

To all Members of Stroud District Council

17 January 2018

You are hereby summoned to attend a budget meeting of the **STROUD DISTRICT COUNCIL** in the Council Chamber, Ebley Mill on **THURSDAY 25 JANUARY 2018 at 7.00 pm.**



David Hagg
Chief Executive

Please Note: This meeting will be filmed for live or subsequent broadcast via the Council's internet site (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.

AGENDA

1 APOLOGIES

To receive apologies for absence.

2 DECLARATIONS OF INTEREST

To receive declarations of interest.

3 MEMBERSHIP OF STRATEGY AND RESOURCES COMMITTEE

Following the resignation of Councillor Lydon as Chair of Strategy and Resources Committee and Labour Group Leader and subject to compliance with the political balance requirements:

3a To appoint a Chair of the Committee

NB. This post holder will become the Leader of the Council.

3b To appoint a Vice-Chair of the Committee

NB. Such appointment will only apply in the event that the new Chair is the current Vice-Chair.

3c To appoint a Committee Member

NB. Such appointment will apply if following the appointment of the new Chair and Vice-Chair, there is a vacant seat on the Committee.

4 RECOMMENDATION FROM AUDIT AND STANDARDS COMMITTEE – 28 NOVEMBER 2017

Half Year Treasury Management Activity Report 2017/18 ([A&S Agenda Item 11](#))

The relevant committee report is available on the website page for this Council meeting.

The Chair of the Audit and Standards Committee will present this item.

The Audit and Standards Committee makes the following recommendations to Council:

- i) That the Treasury Management Activity Half-year Report for 2017/2018 be approved; and
- ii) To make the amendment to investment duration to 2 years for up to £3million with government supported banks, as set out in paragraph 17 of the report [to the committee on 28 November 2017 (Agenda Item 11)].

5 RECOMMENDATIONS FROM STRATEGY AND RESOURCES COMMITTEE – 18 JANUARY 2018

The relevant committee reports are available on the website page for this Council meeting.

The Chair of Strategy and Resources Committee (appointed as per Agenda Item 3a above) will present this item.

As at the date of publication of this agenda, the above meeting had not been held, although it was anticipated that the Committee would be making the following recommendations to Council.

5a Housing Revenue Account Budget 2018/19 and Medium Term Finance Plan 2018/19 ([S&R Agenda Item 8a](#))

- i) The revised HRA budget for 2017/18 and original budget for 2018/19 are approved; and
- ii) The movement to and from balances and capital reserves as detailed in Appendices B and C are approved; and
- iii) That from 1 April 2018:
 - a) Social rents and affordable rents are decreased by 1% (equivalent to 81p at the average rent level), as calculated in accordance with legislation.
 - b) Garage rents are increased by 3%.
 - c) Landlord sheltered housing service charges are increased by 3%.
 - d) Other landlord service charges are increased by 3%; and
- iv) That the HRA Capital Programme for 2017/18 to 2021/22, as detailed in Appendix C of the report [to the committee on 18 January 2018 (Agenda Item 8a)], are included in the Council's Capital Programme.

5b General Fund Revenue Estimates – Revised 2017/18 and Original 2018/19
(S&R Agenda Item 8b)

The estimates set out in the report be considered and approved for inclusion in the General Fund Revenue Budget 2018/19 and Medium Term Financial Plan report to Council.

5c The General Fund Budget 2018/19, Capital Programme and Medium Term Financial Plan **(S&R Agenda Item 8c)**

- i) To approve the service revenue estimates as set out in Appendix A.
- ii) To approve the ICT and Invest to Save contingency for 2018/19 and subsequent years as set out in paragraph 4.5 as part of a balanced budget.
- iii) To increase the council tax by 2.99% to £201.50 at Band D, an increase of less than 12p per week for the services provided by Stroud District Council.
- iv) to approve the updated Medium Term Financial Plan as set out in Appendix B.
- v) to approve the Capital Programme, as set out in Appendix C and the Capital Financing Statement as shown in Appendix D.
- vi) to approve the changes to the reserves as set out in paragraph 5.16 of the report and Appendix E.

5d The Fair Pay and Senior Pay Policy Statement 2018/19 **(S&R Agenda Item 10)**

To approve the statement.

**RECOMMENDATION FROM
AUDIT AND STANDARDS COMMITTEE
TO COUNCIL ON 25 JANUARY 2018**

**AGENDA
ITEM NO**

4

This is a copy of the Agenda Item 11 report to the Committee on 28
November 2017

Report Title	HALF YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2017/18
Purpose of Report	To provide an update on treasury management activity as at the first half of the financial year 30/09/2017.
Decision(s)	The Committee: 1. RECOMMENDS to Council that it approves the Treasury Management Activity Half-year Report for 2017/2018, and 2. RESOLVES the amendment to investment duration to 2 years for up to £3million with government supported banks, as set out in paragraph 17 of this report.
Consultation and Feedback	Capita Asset Services Limited
Financial Implications & Risk Assessment	David Stanley, Accountancy Manager (Section 151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Legal Implications	None (Ref: KT/c13.11.17)
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: graham.bailey@stroud.gov.uk
Chair of Committee	Councillor Nigel Studdert-Kennedy Tel: 01453 821491 E-mail: cllr.nigel.studdert-kennedy@stroud.gov.uk
Options	None
Performance Management Follow Up	A third quarter report and a full 2017/18 annual report.
Appendices	A – Prudential Indicators as at 30 Sept 2017 B – Explanation of prudential indicators

Background

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.'
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).

Discussion

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2009, and it was 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:
 - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
 - A review of the Council's investment portfolio for 2017/18
 - A review of the Council's borrowing strategy for 2017/18
 - A review of compliance with Treasury and Prudential Limits for 2017/18
 - Other Treasury issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2017/18 was approved by Council on 23 February 2017. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
 - Security of Capital
 - Liquidity
 - Yield
5. The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current low interest rate environment the Council is seeking to invest for longer periods of up to a 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.
6. A breakdown of the Council's investment portfolio as at 30 September and 30 June 2017 is shown in Table 2 of this report. Investments and borrowing during the year have been in line with the Strategy.

Investment Portfolio 2017/18

7. 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 half year is shown in the table below:

TABLE 1: Average Interest Rate Compared With Benchmark Rates

Period	Investment Interest Earned	Average Net Investment	Average Interest Rate	Benchmark 7 day LIBID	Benchmark 3 month LIBID
01/04/17 - 30/06/17	£43,103	£33.207m	0.52%	0.11%	0.17%
01/07/17 - 30/09/17	£45,235	£36.120m	0.49%	0.11%	0.18%
Total	£88,338	£36.120m	0.49%	0.11%	0.18%

8. The Local Area Mortgage Scheme investment of £1m which matured on the 24th April 2017 at 3.8% with Lloyds is excluded from the above table. If this interest is included the interest earned is £91k at an average interest rate of 0.XX%.
9. Table 2 below shows the investments and borrowing position at the end of September 2017.
10. The approved limits as set out in the Treasury Management Strategy report to Council 23 February 2017 within the Annual Investment Strategy have been complied with during the first half year of 2017/18.
11. 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 £8m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year).

TABLE 2: Investments & Borrowing

	Jun 2017 £'000	Sep 2017 £'000
Federated Prime Rate	1,900	3,264
Deutsche	1	0
Goldman Sachs	1	1
Standard Life	0	2,034
Money Market Funds Total	1,902	5,299
Bank of Scotland	3,000	0
Lloyds	4,425	6,428
Lloyds Banking Group Total	7,425	6,428
Royal Bank of Scotland	1,007	4,008
RBS Banking Group Total	1,007	4,008
Goldman Sachs	8,000	8,000
Standard Chartered	2,000	2,000
Santander	4,604	4,607
Barclays Bank Plc	1	1
Svenska Handelsbanken	1,500	7,802
UBS	2,000	0
Rabobanks	2,000	2,000
Other Banks Total	20,105	24,410
TOTAL INVESTMENTS	<u>£30,439</u>	<u>£40,145</u>
Local Authority	2,000	2,000
PWLB	104,717	104,717
TOTAL BORROWING	<u>£106,717</u>	<u>£106,717</u>

Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2017/18 is £113.984m. 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 external borrowing of £106.717m as at 30 September 2017. There is also £4.740m of internal borrowing.

Compliance with Treasury and Prudential Limits

13. 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.
14. During the period to 30 September 2017 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 A.

MIFID II

15. The Markets in Financial Instruments Directives is EU legislation that changes, from 3 January 2018, the regulatory environment for local authorities using certain financial investment types. Local authorities have been classified as retail rather than professional investors which will limit the range of investments available. There is an option within the legislation for local authorities to opt up to the professional classification on an institution by institution basis. The Council meets the criteria to opt up to professional status and so will do so to maintain the range of investments available. An example of where the Council is opting up is with Money Market Funds.

Pension Pre-Payment

16. The Council agreed with the Pension Fund to pay 3 years’ pension lump sums in 4 instalments (Apr, Jul, Oct & Jan) during 2017-18. The cash value of these prepayments is £6.497m, rather than £6.809m if paid annually over 3 years, a cash saving of £312k. An estimated £50k of interest will be foregone.

Increasing return on investments

17. The current Treasury Strategy approved in February 2017 commits the Council to following Capita Asset Services (CAS) advice in terms of the length of investment permitted. It is recommended that the Strategy is amended to allow up to £3m to be invested with UK government supported banks for up to a period of 2 years (which is currently beyond the duration advised by CAS) . Any such investment being justified on the rate of return available, and being achievable from a cash flow perspective, and subject to specific approval by the Section 151 officer.

Prudential Indicators as at September 2017

Prudential Indicator	2017/18 Indicator £'000	Actual as at 30 June 2017 £'000	Actual as at 30 September 2017 £'000
Capital Financing Requirement (CFR)	113,984	112,088	112,720
Gross Borrowing	107,717	106,717	106,717
Authorised Limit for external debt	128,000	106,717	106,717
Operational Boundary for external debt	120,000	106,717	106,717
Limit of fixed interest rates based on net debt	100%	100%	100%
Limit of variable interest rates based on net debt	25%	0%	0%
Principal sums invested > 364 days	8,000	0	0
Maturity structure of borrowing limits			
Under 12 months	25%	1%	1%
12 months to 2 years	50%	0%	0%
2 years to 5 years	75%	1%	1%
5 years to 10 years	100%	2%	2%
10 years and above	100%	96%	96%

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 2017 strategy with actual gross borrowing as at 30 June 2017.

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 £113,984m provides the Council with the opportunity to borrow if appropriate. No external borrowing is planned for 2017/18.

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 2017 to 30 September 2017.

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 2017 to 30 September 2017.

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.

