3 The CIPFA Code requires the provision of adequate training for members by the Section 151 officer. Member training is planned for 13 January 2016. Training is necessary to enable Audit and Standards Committee members to fulfil their role more effectively.

## INVESTMENTS AS AT 22 DECEMBER 2015

Counterparty	£	%	S / NS	Type	Issue	Maturity
NatWest Treasury Reserve	355,824	0.25%	S	Call		
RBS CD	2,000,000	0.96%	S	Fixed	17/07/2015	15/07/2016
RBS Deposit Account	7,476	0.25%	S	Call		
<b>NatWest/RBS GroupTotal</b>	<b>2,363,300</b>					
Goldman	2,862	0.44%	S	Call		
Federated Prime Rate	3,861,255	0.49%	S	Call		
Ignis	895	0.45%	S	Call		
<b>Money Market Fund Total</b>	<b>3,865,012</b>					
<b>Nationwide</b>	<b>2,000,000</b>	0.68%	S	CD	01/12/2015	01/06/2016
<b>Standard Chartered</b>	<b>1,000,000</b>	0.78%	S	CD	10/06/2015	10/03/2016
Santander	2,000,000	0.69%	S	Fixed	07/07/2015	06/01/2016
Santander - 95 day Notice	1,000,000	0.90%	S	Notice	08/10/2015	19/01/2016
Santander - 95 day Notice	1,000,000	0.90%	S	Notice	09/10/2015	19/01/2016
Santander - 95 day Notice	845,000	0.90%	S	Notice	13/10/2015	05/02/2016
Santander - 95 day Notice	1,737,000	0.90%	S	Notice	16/10/2015	05/02/2016
Santander - 180 day Notice	1,400,000	1.15%	S	Notice	12/11/2015	10/05/2016
<b>Santander</b>	<b>7,982,000</b>					
<b>Svenska</b>	<b>10,380</b>	0.35%	S	Call		
Bank of Scotland	1,000,000	0.57%	S	Fixed	15/12/2015	21/03/2016
Bank of Scotland	2,000,000	0.70%	S	Fixed	16/07/2015	15/01/2016
Bank of Scotland	2,000,000	0.57%	S	Fixed	13/11/2015	15/02/2016
Bank of Scotland	2,000,000	1.00%	S	Fixed	10/04/2015	08/04/2016
<b>Bank of Scotland</b>	<b>7,000,000</b>					
Lloyds	1,000,000	0.57%	S	Fixed	15/12/2015	21/03/2016
Lloyds	1,800,000	0.57%	S	Fixed	22/10/2015	22/01/2016
Lloyds	2,000,000	0.70%	S	Fixed	07/07/2015	06/01/2016
Lloyds	1,000,000	0.57%	S	Fixed	04/12/2015	11/03/2016
<b>Lloyds</b>	<b>5,800,000</b>					
Barclays FIBCA	1,433	0.10%	S	Call		
Barclays	1,900,000	0.56%	S	Fixed	17/11/2015	11/03/2016
Barclays	1,000,000	0.58%	S	Fixed	17/11/2015	21/03/2016
Barclays	2,000,000	0.64%	S	Fixed	23/09/2015	22/02/2016
Barclays	2,000,000	0.70%	S	Fixed	05/08/2015	05/02/2016
Barclays	1,000,000	0.57%	S	Fixed	15/12/2015	21/03/2016
<b>Barclays</b>	<b>7,901,433</b>					
<b>TOTAL INVESTMENTS</b>	<b>37,922,125</b>					

S = Specified Investment - less than 1 year  
 NS = Non-specified investment - 1 year and over

## **EXPLANATION OF PRUDENTIAL INDICATORS**

Central government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they can demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

**Capital expenditure** – table 1 shows last year's capital expenditure, this year's projected capital expenditure and the approved programme until 2018/19.

**Ratio of financing costs to net revenue stream** – table 5 shows that the General Fund currently receives an income from the investment of balances which turns into a net expenditure in 2016/17 with General Fund borrowing. The HRA borrowing means that interest on net borrowing now accounts for between 15.09% and 16.08% of net revenue.

**Net borrowing need** – table 2 shows borrowing planned to fund the capital programme.

**Capital financing requirement (CFR) as at 31 March** – table 3 shows the CFR which is the council's underlying need to borrow for capital purposes as determined from the balance sheet. Table 8 shows the overall CFR is £101.949m. As the Council has borrowing of £99.717m the balance sheet shows there is under borrowing of £2.232m.

**HRA debt limit** – table 11 shows the absolute limit for HRA indebtedness which is measured against the HRA CFR. This shows that the HRA has borrowing 'headroom' of £95.742m - £91.980m = £3.762m.

**Incremental impact of capital investment decisions – increase in Council Tax (band D) per annum** – table 6 shows the effect of the latest capital programme report on annual council tax. This indicator is based on the estimated decrease or increase in interest payable to or by the General Fund each year due to the changed funding of the capital programme in the latest capital report to January 2016 Strategy and Resources as compared with the previous capital report in June 2015.

**Incremental impact of capital investment decisions – increase in average housing rent per week** – table 7 shows the effect of the latest capital programme report on weekly housing rent. This indicator is based on the estimated decrease or increase in interest payable to or by the HRA each year due to the changed funding of the capital programme in the latest capital report to January 2016 Strategy and Resources as compared with the previous capital report in June 2015.

**Authorised limit for external debt** – table 10 shows the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows.

**Operational boundary for external debt** – table 9 shows the more likely limit to the level of external debt that may be required for day to day cashflow.

**Upper limit for fixed and variable interest rate exposure** – table 13 shows these limits that allow the Council flexibility in its investment and borrowing options.

**Upper limit for total principal sums invested for over 364 days** – table 15 shows the amount it is considered can be prudently invested for period in excess of a year.

## Economic Background

**UK.** UK GDP growth rates of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1% in the second half of 2016. Indeed, the increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. Nevertheless, despite average weekly earnings ticking up to 3.0% y/y in the three months ending in September, this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate in the near future as labour productivity growth has meant that net labour unit costs appear to be rising by about only 1% y/y. Having said that, at the start of October, data came out that indicated annual labour cost growth had jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

There is, therefore, considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, therefore, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

**USA.** GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) before dipping again in Q3 to 1.5%.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. may start to increase rates in September. However, the Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong and, together with a likely perception by the Fed. that concerns on the international scene have subsided since August, has now firmly opened up the possibility of a first rate rise in December.

**Eurozone.** The ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in Q1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in Q2 and looks as if it may maintain this pace in Q3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

**Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

**China and Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.3% after a short burst of strong growth of 1.0% during Q1. Japan has been hit hard by the downturn in China during 2015. This does not bode well for Japan as the Abe government has already fired its first two arrows to

try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

**Emerging countries.** There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

### **CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.



## **TREASURY MANAGEMENT SCHEME OF DELEGATION AND ROLE OF THE SECTION 151 OFFICER**

### **1. Council**

- Approval of annual strategy, mid-year report and outturn report

### **2. Audit and Standards Committee**

- Receipt, review and recommendation to Council of quarterly monitoring reports
- Receipt, review and recommendation to Council of reports on treasury strategy, policy and activity

### **3. Section 151 Officer / Strategic Head (Finance & Business Services)**

- Reviewing the treasury management policy, procedures, strategy and making recommendations to the Audit and Standards Committee;
- Approving the selection of external service providers and agreeing terms of appointment;
- Submitting regular treasury management strategy reports;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy on internal audit and liaising with external audit.