**RECOMMENDATION FROM
STRATEGY AND RESOURCES COMMITTEE
TO COUNCIL ON 25 JANUARY 2018**

**AGENDA
ITEM NO**

5a

This is a copy of the Agenda Item 8a report to the Committee on 18
January 2018

Report Title	HOUSING REVENUE ACCOUNT (HRA) BUDGET 2018/19 AND MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22
Purpose of Report	To consider the HRA's financial position over the medium term and set a budget for the HRA for 2018/19.
Decision(s)	<p>The Committee RECOMMENDS to Council:</p> <p>(1) The revised HRA budget for 2017/18 and original budget for 2018/19 are approved; and</p> <p>(2) The movement to and from balances and capital reserves as detailed in Appendices B and C are approved; and</p> <p>(3) That from 1 April 2018:</p> <p style="margin-left: 20px;">i) Social rents and affordable rents are decreased by 1% (equivalent to 81p at the average rent level), as calculated in accordance with legislation</p> <p style="margin-left: 20px;">ii) Garage rents are increased by 3%</p> <p style="margin-left: 20px;">iii) Landlord sheltered housing service charges are increased by 3%</p> <p style="margin-left: 20px;">iv) Other landlord service charges are increased by 3%; and</p> <p>(4) That the HRA Capital Programme for 2017/18 to 2021/22, as detailed in Appendix C, are included in the Council's Capital Programme</p>
Consultation and Feedback	Budget holders and senior managers

<p>Financial Implications and Risk Assessment</p>	<p>The report sets out the medium term financial forecast for the HRA over the next 4 years. Revenue and Capital budgets have been reviewed with the MTFP maintaining minimum balances of £1.5m over the medium term. Whilst the overall level of expenditure across the HRA is reducing from £22.7m to £21.5m, the continued 1% reduction in social rents places the HRA under significant financial pressure.</p> <p>The HRA's MTFP is financed in part through use of reserves and capital receipts. There is some risk to the HRA around the timing of capital receipts to fund elements of the capital programme. This may mean the HRA has to amend its spending plans during subsequent financial years.</p> <p>A number of risks and uncertainties remain with the MTFP forecasts, and these are set out in paragraphs 7.2 to 7.13 in the report.</p> <p>Whilst there has been an announcement concerning social rents for a 5-year beyond from 2020/21 (CPI +1%), uncertainty remains beyond this period. The 3- year financial plan is being updated, but a useful graph is included in the report highlighting the impact of a change in social rent assumptions (CPI +1% continuing over the 30 years, vs CPI only beyond 2025).</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
<p>Legal Implications</p>	<p>This specific report was reviewed by Legal Services as it was submitted to the Housing Committee on 12 December 2017. Advice provided was as follows:</p> <ul style="list-style-type: none"> • This report forms part of the budget setting process for 2018/19. In order to set its budget, the Council is required (amongst other things) to calculate its estimated expenditure and income which will be charged / allocated to its Housing Revenue Account. • With regard to recommendation (3) in January 2017, it was resolved by the Committee that a review should be undertaken of the Council's social rent setting options and for there to be a report back to Committee in June 2017. Pending completion of this review and consideration of the options by the Committee, the recommendations in the current report set out rent proposals in line with the Welfare Reform and Work Act 2016 which requires the Council to reduce social housing rents payable by individual tenants by 1% each year from 2016 to

	<p>2019.</p> <ul style="list-style-type: none"> Consistent with the legal requirements regarding the setting of the budget, it is essential that the Committee (taking account of the professional finance advice provided) is satisfied that its recommendations for the revised year's HRA budget and next year's budget are appropriate. (Ref: rc2711d2811) (Ref:rc10118d4118) <p>K Trickey, Head of Legal Services Email: karen.trickey@stroud.gov.uk</p>
Report Author	Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Options	<ul style="list-style-type: none"> a) Reduce or increase capital and revenue expenditure b) Reduce dwelling rents c) Reduce or increase landlord service charges
Performance Management Follow Up	<p>Budget Monitoring report to Housing Committee in March 2018</p> <p>Outturn report to Strategy and Resources in May 2018</p>
Background Papers/ Appendices	

1. Executive Summary

- 1.1 It is recommended that social and affordable rents be decreased by 1% (equivalent to 81p per week at the average rent level), as calculated in accordance with legislation.
- 1.2 Increases of 3% are proposed for garage rents, general needs service charges and sheltered housing service charges, in line with inflation.
- 1.3 The budget proposals included in this report would enable the Council to set a balanced budget for 2018/19. This includes a transfer from HRA General Reserves of £0.125m.
- 1.4 HRA balances are planned to be maintained at £1.5m over the MTFP period.
- 1.5 However, the longer term position is greatly affected by external factors such as nationally set rent guidance and additional legislation.

2. HRA Budget and Medium Term Financial Plan

- 2.1 The MTFP proposes a revenue expenditure budget of £22.710m in 2018/19, funded by income of £22.535m and use of reserves, including earmarked reserves, of £0.175m. This reduces to an expenditure of £21.532m in 2021/22.

Table 1 – Summary of HRA MTFP

	2017/18 Base £000s	2017/18 Revised £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Dwelling rents	(21,106)	(21,106)	(20,829)	(20,443)	(20,925)	(21,384)
Other income	(1,957)	(1,859)	(1,706)	(1,579)	(1,606)	(1,627)
Total Income	(23,063)	(22,965)	(22,535)	(22,022)	(22,531)	(23,011)
Expenditure	16,451	16,890	17,369	17,490	17,748	17,247
Other costs	9,197	8,067	5,341	3,954	4,281	4,285
Total expenditure	25,648	24,957	22,710	21,444	22,029	21,532
Transfers to/(from) EMR	503	1,586	(50)	394	696	(263)
Transfer to/(from) General Reserves	(3,088)	(3,578)	(125)	184	(194)	1,742
HRA General Reserves Balance c/f	2,125	1,635	1,510	1,694	1,500	3,242

2.2 A more detailed analysis of the HRA MTFP can be found in Appendix B

3. Proposed Rent and Service Charges 2018/19

- 3.1 In the MTFP social and affordable rents for 2018/19 have been reduced by 1% in line with the legislation. This reduces average rents by £0.81 per week, from £81.52, to £80.71.
- 3.2 During the four year period of rent reduction set out in the Housing and Planning Act, rents must be set with at least a 1% rent reduction. Members could choose to reduce rents by more than 1%. Each additional 0.5% reduction would reduce the average weekly rent for tenants by £0.41 per week, or £21.32 per year, and decrease dwelling rent income to the HRA by approximately £104k per year. If Members chose to implement further reductions, the corresponding amount would need to be funded from reductions in existing services.
- 3.3 On becoming vacant, dwellings at social rent are being relet at the Target Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all local authority and housing association stock. Currently 88% of tenants have rents below the Target Rent. Of those, the average difference is £2.21 per week. This is equivalent to loss of income of approximately £474k per year. This figure will reduce as dwellings become void and are relet, but as existing tenancies will be unaffected it will be a very gradual change.
- 3.4 Shared ownership rents are set to increase in line with the inflationary uplifts set out in each lease.
- 3.5 As set out in Appendix A, all fees and charges are recommended to increase by 3%, in line with inflation.
- 3.6 A review of landlord service charges will be undertaken by Housing Services, starting in 2018, to ensure charges reflect the cost of providing the services.
- 3.7 Garage income is expected to reduce to nil over 2018/19 and 2019/20 as garages are taken out of use, as approved by Housing Committee.

4. Self Financing Debt and Interest Rates

- 4.1 The HRA has now reached its debt cap, having utilised the full available headroom awarded as part of the self financing determination. Therefore no further borrowing is currently possible, with any further investment in new or existing stock needing to come from existing resources (eg budget savings), or capital receipts.
- 4.2 The Autumn Budget announced the ‘lifting of borrowing caps for councils in areas of high affordability pressure’. The detail of this is not yet known, but it is expected that any additional borrowing capacity will be awarded through a bidding arrangement with DCLG, and would be phased over a number of years. Further detail will be given to members when it is available. Members should also be mindful that the cost of any additional borrowing would need to be funded from income associated with the borrowing. Otherwise subsidy would be needed from other resources, therefore reducing existing services.
- 4.3 It is recommended to continue to pay only interest on the £102.5m of borrowing the HRA has taken. A £2m loan is due for repayment in 2018/19, and should members wish to repay this loan, equivalent savings would need to be found within the MTFP which would significantly affect the delivery of services.

5. Pay and Price Inflation

- 5.1 Pay inflation has been provided for in the MTFP at a rate of 2%. This is a change from the position reported to Housing Committee (in which it was included at 1%) with the additional cost funded from a staffing contingency and so does not affect the bottom line of the HRA.
- 5.2 Provision has been made in the HRA MTFP for price inflation on major contracts at a rate of 3%.

Table 2: Summary of pay and price inflation in the MTFP

	2019/20 £000s	2020/21 £000s	2021/22 £000s
Revenue Contract/Non-Pay Inflation	102	207	316
Capital Works Contract Inflation	136	290	432
Pay Inflation (2% increase)	65	130	194
Total	303	627	942

6. Material Assumptions Made in the HRA MTFP

- 6.1 The MTFP forecast is made under a number of assumptions. The main ones of note are summarised below:

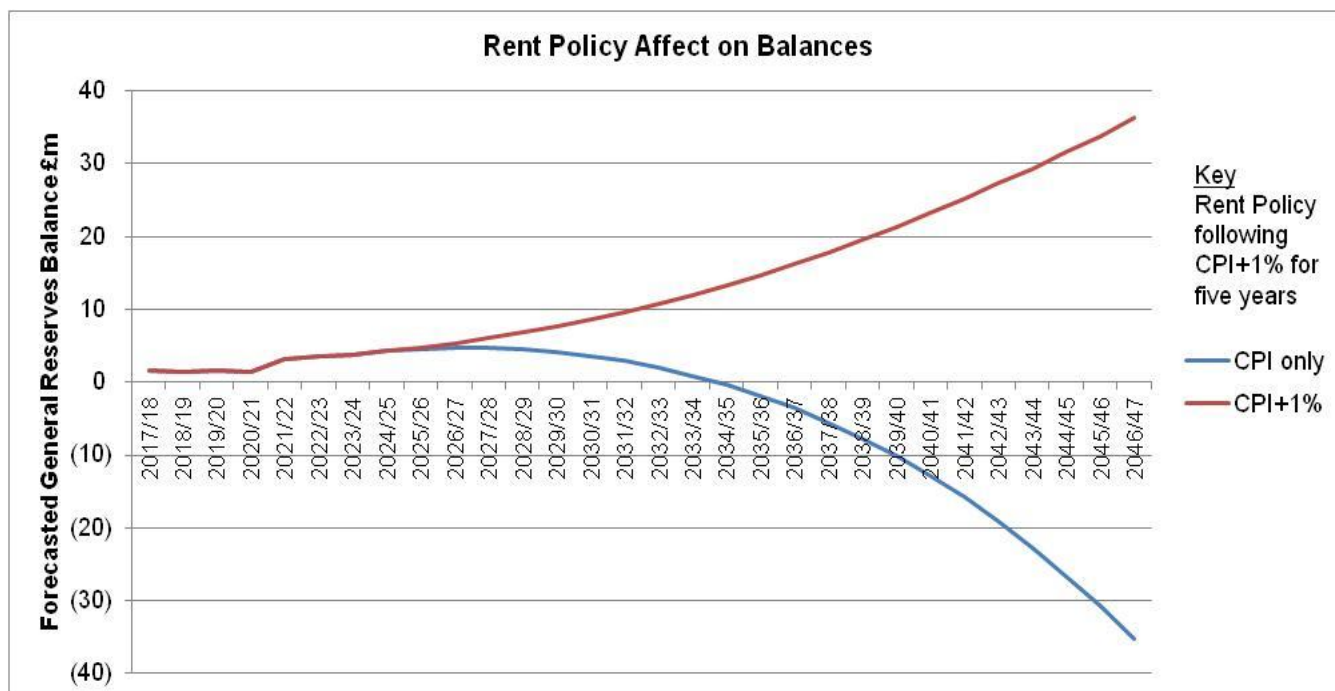
- Rents are decreased by 1% across all social and affordable rented housing stock. On average this will reduce rents by 81p per week, or £42.12 per year.
- Void levels of 2% in general needs, and 5% in sheltered housing properties are assumed (in schemes not affected by the Sheltered Housing Modernisation Programme).
- 30 Right to Buy sales a year have been assumed in terms of rent loss
- HRA balances will be maintained at £1.5m over the MTFP period in order provide resilience against the negative financial impact of future legislative changes.

7. Risks and Uncertainties

- 7.1 The HRA faces a number of risks and uncertainties, both external to the Council and internal changes.
- 7.2 Pay award – pay inflation has been included over the medium term at 2% in line with the General Fund. Should the pay award be higher than this, the MTFP would be affected.
- 7.3 Capital receipts – the MTFP includes the use of capital receipts to fund the New Build and Development Programme and the Sheltered Housing Modernisation. Should these assets not be sold, or sold for a lower price than expected, alternative funding would need to be allocated for the schemes to progress as planned. However, should a higher capital receipt be achieved, this would provide additional funding for other projects.
- 7.4 Rents - it is now known that after the four year rent reduction (the final year of which is 2019/20), rents will return to the previous rent guidance of Consumer Price Index (CPI) + 1%. Although it is positive that the rental increase is agreed, members should be mindful that rent guidance has previously been changed at short notice.

The current 30 year Delivery Plan includes the continuation of CPI+1% rent increases over the 30 year period, which may not be sustainable in the long term. Above inflationary rental increases in affordable housing, could mean that rents move closer to market rents, leaving them no longer affordable for existing and future tenants.

The below graph shows the impact on HRA general reserves should rents be linked to CPI only from 2025/26. CPI is assumed at 2%.



7.5 This shows the risk posed by a difference in rent of only 1% per year.

7.6 Although a significant risk over the longer term, it does not represent a considerable risk over the medium term as balances are forecasted to remain above the minimum recommended balance of £1.5m until 2032/33. Nevertheless it should be considered as part of the full review of the HRA 30 year position.

7.7 Higher Value Asset Sales – the sale of vacant social housing with the proceeds being returned to Government to fund the extension of Right to Buy in Housing Associations.

The regulations have not yet been published, but it is expected that an amount will be payable to Government based on the value of SDC housing stock. It is expected that it will be determined locally how this funding is raised, and therefore it will not necessarily be funded through the sale of the higher value housing. The financial value is not yet known.

As details have not yet been announced, no allowance has been included in the MTFP for 2018/19. An assumption that rental income will be lost on 12 sales per year has been included from 2019/20.

7.8 Rent caps – it has been announced that the Local Housing Allowance (LHA) cap will no longer be applicable to social housing, but it is not yet known if/what system would replace it.

7.9 Universal Credit – the full impact of Universal Credit is not yet known. An allowance for £100k additional provision for bad debt (from £100k to

£200k per year) is included in the MTFP for three years from 2018/19 to allow for non payment of rents and charges.

- 7.10 Fixed term tenancies – the requirement to review tenancies every five years (with allowances for tenants with a disability or school age children) will impact on the way tenancies are managed. It could also lead to an increase in Right to Buys as tenants are able to exercise their Right to Buy after three years and some tenants may wish to purchase the property before their tenancy expires.
- 7.11 Right to Buy Receipts – the MTFP shows that 2018/19 will be the final year of the Council's New Homes and Regeneration Programme. The Sheltered Modernisation Programme will provide some new housing, but much of the programme will not be eligible for the use of RTB receipts as it is improving existing dwellings.

Members approved an additional budget of £700k in 2017/18 in order to utilise RTB receipts. The limited ability to finance the remaining 70% of build costs means that the HRA is unlikely to be able to fully utilise all Right to Buy receipts going forward.

Where possible partnerships will be made with Registered Providers (RPs) to provide additional housing locally, but this still leaves the HRA at risk of having to repay any receipts not spent within the time frame, plus interest. This includes any receipts allocated to RPs, where they have experienced delays and have not met RTB deadlines.

Although it is hoped that any repayment of RTB receipts won't be required, there is a real risk that if internal spend is delayed, or if partnerships with RPs experience set backs, RTBs receipts may need to be returned with interest payments.

- 7.12 Interest rates – the HRA is largely sheltered from interest rate changes in the medium term as all of the current borrowing is at fixed interest rates. As loans become repayable, advice will be sought from our treasury advisors on the most advantageous approach to refinancing.
- 7.13 Insurance – The current insurance contract is due to be retendered in October 2018. It is currently expected that the cost of provision will increase due to the level of claims made in recent years. The HRA could consider lowering the insurance provision, and 'self insuring' for smaller claims. This could lower premiums, but would mean that additional spend would be required in repairs and maintenance. This will be reviewed as part of the retendering process.

8. **30 Year Finance Position**

- 8.1 A full review of the HRA 30 year position will be undertaken by the Housing Service, supported by finance, over the upcoming year in order to ensure the Housing service remains sustainable over the longer term.

9. Capital Programme

- 9.1 A capital programme totalling £12.482m is proposed for 2018/19, reducing to £7.755m in 2021/22.
- 9.2 The Major Works budget has remained largely in line with the current programme. This programme will be reviewed using updated data from the ongoing stock condition surveys as part of the full 30 year position review.
- 9.3 A full breakdown of the capital programme can be found in Appendix C

10. New Homes and Regeneration Programme

- 10.1 Despite the ongoing challenging financial environment, the Council remains committed to the New Homes and Regeneration Programme, and is on course to meet its target of 236 new homes.
- 10.2 The budget proposal for 2018/19 includes the reprofiling of the budget, with £3.004m now expected to be delivered in 2018/19.
- 10.3 Further detail of the programme can be found in the Capital Project Monitoring report, also being reported to Housing Committee.

11. Sheltered Housing Modernisation

- 11.1 Budgets have been included in the MTFP for the Sheltered Modernisation Project. In 2018/19 the budget is to progress the development of new flats on the Tanners Piece site and to complete the modernisation works at Sherborne House, and two other green/amber sites.
- 11.2 The programme continues to be funded by a mix of revenue contributions, capital receipts (linked to the sheltered sites), and RTB receipts where eligible.

Table 3 – Sheltered Housing Summary

	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Expenditure					
Revenue Costs	406	579	457	477	29
Red schemes - capital	31	1,700	13	0	1,500
Other schemes - capital	588	359	298	462	336
	1,025	2,638	768	939	1,865
Financed by					
Revenue - earmarked reserves	600	2,128	464	539	115
Capital receipts - sheltered	262		300	400	1,300
RTB receipts	163	510	4	0	450
	1,025	2,638	768	939	1,865

11.3 The capital receipts financing line includes the capital receipts for the sale of Ringfield Close, Drylease Court and Cambridge House. Should these capital receipts not be realised, alternative funding would need to be found.

11.4 Funding has been allocated in the MTFP to finance the current five year programme, but further funding will need to be allocated in future years if members wish the project to continue.

11.5 Further detail on the Sheltered Modernisation Project can be found in the Capital Project Monitoring report, also being reported to Housing Committee.

Proposed Level of HRA Rents and Service Charges 2018/19

Proposed level of rents and service charges (on a weekly basis over 52 weeks)	Current 2017/18 £	Proposed 2018/19 £	Increase/ Decrease £	Increase/ Decrease %
Rents				
Dwelling rents (average)	81.52	80.71	-0.81	-1%
Garage rents (excl VAT which is chargeable to non tenants only)	12.09	12.45	0.36	3%
Landlord Service Charges (charged where applicable)				
TV relay (communal aerials – basic IRS)	0.34	0.35	0.01	3%
TV relay (communal aerials – comprehensive IRS)	0.86	0.89	0.03	3%
Cleaning charges (average)	2.37	2.45	0.08	3%
District heating (average)	7.62	7.85	0.23	3%
Water charges (average)	2.51	2.59	0.08	3%
Sheltered Housing	23.98	24.70	0.72	3%

HRA Medium Term Financial Plan 2017/18 to 2021/11

	2017/18 Base £000s	2017/18 Revised £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Income						
Dwelling rents	(21,106)	(21,106)	(20,829)	(20,443)	(20,925)	(21,384)
Non dwelling rents	(395)	(395)	(228)	(114)	(116)	(118)
Charges for services and facilities	(1,184)	(1,086)	(1,020)	(1,007)	(1,032)	(1,051)
Contributions towards charges	(378)	(378)	(458)	(458)	(458)	(458)
Total Income	(23,063)	(22,965)	(22,535)	(22,022)	(22,531)	(23,011)
Expenditure						
Repairs and maintenance	3,657	3,642	3,678	3,789	3,894	3,933
Supervision and management	5,007	4,940	5,129	5,216	5,337	5,333
Special services	2,531	2,604	2,758	2,681	2,713	2,277
Depreciation	5,156	5,604	5,604	5,604	5,604	5,604
Provision for bad debt	100	100	200	200	200	100
	16,451	16,890	17,369	17,490	17,748	17,247
Other income and expenditure						
RCCO	5,406	4,276	1,549	146	475	481
HRA share of CDC	315	315	304	304	304	304
Interest payable	3,501	3,501	3,513	3,532	3,532	3,532
Investment income	(25)	(25)	(25)	(28)	(30)	(32)
Provision for repayment of debt	0	0	0	0	0	0
Total Expenditure	9,197	8,067	5,341	3,954	4,281	4,285
Transfers to/from reserves						
Transfers to/(from) earmarked reserves	503	1,586	(50)	394	696	(263)
Transfers to/(from) general reserves	(3,088)	(3,578)	(125)	184	(194)	1,742
Total Transfers to/from reserves	(2,585)	(1,992)	(175)	578	502	1,479
Net revenue position	0	0	0	0	0	0

	2017/18 Base £000s	2017/18 Revised £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
General Reserves						
Opening balance	5,213	5,213	1,635	1,510	1,694	1,500
Transfers (to)/from	(3,088)	(3,578)	(125)	184	(194)	1,742
Closing balance	2,125	1,635	1,510	1,694	1,500	3,242

HRA Capital Programme 2017/18 to 2021/22

HRA Capital Programme	2017/18 Base £000s	2017/18 Revised £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Major Works						
Central Heating	690	690	710	732	754	777
Disabled Adaptations	308	308	315	324	334	344
Kitchens and Bathrooms	1545	1545	1,590	1090	1123	1156
Major Works	515	515	424	382	394	406
Asbestos/Radon	453	453	257	263	271	279
Doors and Windows	515	515	530	546	563	580
Electrical Works	206	206	212	219	0	0
Damp Works/Insulation	124	124	127	131	135	81
Non-Traditional Properties	340	340	350	361	371	383
Door Entry	206	206	212	219	225	0
Suited Locks			148	0	0	0
External Works	1700	1700	1,750	1803	1857	1913
Lifts			32	33	0	0
Total Major Works	6,602	6,602	6,657	6,103	6,027	5,919
New Homes and Regeneration						
Woolaways-Top of Town Phase 3	401	203				
Woolaways-Top of Town Phase 4	1,206	485				
Southbank, Woodchester	578	8	992			
Chapel Street, Cam	579	535				
New Homes Contingency	250	17	578			
Ship Inn	1,500	19	1,434			
RTB Acquisitions		700				
Total New Homes and Regeneration	4,514	1,967	3,004	0	0	0
Sheltered Housing Modernisation						
Red Scheme - Tanners Piece	780	31	1,700	13		
Red Scheme - Glebelands						1,500
Ex Warden Conversions	523	515				
Green/Amber Schemes	63	74	359	298	462	336
Total Sheltered Housing Modernisation	1366	620	2,059	311	462	1,836
Total HRA Capital Programme	12,482	9,189	11,720	6,414	6,489	7,755

	2017/18 Base £000s	2017/18 Revised £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
HRA Capital Funding						
Revenue Funding (including depreciation)	10,562	7,286	7,153	5,750	6,079	6,005
Right to Buy Receipts	283	541	510	4		450
HRA Capital Receipts	1,312	1,246	1,555	300	400	1,300
HCA Grant Funding	325	116	198			
HRA Reserves			2,304	360	10	
Borrowing						
Total Capital Funding	12,482	9,189	11,720	6,414	6,489	7,755

**RECOMMENDATION FROM
STRATEGY AND RESOURCES COMMITTEE
TO COUNCIL ON 25 JANUARY 2018**

**AGENDA
ITEM NO**

5b

This is a copy of the Agenda Item 8b report to the
Committee on 18 January 2018

Report Title	GENERAL FUND REVENUE ESTIMATES – REVISED 2017/18 AND ORIGINAL 2018/19
Purpose of Report	To present to the committee the revised estimates for 2017/18 and original estimates for 2018/19
Decision(s)	The Committee RECOMMENDS: a) The estimates set out in the report be considered and approved for inclusion in the General Fund Revenue Budget 2018/19 and Medium Term Financial Plan report to Council elsewhere on this agenda.
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings • Residents and Business telephone surveys (as presented to a members seminar on the 7th December) • Budget workshops for Chairs & Vice Chairs of service committees and Administration group leaders
Financial Implications & Risk Assessment	<p>The estimates have been incorporated into the Council’s Medium Term Financial Plan (MTFP) presented to this committee.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Legal Implications	<p>This report forms part of the statutory budget setting process for 2018/19 as well as providing an update on the revenue budget for the current year which the committee is required to keep under review on behalf of the Council. The report should be considered within the context of all strategic risks (in particular CCR1). (Ref:d41r51c8118).</p> <p>Karen Trickey, Legal Services Manager Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>

Options	The Administration is considering its budget options at the Strategy and Resources Committee meeting on 18 January 2018. Council will consider the overall budget position for 2018/19 on 25 January 2018.
Performance Management Follow Up	Budget monitoring reports are presented to Committee in September and February/March each year. Members will be informed of the outturn position for 2017/18 at the Strategy and Resources Committee meeting in May 2018.
Background Papers and Appendices	None

Background

1. The Medium Term Financial Plan (MTFP) sets out a projection of General Fund Expenditure over the 5 year period 2017/18 to 2021/22. 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 2017/18 (Revised Estimates) and 2018/19 (Original Estimates).
2. The general fund budget will then be considered as part of the Medium Term Financial Plan for recommendation to council elsewhere on this agenda.
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.**

STRATEGY AND RESOURCES COMMITTEE BUDGETS

Revenue Budget position

4. The net General Fund revenue budget for 2017/18, approved by Council in February 2017, was £15.491m. This has now been revised to £15.660m after allowing for carry forwards approved in June 2017.
5. This has subsequently been used as the base estimate for both 2017/18 revised and 2018/19 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 2017 as a result of items reported to the committee in budget monitoring reports.
6. The original estimate for 2018/19 is £16.503m, an increase of £1.012m on the base budget. This is largely due to accounting adjustments for pension costs with other significant budget changes including pay inflation £97k, and budget and efficiency savings of (£1.037m).
7. Table 1 provides a summary of the changes to the 2017/18 and 2018/19 estimates. A more detailed breakdown of the service committee budget is set out in Table 3 (these figures are shown net of depreciation, support charges and LGPS pension adjustment). Technical adjustments and other changes are set out in more detail in the body of the report below, with the budget & efficiency savings detailed in Table 2.

Table 1 – Summary of changes from the 2017/18 Original Budget

	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
General Fund			
[a] Original Budget	15,491	15,491	15,491
[b] Carry forwards from Prior year		169	0
[c] Technical Adjustments		0	(71)
[d] Pay Inflation 2017/18		0	97
[e] Price & Income inflation		0	13
Base Budget	15,491	15,660	15,530
[f] Budget Pressures		0	9
[f] Efficiency Savings		(250)	(1,037)
[g] Insurance Adjustment		0	39
[h] Technical Adjustment		(0)	204
[j] Recharge Adjustment		0	11
[j] Accounting Adjustments	565	1,803	1,748
Net Service Revenue Expenditure Budget	16,056	17,213	16,503

(Table may contain rounding's)

Technical and Prior-year adjustments

c) Technical adjustments – (£53k) Building Control additional income forecast due to increase in application fees. Gloucestershire Building Control Partnership is a shared service with Gloucester City Council and hosted by Stroud. Any additional income is ring-fenced and held on the balance sheet to be re-invested within the service. An (£18k) saving has also been realised through business rate revaluation.

d) Pay Inflation - Salary budgets have been increased by 1%.

e) Price & income inflation - A 3% increase on software licenses.

Budget Pressures and Efficiency Savings

f) The council has been working on identifying savings for the Medium Term Financial Plan (MTFP) since July 2017 and these have been reviewed by Directors and Committee chairs and vice-chairs. Further consultation on the budget and efficiency savings has taken place with committee members this financial year. Table 2 provides a detailed overview of the budget pressures and savings for 2018/19, which have been incorporated into the General Fund budget above.

Table 2 – Budget Pressures and Efficiencies

Type	Budget	Reason for Budget Pressure or Efficiency Saving	2017/18 (£) 000's	2018/19 (£) 000's
ES	Community Services	Reduced car allowance rates		(18)
ES	Cultural Services	Closure of Rednock JUSC		(20)
ES	The Pulse- Dursley	Increased budgeted income in respect of swimming lessons.		(33)
ES	Museum in the Park	Review of current budget and forecast spend has identified efficiencies across the service		(14)
ES	Community Services	Workforce Plan review - vacant posts	(22)	(22)
ES	Revenue & Benefits	Grant Income budget recognised		(89)
Total Community Services and Licensing Committee			(22)	(197)
ES	Environment	Reduced car allowance rates		(31)
ES	Development Control	Development Control fees increase 20%		(156)
ES	Development Control	Increase in Pre-application & Regularisation fees		(24)
ES	Land Drainage	Gloucester County Council contribution		(21)
ES	Environment	Workforce Plan review - vacant posts	(131)	(131)
Total Environment Committee			(131)	(362)
ES	Strategy and Resources	Workforce Plan review - vacant posts	(86)	(66)
ES	Strategy and Resources	Reduced car allowance rates		(10)
ES	Facilities	Car Parks - increase budgets to match previous income		(67)
ES	Facilities	Car Parks - increase charges at existing car parks		(150)
ES	Asset management	Littlecombe business units		(62)
ES	Facilities	Ebley Mill rent income - new letting		(40)
ES	Legal	Historic budget not required		(10)
ES	Democratic services	Historic budget not required		(10)
Total Strategy and Resources Committee			(86)	(415)
ES	Housing GF	Workforce Plan review - vacant posts	(11)	(11)
ES	Private Housing	Saving on Countrywide agency		(48)
ES	Housing GF	Reduced car allowance rates		(5)
Total Housing GF			(11)	(64)
Total General Fund			(250)	(1,037)

(Table may contain rounding's)

- f) Workforce Plan savings** – Members will be aware that the Council faces considerable financial challenges over the next few years. Until recently we have been able to deal with these by careful budget management, however, further financial challenges mean that this approach was not enough. As a result, we have to look now at our staffing costs which represent 80% of total Council expenditure. This decision was not taken lightly, but we effectively need to reduce our headcount by 20% over the next 4 years.

These changes will be implemented in a phased approach over several years. Phase 1 incorporates vacant posts and these have been permanently taken out of the structure from 2017/18 onwards.

- g) Insurance Premium** – Property sum insurance in general has increased significantly across the industry, this coupled with SDC's claims for the previous year reaching almost £200k have seen an increase in our premiums for 2018/19. The Council are in the process of re-tendering the Portfolio over the next few months. A review of risk and self-insurance levels is also taking place to mitigate the increased cost of insurance premiums.

- h/i) Technical/Recharge adjustment** – Historic grant income budget now realised within Revenue & Benefits. Adjustment also incorporates CDC adjustment.

Pension Accounting Adjustment/ Support Service Re-charges

- j)** The way in which the council budgets and accounts for contributions to the Local Government Pension Scheme (LGPS) was amended to 23.9% for 2017/18. Employer's pension contributions in respect of current members of the Local Government Pension Scheme (LGPS) will remain at this level for 18/19. A further lump sum payment is made to the pension fund in respect to funding liabilities arising from previous employees and the deficit position.

Table 3- Details of the changes to the Committee's revenue budgets

Original and Revised Estimates

	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
Committee Service Area (figures shown net of support charges, depreciation and LGPS pension adjustment)			
Community Safety	65	70	63
Abandoned Vehicles	5	5	5
Careline Services	(31)	(31)	(32)
Neighbourhood Wardens	235	241	236
Car Parks Enforcement	68	46	47
Stroud and Dursley CCTV	41	41	41
Subtotal Community Safety	382	371	360
Hear by Right / Youth Services	99	99	100
Strategic Head (Customer Services)	132	132	133
Grants to Voluntary Organisations	337	337	337
Subtotal Grants to Voluntary Organisations	337	337	337
Customer Service Centre	386	386	390
Public Space Service	300	300	293
Cemeteries	24	25	25
Amenity Areas	127	126	127
Commons and Woodlands	14	14	14
Stratford Park Grounds Maintenance	180	214	180
Grassed Areas Contribution to HRA	170	170	170
Public Conveniences	223	219	222
Subtotal Public Spaces	1,037	1,067	1,031
Business Rate Collection	(109)	(109)	(109)
Council Tax Collection	256	236	239
Council Tax Support Admin	64	64	65
Rent Allowances and Rebates	(77)	(77)	(77)
Housing Benefit Administration	150	170	84
Subtotal Revenues and Benefits	284	284	202
Licensing	(69)	(69)	(68)
Museum in the Park	417	437	406
Subscription Rooms	223	209	227
Tourism	147	147	148
Subtotal Cultural Svcs - Arts and Culture	787	792	781
Health and Wellbeing	35	39	35
Sport and Health Development	119	137	120
Subtotal Cultural Svcs - Sport & Health Dev.	153	176	154
Dursley Pool and Sports Centre	(6)	31	(49)
Joint Use Sports Centres	59	61	60
Stratford Park Leisure Centre	119	142	124
Subtotal Cultural Svcs - Sports Centres	172	234	135
COMMUNITY SERVICES Total	3,701	3,809	3,554

Committee Service Area (figures shown net of support charges, depreciation and LGPS pension adjustment)	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
Canal Partnership	7	7	7
Subtotal Canal	7	7	7
Strategic Head (Development Services)	115	115	116
Head of Environmental Health	69	69	70
Environmental Health Team	149	149	149
Contaminated Land	32	32	32
Dog Warden Service	82	82	78
Environmental Protection	190	147	153
Food Safety	152	152	150
Health and Safety	88	88	86
Land Drainage	60	160	38
Public Health	41	44	43
Pest Control	28	2	6
Port Health	2	2	2
Planning Liaison	14	14	14
Subtotal Environmental Health	837	870	751
Planning and Building Control Admin	255	255	258
Building Control	(128)	(97)	(186)
Securing Dangerous Structures	9	10	9
Building Regulation Enforcement / Advice	35	3	36
Street Naming	(4)	(4)	(4)
Subtotal Statutory Building Control	168	168	114
Planning Strategy	319	304	306
Subtotal Strategic Planning of Local Plan	319	304	306
Development Control	(94)	(94)	(267)
Trees	43	43	42
Conservation	58	58	59
Planning Appeal Costs	70	70	69
Enforcement	108	108	106
Footpath Diversion	(2)	(2)	(2)
Subtotal Development Control	182	182	7
Economic Development	54	54	54
Market Town Projects	24	24	24
Regeneration	108	82	82
Subtotal Economic Development	187	160	161
Energy Efficiency	93	71	71
Subtotal Carbon Management	93	71	71
Refuse Collection	1,203	1,116	1,116
Multi-Bank Recycling Sites	1,138	1,181	1,181
Recycling and Environmental Initiatives	205	250	250
Subtotal Waste and Recycling	2,546	2,546	2,546
Street Cleansing	601	601	601
ENVIRONMENT Total	5,124	5,093	4,749

Committee Service Area (figures shown net of support charges, depreciation and LGPS pension adjustment)	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
Homelessness	120	120	121
Homelessness Prevention	139	139	140
Housing Strategy	90	111	90
Private Housing	214	204	152
Subtotal Housing (General Fund)	562	573	503
Committee Service Area (figures shown net of support charges, depreciation and LGPS pension adjustment)	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
Brunel Mall	(53)	(53)	(52)
Industrial Units	(16)	(16)	(16)
Brimscombe Port	50	50	50
Littlecombe site, Dursley	0	0	(61)
Gossington Depot	0	6	0
Subtotal Investment Assets	(19)	(13)	(78)
Dursley Bus Station	(3)	(5)	(3)
Miscellaneous Properties and Land	17	50	27
Subtotal Other Assets	14	46	24
Car Parks	(422)	(416)	(656)
Subtotal Car Parks	(422)	(416)	(656)
Head of Asset Management	82	82	82
Asset Management	263	261	263
Building Maintenance	74	65	64
Subtotal Asset Management Team	337	326	327
Facilities Management	212	212	212
Ebley Mill	497	495	459
Emergency Management	92	92	91
Subtotal Facilities Management	801	799	761
Members Expenses	371	371	365
Democratic Representation and Management	(167)	(167)	(157)
Electoral Registration	124	124	126
Elections	109	86	88
Youth Councils	3	3	3
Subtotal Democratic Representation and Mgt	440	418	426
Past Service Pension Costs/Central Budget Alloc	1,607	1,591	1,861
Corporate Management	(22)	(22)	(22)
Pension Costs	49	49	49
Land & Property Custodian	(29)	(29)	(28)
Subtotal Resources and Finance - Direct Spend	1,604	1,589	1,859

Committee Service Area (figures shown net of support charges, depreciation and LGPS pension adjustment)	2017/18 Original Estimate (£)000's	2017/18 Revised Estimate (£)000's	2018/19 Original Estimate (£)000's
Chief Executive	189	189	189
Strategic Head (Corporate Services)	46	46	47
Human Resources	456	417	420
Policy and Review	121	121	122
Marketing	53	53	54
Subtotal Corporate Services (HR etc)	630	591	596
Legal Services	422	422	416
Procurement	62	62	63
Democratic Services	132	100	96
Subtotal Corporate Services (Legal)	616	585	575
Strategic Head (Finance and Business Services)	111	0	80
Financial Services	722	742	748
Business Projects	62	62	62
Information & Communication Technology	892	892	903
Subtotal Finance and Business Services	1,675	1,695	1,713
STRATEGY & RESOURCES Total	6,104	5,936	5,946
Add: COMMUNITY SERVICES Total	3,701	3,809	3,554
Add: ENVIRONMENT Total	5,124	5,093	4,749
Add: HOUSING Total	562	573	503
SUBTOTAL Service Revenue Expenditure	15,491	15,411	14,752
Technical Adjustments	565	1,801	1,752
Net Service Revenue Expenditure	16,056	17,213	16,503

(Table may contain roundings)

**RECOMMENDATION FROM
STRATEGY AND RESOURCES COMMITTEE
TO COUNCIL ON 25 JANUARY 2018**

**AGENDA
ITEM NO**

5c

This is a copy of the Agenda Item 8c report to the Committee on
18 January 2018

Report Title	THE GENERAL FUND BUDGET 2018/19, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN
Purpose of Report	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2018/19.
Decision(s)	<p>The Committee RECOMMENDS to Council (and subject to the Government's final settlement announcements):</p> <ul style="list-style-type: none"> a) To approve the service revenue estimates as set out in Appendix A b) To approve the ICT and Invest to Save contingency for 2018/19 and subsequent years as set out in paragraph 4.5 as part of a balanced budget c) To increase the council tax by 2.99% to £201.50 at Band D, an increase of less than 12p per week for the services provided by Stroud District Council; d) to approve the updated Medium Term Financial Plan as set out in Appendix B; e) to approve the Capital Programme, as set out in Appendix C and the Capital Financing Statement as shown in Appendix D f) to approve the changes to the reserves as set out in paragraph 5.16 of the report and Appendix E
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings • Residents and Business telephone surveys (as presented to a members seminar on the 7th December) • Budget workshops for Chairs & Vice Chairs of service committees and Administration group leaders
Financial Implications and Risk Assessment	<p>The consolidated General Fund revenue budget for 2018/19 as set out in the report shows a net revenue budget of £15.015m.</p> <p>Should a 2.99% council tax increase be approved, total income from council tax will be £8.773m, a total increase of £0.419m when taken with the change in the taxbase.</p>

<p>Financial Implications and Risk Assessment – Cont’d</p>	<p>Based on the provisional settlement figures provided, the total Government support will be £6.108m. This is made up of Business Rates (£3.414m), Revenue Support Grant (£nil), Section 31 Grant (£0.020m) and New Homes Bonus (£2.174m). An additional amount for Business Rates Pilot (£0.500m) is included in the total.</p> <p>A core deficit of £3.411m over the medium term plan period is to be funded from the £6.000m earmarked set aside to support the revenue budget.</p> <p>The MTFP shown at Appendix B indicates a reduced reliance on this reserve to finance the Council’s spending plans. By 2021/22, the core deficit is estimated to be £1.680m, but is increasing each year. Whilst this can be funded from the reserve, 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 further changes to New Homes Bonus and uncertainty from 2020/21 on the impact of the Fair Funding Review, and the level of funding from 75% Business Rates Retention.</p> <p>The report also sets out the Council’s proposed capital programme for 2017/18 to 2021/22 and the resources available over the same period.</p> <p>The capital financing statement includes an assumed level of prudential borrowing that would need to be undertaken to support the General Fund capital programme. The revenue costs associated with borrowing have been included in the General Fund MTFP. The decision on borrowing will be kept under review, largely dependent on other available resources to ensure that the revenue impact of borrowing is kept to a minimum.</p> <p>There are limited capital resources available to support the Housing Revenue Account capital programme over the medium term, with some reliance of capital receipts to support expenditure on the Sheltered Housing modernisation project in future years.</p> <p>David Stanley – Accountancy Manager (Section 151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
<p>Legal Implications</p>	<p>This report forms part of the budget setting process for 2017/18 which is connected to the Council’s duty to set its council tax for 2017/18. In order to set its budget, the Council is required (amongst other things) to calculate its estimated expenditure and income which will be charged / allocated to its General Fund. This report concerns the element of the General Fund for which the Committee is responsible.</p> <p>The Council’s chief finance officer must also report to Council on the robustness of all relevant budget estimates and the Council’s reserves before the budget is set and the Council must have regard to such report. The Council is also</p>

	<p>under a duty to prevent a debit balance on the account for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure. The Council must also revise the proposals from time to time to ensure the relevant duty continues to be met.</p> <p>It is essential based upon the professional finance advice provided, that when making its budget recommendations to Council it is satisfied that the proposals for this (revised) year's budget and next year's budget are appropriate. (Ref:r9118c101d4118)</p> <p>Karen Trickey, Head of Legal Services Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>
Report Authors	<p>David Stanley, Accountancy Manager (Section 151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Options	<p>The Council must set a budget in time to start collecting council tax by 1st April. In practice, this means the budget must be set no later than 11 March 2018.</p>
Performance Management Follow Up	<p>Budget Monitoring report to the various service committees during 2018/19.</p>
Background Papers	<p>DCLG Provisional Finance Settlement; HRA Budget and MTFP, General Fund Revenue Estimates</p>

1. BUDGET STRATEGY 2018-22

- 1.1 Strategy and Resources Committee approved the Budget Strategy 2018-22 at its meeting on 12 October 2017. This was based on;
- The multi-year settlement 2016-20 agreed by the Strategy & Resources Committee in October 2016
 - Annual increases of £5 at Band D level, subject to the Council making a decision each year
 - A programme using reserves and making savings to meet the projected funding gap of £3.4 million in 2021/22
 - Annual pay awards of 1% over the four years
 - Forecasts of New Homes Bonus and Business Rates
- 1.2 At its October meeting, Strategy and Resources Committee noted that Stroud would be the first council in Gloucestershire to lose all its RSG. In 2019/20 the settlement requires us to pay £549,000 to Government. This will be the largest sum of any authority in Gloucestershire.

Table 1 – RSG payments to Gloucestershire Districts 2016/17 to 2019/20

Revenue Support Grant / Tariff adjustments	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Cheltenham	1,273	544	102	(391)
Cotswold	856	386	101	(218)
Forest of Dean	1,247	721	393	26
Gloucester	1,856	1,093	617	85
Stroud	1,053	347	0	(549)
Tewkesbury	887	515	283	23
TOTAL	7,173	3,606	1,496	(1,024)

*Note the figures in brackets are payments to Government
(may include some rounding differences)*

The Budget Strategy report highlighted that local government continues to operate in a climate of financial uncertainty and volatility. Whilst some degree of certainty has been afforded through the multi-year settlement that runs until 2019/20, considerable uncertainty remains around funding streams that are outside the multi-year settlement. There is also considerable uncertainty about 2020/21, given the expected introduction of a new local government finance system. The Government is proposing a 'fair funding' review, though the terms of this have yet to be defined.

2. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 The provisional settlement for 2018/19, announced on 19 December 2017, has confirmed the final 2 years of the multi-year settlement (2018/19 and 2019/20). It has also reaffirmed the Government's intention to localise funding to local authorities through business rates retention. The Government's consultation on the provisional settlement ends on the 16 January 2018.

2.2 The main elements in the provisional settlement for Stroud are;

- No Revenue Support Grant in 2018/19 (already known as part of the multi-year settlement)
- The ability to increase Council Tax by 3% before triggering a referendum (currently 2% or £5 whichever is greater)
- Reduction in New Homes Bonus payments from 5 years to 4 years (already proposed)
- 100% business rate income retention in 2018/19 as part of a Gloucestershire pilot (for non-pilot areas the retention level is increased from 50% to 75% in 2018/19)

Table 2 – New Homes Bonus Forecast from 2017/18 to 2021/22

NHB Delivery Year	New Homes Bonus Estimates				
	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
2013/14	404				
2014/15	476				
2015/16	667	667			
2016/17	933	933	933		
2017/18	238	238	238	238	
2018/19		336	336	336	336
Future years			200	400	600
TOTAL New Homes Bonus	2,718	2,174	1,707	974	936

(may include some rounding differences)

- 2.3 **Business Rates** - Forecasting business rates income is complex. Predicting the delivery of new business premises year by year is not straightforward. Likewise the number and value of appeals under the new 'check, challenge, appeal' process operated by the Valuation Office Agency is difficult, although initial numbers from the VOA against the April 2017 rating list are low.
- 2.4 The forecast for business rates income will be updated once the NNDR1 form has been completed at the end of January 2018 after allowing for reliefs and changes to the national multiplier. The NNDR1 will also provide the provisional surplus/deficit on the business rates collection fund. Based on historical performance to date, the forecast for business rate income remains fairly flat with only inflationary increases included. Business rate appeals remain a significant risk to the MTFP.
- 2.5 The Secretary of State for Communities and Local Government announced that Gloucestershire is one of 10 areas that are to be given 'pilot' status for 100% business rate retention in 2018/19. The Gloucestershire pilot includes all 7 councils including Tewkesbury, with the pilot managed by the existing Gloucestershire Business Rate Pool which Stroud administers on behalf of the 7 councils in Gloucestershire.
- 2.6 With the retention of all business rates locally, the Government will no longer pay Revenue Support Grant or Rural Service Grant in 2018/19 to six of the seven Gloucestershire authorities. (Note – Stroud does not receive any grant in 2018/19). This totals about £21m for the six authorities. After taking this into account, there is expected to be a net benefit to Gloucestershire of £9.2m in 2018/19. Leadership Gloucestershire has agreed this should be distributed on the basis of ;
- 20% - Strategic Economic Development Fund (all Gloucestershire authorities)
 - 30% - District Councils (distributed according to business growth in each district)
 - 50% - County Council (recognising the pressures on social care budgets)
- 2.7 Taking all these elements together, the overall position in respect of Government funding is shown below:

Table 3 – Government Support

	2017/18 Final (£'000)	2018/19 Provisional (£'000)	2019/20 Provisional (£'000)	2020/21 Forecast (£'000)	2020/21 Forecast (£'000)
Government Funding					
Business Rates Funding Baseline **	2,307	2,376	2,429	2,477	2,527
Business Rates - s31 grant etc	837	905	932	951	970
Revenue Support Grant **	347	0	0	0	0
Tariff adjustment ** (Negative RSG)	0	0	(549)	(549)	(549)
Subtotal	3,490	3,281	2,812	2,879	2,948
Transition Grant **	103	0	0	0	0
Other s31 Grant	20	20	20	20	20
Business Rates Pilot	0	500	0	0	0
Business Rates (Growth above baseline)	171	133	126	129	131
New Homes Bonus Allocations	2,718	2,174	1,707	974	936
Total Government Funding	6,502	6,108	4,665	4,002	4,035
** Four-year funding settlement	2,756	2,376	1,880		

(may include some rounding differences)

2.8 It is worth noting that the forecasts for 2020/21 and 2021/22 go beyond the current multi-year settlement. It is likely that the Fair Funding Review and 75% Business Rates Retention from 2020/21 will lead to a significant change in the level of Government support.

3. COUNCIL TAX

3.1 A council tax rise of 3% increases the Band D rate from £195.65 to £201.50 and will generate approximately £0.419m in additional council tax revenue annually (when taken with estimated changes to the taxbase). It is unclear whether the ability to increase Council Tax by up to 3% will be continued beyond 2018/19. For the purposes of the MTFP, an increase of 2% or £5 per annum, whichever is the greater, is assumed (in line with previous guidance). A £5 increase in each year of the MTFP period would generate an additional £1.352mm over the MTFP with £9.856m available annually by 2021/22 (when taken with estimated changes to the taxbase)

3.2 The taxbase for 2018/19 has been estimated at 43,539.30 and represents an increase of 839.98 (1.97%) over the 2017/18 position. A key change for the budget and MTFP has been an increase in the assumed Council Tax collection rate. Since the Localisation of Council Tax Support in April 2013, this has been set at 98.5%. As the Council has regularly achieved a collection rate in excess of 99% in each subsequent year, the collection rate has been increased to 99.0% from 2018/19. This has the effect of increasing the Taxbase by 219.90, with an additional £44k being included in Stroud's Council Tax Precept of £8.773m for the year. The main risk is around the collection rate not being achieved, and a potential reduced level of Collection Fund surplus or a deficit in subsequent years.

3.3 The Council Tax Collection Fund is estimated to be in surplus by the end of the current financial year by £1.032m. This is shared across the major precepting authorities (Gloucestershire County Council, Gloucestershire Police and Crime

Commissioner) and the District Council. Stroud's share of £169k has been included in the MTFP.

- 3.4 The Table below shows the cumulative effect of a 3% increase in Council Tax and the assumed level of tax base growth. The MTFP has been built on the assumption that Council Tax is increased by 3% in 2018/19 and 2% or £5 (whichever is the higher) in each subsequent year. **The decision to set Council Tax remains an annual decision for Council to consider when setting the budget one year from the next.**

Table 4 – Council Tax assumptions

Year	Assumed Taxbase	Assumed increase %	Precept - No increase in Band D (£'000)	Precept - increase in Band D (£'000) **	Increase in Council Tax income (£'000)
2017/18	42,699.32	1.307%	8,354	8,354	0
2018/19	43,539.30	1.967%	8,518	8,773	255
2019/20	44,191.79	1.499%	8,905	9,126	221
2020/21	44,854.05	1.499%	9,038	9,487	449
2021/22	45,526.24	1.499%	9,174	9,856	683
			43,989	45,596	1,607

(may include some rounding differences)

** For 2018/19, the assumed increase in Band D is 2.99%. For 2019/20 to 2021/22, it is assumed that the maximum increase allowed is 2% or £5 (whichever is the greater) – in-line with previous Council Tax referendum limit guidance.

- 3.5 On this basis, and before the deployment of general fund reserves, the Council's 2018/19 and future year funding would be:

Table 5 – MTFP Funding

Funding source	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
Council Tax **	8,354	8,773	9,126	9,487	9,856
Business Rates Retention	3,314	3,414	3,487	3,557	3,628
Business Rates Pilot	0	500	0	0	0
Revenue Support Grant (RSG)	347	0	0	0	0
Tariff adjustment (Negative RSG)	0	0	(549)	(549)	(549)
Transitional and Other Grants	123	20	20	20	20
New Homes Bonus	2,718	2,174	1,707	974	936
Collection Fund Surplus	216	169	0	0	0
TOTAL Funding (before reserves)	15,072	15,050	13,791	13,488	13,892

(may include some rounding differences)

4. REVENUE BUDGETS 2018/19 TO 2021/22

- 4.1 The 2018/19 to 2021/22 revenue budgets are based on the assumptions already presented to the Strategy and Resources Committee, updated for technical corrections where more information has become available. A summary of the main assumptions are:
- Pay inflation of 2% in 2018/19 and 2019/20, and provision for the Real Living Wage.
 - Price inflation on major contracts of up to 3%, including IT software
 - Income from fees and charges to move towards full cost-recovery where statute allows.
 - Increased interest rate projections, 0.70% for the current year, with a cautious assessment in future years based on Link Asset Services forecasts and estimated reduction in balances available for investment.
- 4.2 On this basis service committee budgets have been prepared and summary of key changes by year are set out in Appendix A of this report. Detailed estimates were provided in the General Fund Revenue Budget Estimates report.
- 4.3 Budgets have not been adjusted to reflect a reduction in Housing Benefit and Local Council Tax support administration grant. Provisional grant allocations have yet to be provided by DWP and CLG (due January 2018) and are expected to reduce. As the Revenue and Benefits service have been proactive in managing the costs associated with processing caseloads in prior years, it is proposed that budgets are not adjusted for the loss of grant income, but will be monitored closely during 2018/19. Any potential budget variation will be reported to committees in the regular budget monitoring reports.

Service Pressures, IT Software contingency, Invest to Save

- 4.4 There remains a significant service pressure arising from the Multi-Service Contract with Ubico and ICT staffing costs. These have been highlighted to members during the year as part of the regular Budget Monitor reports. For the purposes of the MTFP, the planned reduction in the additional resource for the Multi-Service contract allocated in the 2017/18 MTFP remains in place. This may lead to an initial overspend in 2018/19 whilst service provision options to reduce the overall cost are reviewed and presented to members later in the financial year.
- i. **Ubico** – The Multi Service Contract with Ubico commenced in July 2016 and members made a number of key decisions about the future delivery of the service, the acquisition of a depot facility and the sourcing of vehicles and other items. Members will recall that an additional £2.9m was allocated to support the Ubico contract over the medium term plan period during 2016/17 as a result of the additional cost of dealing with dry recycling material, income pressures on the Garden Waste Service, and the overall increase in service delivery costs. Given the scale of the additional resource allocated to the Multi-Service contract, this is not a sustainable position of the longer term. Whilst the new Waste and Recycling service has significantly decreased the level of residual waste taken to landfill, the council will need to consider longer-term changes to the service as this continues to put significant pressure on the council's finances. No provision has been made for any inflationary pressures across the contract. It is expected that any uplift in contract values as a

result of inflation will need to be absorbed and addressed as part of the wider need to control costs.

- ii. **IT Staffing** – The difficulty in recruiting suitably qualified and experienced ICT staff on a permanent basis has led to an increased reliance on agency staff over the last 12 months. This has put significant pressure on ICT revenue budgets with a projected overspend of £100k in 2017/18 on staffing as a result. The 2018/19 budget has not been adjusted as recruitment to key posts in the team is ongoing that will reduce the need for agency staff if successful. However, it can be expected that in the short-term, this budgetary pressure will remain. Members of Strategy and Resources Committee will be kept informed of any budgetary pressure through the regular financial reports during the year.
- iii. **Development Control** – The Government have enabled legislation that allows local authorities to increase planning fees by 20% from 17 January 2018. The MTFP includes additional income of £156k that reflects the anticipated uplift in planning fee income. The increase was conditional upon local authorities spending the additional fee income on planning services. At this stage, no assumption has been made to the impact on the cost of processing planning applications, but clearly there will need to be a consideration of utilising the additional income.

4.5 The Council will need to ensure IT software is fit for purpose and enable services to deliver efficient and effective services in the future. Therefore, it is proposed that a contingency budget for IT software is established that will provide funding for upgrades of critical applications and enable a move to cloud-based solutions that improve business continuity. This approach increases the budget of certain applications to recognise the investment required, services are expected to review business processes and generate savings as a result of the investment:

- ICT Software (Office 365): £69k additional budget following introduction of Office 365 software. All Council services will benefit from this investment.
- ICT Software (Idox) - £37k additional budget for cloud-based software solution.
- IT Software (Agresso) - £60k additional budget for a critical upgrade and Cloud-based solution.
- Change Team - £100k to cover staffing resource and employee support. This has been added to the savings target, but risk remains around level of savings flowing from WFP in initial years once redundancy/pension liabilities are factored in.
- Invest to Save (Change Team) – Funding of up to £150k over the next 3 years to facilitate office rationalisation and other service efficiency projects. It is proposed that this is funded from an 'Invest to Save' reserve rather than providing an annual budget. Funding would be drawn down where business cases demonstrate a clear need and can deliver reduced costs to the Council over the medium term.

4.6 Therefore, additional revenue budget of £266k is proposed for 2018/19, reducing to £166k by 2021/22. It is proposed that £150k of funding is allocated to a specific 'Invest to Save' earmarked reserve to provide resource for the Change Team projects.

4.7 Provision will need to be made in the MTFP for the Vehicle replacement programme associated with the Multi-Service contract from 2022/23. The Capital programme includes £1m of planned expenditure over the period 2017/18 to 2020/21. No further capital expenditure is included beyond this period. The service will review the replacement programme over the coming months, and will be linked to potential changes in service provision as savings and efficiencies are required to reduce the overall cost of the Ubico contract. It is unclear at this stage as to the number and mix of vehicles that will be needed, and the nature of acquisition (lease or purchase). Therefore, a notional provision has been included to match the 2020/21 Minimum Revenue Provision level to ensure the revenue implications of lease or purchase are covered.

5. MEDIUM TERM FINANCIAL PLAN

5.1 Assuming that the above budget assumptions are accepted, the MTFP for 2018/19 to 2021/22 would be (detail set out in Appendix B):

Table 6 – Summary MTFP

MTFP	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
TOTAL Funding	15,072	15,050	13,791	13,488	13,892
Net Service Expenditure	17,213	16,503	16,442	16,442	16,442
Corporate Items	(2,127)	(1,619)	(2,359)	(2,175)	(2,067)
Inflation and Pension costs	0	115	699	1,207	1,721
Additional budget pressures	0	266	266	266	166
Savings Plan	(25)	(250)	(852)	(880)	(690)
General Fund Budget	15,061	15,015	14,196	14,860	15,572
Core Surplus / (Deficit) before reserves	10	35	(405)	(1,371)	(1,680)
Utilisation of Reserves	(10)	(35)	405	1,371	1,680
Core Surplus / (Deficit)after use of reserves	0	0	0	0	0

(may include some rounding differences)

Balanced Budget Requirement

5.2 The council is legally required to set a balanced budget for the following year. As can be seen from the MTFP above, the council's core budget position is a surplus of £0.035m next year, with a deficit of £1.680m in 2021/22. As has been previous policy the council will look to deploy its reserves over the coming years to ensure it maintains a balanced budget. This is set out in more detail under the reserves and balances section below. An important part of this strategy will be to continue to deliver efficiencies and savings over the coming years to remove the dependency of the council on the utilisation of its reserves before they are depleted.

5.3 The Council's track record of delivering budget and efficiency savings has been good, and this needs to be sustained over the medium term. The table below provides members with an updated position regarding budget and efficiency savings since the Budget Strategy report in October 2017.

5.4 Significant savings have already been achieved across the Council's services, through budget reductions, income generation and service cuts; with budgets reduced as a result. The table shows that £1.038m of service savings have been delivered as part of the budget setting process for 2018/19 increasing to £1.289m by 2021/22.

Table 7 – Savings Plan

Savings Plan	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
Service Savings achieved				
Workforce Plan (Phase 1)	(230)	(230)	(230)	(230)
Reduced Car allowance rates	(63)	(63)	(63)	(63)
Ebley Mill rent income	(40)	(40)	(40)	(40)
Revenue and Benefits - Government Grants	(89)			
Joint Use Sports Centres - return to schools	(20)	(150)	(150)	(150)
The Pulse - Improved Income	(33)	(33)	(33)	(33)
Museum in the Park	(14)	(14)	(14)	(14)
Car Parks - recognise historic income levels	(67)	(67)	(67)	(67)
Car Parks - increases charges at existing car parks	(150)	(200)	(250)	(300)
Development Control fees	(156)	(156)	(156)	(156)
Pre-Application fees - increase charges	(24)	(24)	(24)	(24)
Saving on countywide agency	(48)	(48)	(48)	(48)
Land Drainage - GCC contribution	(21)	(21)	(21)	(21)
Legal & Democratic Services	(20)	(20)	(20)	(20)
Littlecombe Business Units	(62)	(123)	(123)	(123)
Subtotal	(1,038)	(1,189)	(1,239)	(1,289)
Savings Targets				
Workforce Plan (Phase 2)		(250)	(500)	(500)
Car Parks - introduce charges in other towns		(100)	(110)	(120)
Kingshill House - transfer to community organisation		(20)	(20)	(20)
Business Rates Pool - additional income	(100)	(100)	(100)	
Pension Prepayment - saves money in 2019/20		(232)		
Spend consolidation	(50)	(50)	(50)	(50)
Workforce Plan (Change Team)	(100)	(100)	(100)	0
Subtotal	(250)	(852)	(880)	(690)
TOTAL	(1,288)	(2,041)	(2,119)	(1,979)

(may include some rounding differences)

5.5 However, a proportion of the savings can be seen as 'savings targets' and will require regular review and reporting over the coming months to ensure the level of savings can be achieved. The table shows that an initial £0.200m is planned for 2018/19, increasing over the medium term.

- 5.6 **Workforce Plan** – Phase 1 of the Workforce Plan has been delivered with a budget saving of £230k. Phase 2 of the Workforce Plan will be delivered over the coming financial year, with a target saving of £250k in the first year rising to £500k thereafter included in the Savings Plan. There are risks around the savings target – redundancy and pension capitalisation costs will need to be funded as posts and service structures are reviewed. At this stage, the project team are working alongside service managers to identify changes to operational working practices that will reduce the cost of service delivery. Only when the reviews have been completed will the exact cost of each workforce change be known, as the reviews are focussed on processes and not individual posts. The quantum of costs associated with changes to the workforce is likely to be significant. Redundancy costs can be funded from the workforce planning reserve in the short-term, the level of the reserve will need to be maintained and represents an early call on any spare budgetary capacity. Attention must also be focused in the longer-term impact of workforce change, particularly with regard to the funding of pension liabilities. Short-term reductions to the workforce may result in initial savings, but a longer-term view may highlight a potential widening of the pension fund deficit that will need to be funded in future years.
- 5.7 Therefore, savings arising from the workforce plan relating to the employer's pension contribution have not been removed from the General Fund budget across the MTFP. These contributions have been transferred to the Pension lump-sum budget to provide some mitigation against any increase in pension liabilities following the next triennial review of the pension fund due in 2019.
- 5.8 An element of the savings target (£100k) is assigned to fund the team responsible for reviewing and delivering the WFP changes. This will allow the team to progress the WFP and also provide funding for supporting employees through the process.
- 5.9 **Car Parks (Fees and Charges)** – The savings plan includes an estimate of the potential net income that could be realised from introducing charges across the Council's car parks in other market towns. The introduction of a new charging regime requires the Council to follow a prescribed process and will involve extensive consultation with residents, members, and Parish and Town Councils. As such, there is a risk that the outcome of the consultative process does not generate the level of income estimated in the Savings Plan.
- 5.10 All committees will receive updates on the performance against the savings targets as part of the regular budget monitoring reports. Should the level of savings indicated not materialise, it is expected that additional savings from services areas are brought forward and other mitigation is put in place.
- 5.11 Therefore, the MTFP and Savings Plan proposes to reduce service committee budgets accordingly for the medium term plan period based on the savings plan progress to date. Detailed revenue budget estimates for 2018/19 have been adjusted to reflect the savings already achieved
- 5.12 The council will need to deliver further budget and efficiency savings over and above those already identified in the report in order to balance the budget over the medium term and in future years. Corporate Team have been working on a detailed savings plan that fully recognises the need to reduce costs or increase income to

ensure the core deficit continues to reduce further in the latter years of the MTFP. These proposals will be developed over the coming months and only included in the MTFP when there is greater certainty on the timing and scale of saving that can be delivered.

Balances and Reserves Strategy

- 5.13 The Council periodically reviews its reserves. With the changing nature of local government finance, a comprehensive review was undertaken as part of the 2017/18 budget setting process to realign general fund balance and reserve levels to reflect the financial pressures, risks and priorities of the Council.
- 5.14 As part of this process and review of the MTFP, together with statutory assessment by the s151 Officer, the need to hold a minimum level of general fund balances of £2m was advised as part of a risk based approach. The strategy therefore released the remaining general fund balances (£6.000m after taking into account the 2016/17 outturn position) to support the Medium Term Financial Plan moving forward. This amount is held in a specific earmarked reserve.
- 5.15 Earmarked reserves have been identified and held for a series of specific purposes as set out in Appendix E. Clearly, should these funds not be required for the purposes currently set out, they could become available in future years to support the General Fund position.

Table 8a – General Fund and Earmarked Reserves summary 2017/18

	Balance 01/04/2017 (£'000)	2017/18 Financing (£'000)	2017/18 Review (£'000)	Est. Balance 31/03/2018 (£'000)
Balance and Reserves				
GF Balances	(2,169)	169	0	(2,000)
Earmarked Reserves				
Capital	(5,835)	971	(700)	(5,564)
Revenue budget support	(6,000)	(10)	0	(6,010)
Other earmarked reserves	(2,805)	222	700	(1,883)
	(14,640)	1,183	0	(13,457)
TOTAL	(16,809)	1,352	0	(15,457)

(may include some rounding differences)

- Capital Reserve – committed against the Capital Programme
 - MTFP Equalisation – Specific earmarked reserve to provide funding to offset the core deficit on the MTFP
 - Other Earmarked Reserves – held for specific purposes, reviewed on annual basis
 - General Fund Balance – Risk based balance (minimum level of £2m advised)
- 5.16 The s151 officer, in consultation with Corporate Team, has reviewed the adequacy of the reserves as part of the budget setting process. It is proposed that the following changes are made to specific earmarked reserves:

- £450k Jobs and Growth and £50k Littlecombe reserve are included in the Capital reserve to consolidate funding for these initiatives.
- £350k from the Climate Change reserve is transferred to other reserves following the discontinuation of the Ebley Mill Hydro capital scheme (£200k to the Capital reserve, £150k to the Invest to Save reserve)
- £150k Invest to Save reserve established

5.17 Taking into account the funding requirements of the Capital Programme and the need to support the MTFP, the projected balances over the medium term are shown in the table below. Appendix E shows the Earmarked reserves in detail.

Table 8b – General Fund and Earmarked Reserves summary to 2021/22

	Est. Balance 31/03/2018 (£'000)	Est. Balance 31/03/2019 (£'000)	Est. Balance 31/03/2020 (£'000)	Est. Balance 31/03/2021 (£'000)	Est. Balance 31/03/2022 (£'000)
Balance and Reserves					
GF Balances	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Earmarked Reserves					
Capital	(5,564)	(3,992)	(2,942)	(2,292)	(1,892)
Revenue budget support	(6,010)	(6,046)	(5,641)	(4,269)	(2,589)
Other earmarked reserves	(1,883)	(1,883)	(1,883)	(1,883)	(1,883)
	(13,457)	(11,920)	(10,465)	(8,444)	(6,364)
TOTAL	(15,457)	(13,920)	(12,465)	(10,444)	(8,364)

(may include some rounding differences)

5.18 The Council will need to keep reserve levels under review in future years. The MTFP does not currently make provision for maintaining reserve levels in future years, or re-establishing reserves once they have become depleted.

5.19 x in paragraph 5.6, redundancy costs associated with the workforce plan can be funded from the workforce planning reserve in the short-term. The level of the reserve will need to be maintained and represents a priority call on any spare budgetary capacity.

6. CAPITAL PROGRAMME 2017/18 to 2021/22

6.1 Strategy and Resources Committee last approved the capital programme and funding on 16 June 2017. This report updates the estimates for the capital programme 2017/18 to 2021/22 and the available funding for schemes.

6.2 The Capital Programme for 2017/18 was revised in October 2017 based on decisions taken by Community Services & Licensing, Environment and Strategy & Resources Committee

2018/19 to 2021/22 Capital Programme

- 6.3 Following a review by Corporate Team, further changes are proposed to the profile of the Capital Programme that reduces the level of expenditure further in 2017/18, with further changes proposed to the remainder of the Capital Programme over the medium term. The capital funding for Private Sector Home Loans has been reinstated, with inclusion of £200k funding from the Gloucestershire Clinical Commissioning Group to provide Health through Warmth Funds.
- 6.4 The proposed Capital Programme for 2018/19 to 2021/22 is set out in Table 9 below with the full detail of the capital schemes shown in Appendix C.

Table 9 – Summary Capital Programme 2017/18 to 2021/22

Committee	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Community Services and Licensing	78	180	150	0	0
Environment	909	1,140	1,900	1,066	0
Housing (General Fund)	710	449	330	330	330
Strategy and Resources	3,148	2,820	1,582	900	800
TOTAL General Fund	4,845	4,589	3,962	2,296	1,130
Housing Revenue Account	9,189	11,720	6,414	6,489	7,755
TOTAL Capital Programme	14,034	16,309	10,376	8,785	8,885

(may include some rounding differences)

Community Services and Licensing Committee

- 6.5 It is proposed that the Community Buildings Investment budget is increased by £100k to enable further work to be undertaken on Kingshill House prior to a planned transfer of the asset.

Environment Committee

- 6.6 Capital budgets for Stroud District Cycling and Walking Plan, Market Town Centres Initiative Fund have been reprofiled reflecting anticipated expenditure plans in line with the updates provided through the Capital Monitoring reports. Gateway Site (Wallbridge) has been reprofiled to reflect timing of expenditure expected in 2018/19 whilst plans are finalised for the scheme.

Housing Committee

- 6.7 The capital budget associated with Disabled Facilities Grants has been increased to £330k per year reflecting the 2015/16 allocation level from the Better Care Fund. Additional funding is available to support DFGs as part of the pooled funding arrangement between Gloucestershire County Council and the District Councils.

Strategy and Resources Committee

- 6.8 The Housing Initiative/Homes for Rent capital scheme has been reviewed during the year, with financial modelling indicating a high level of resources required to deliver schemes that would not provide value for money taking into account the revenue implications of borrowing. However, a revised capital budget of £2m is retained within the capital programme as officers work through other delivery options. ICT Investment, previously included in the capital programme, has been increased significantly to £1.8m reflecting the scale of ICT infrastructure renewal

required to ensure the council can deliver more efficient and customer-focussed services in future years. A capital budget of £120k is proposed to enable the resurfacing of the top deck of the London Road Multi-Storey Car Park.

Capital Financing

- 6.9 The resources available to fund the capital programme in 2017/18 and the next four financial years (as shown in Appendix C) are set out in Appendix D.
- 6.10 The changes proposed to the Capital Programme reduce the level of borrowing proposed in future years. An additional £6.950m of borrowing has been included in the Capital Financing Statement, a reduction of £5.650m over the previously assumed amount.
- 6.11 Whilst the Council is able to borrow externally to finance the capital programme, an internal borrowing position has been maintained over the last 18 months. This has the benefit of reducing external interest payments at the expense of lower investment income. However, there is a net financial benefit from this position due to the differential between interest rate what the Council can borrow at against the interest rate achieved on investments (i.e. the external rate is higher than the investment rate). For the purposes of the MTFP, it is assumed the internal borrowing position is maintained, although changes to capital expenditure profiles, new capital schemes, or an increased rate of depletion in available reserves will impact on this.
- 6.12 There is an interest rate risk in maintaining an internal borrowing position as increases in the interest rate impact on the cost of borrowing. The 2018/19 Treasury Management Strategy Statement (to be considered by Audit and Standards committee in February 2018) provides further information on these issues.
- 6.13 .A significant proportion of the General Fund capital programme is to be financed from the Capital Reserve; estimated at £4.643m. The Capital Reserve balance is therefore estimated to be £1.892m by the end of the 2021/22.
- 6.14 Other resources deployed to support the capital programme include Capital Grants, Housing Revenue Account revenue contributions, Capital Receipts, and external funding on specific projects.

Revenue Implications of the Capital Programme

- 6.15 The Capital Programme and Financing Statement assume that £6.950m of additional borrowing will be undertaken to support spending commitments. The Council has already undertaken £106.717m (£6m GF, £100.717m HRA) of external borrowing to support expenditure already incurred. Under the Capital Financing regulations, the Council should consider the revenue costs associated with external borrowing – interest on external loans and Minimum Revenue Provision (MRP) – the amount deemed prudent to set aside from the revenue account to allow for the repayment of debt when it becomes due.
- 6.16 Internal borrowing of £4.740m (£2.978m GF, £1.762m HRA) has also been undertaken to support the capital programme.

- 6.17 The MTFP includes £1.140m for external interest payments and £6.161m for MRP (2017/18 to 2021/22). This includes £1.771m of interest and MRP arising from the proposed capital programme on schemes yet to incur expenditure (Canal Saul to Stonehouse, Housing Initiatives/Homes for Rent).
- 6.18 The Council's Treasury Management Strategy Statement (TMSS), due to be considered by Audit and Standards Committee in February 2018, sets out the approach taken on borrowing from a Treasury Management perspective.

7. STATEMENT OF THE CHIEF FINANCIAL OFFICER

- 7.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of the financial reserves. The Act requires councillors to have regard to the report in making decision at the Council's budget and rent setting, and the council tax setting meetings.
- 7.2 The basis on which the budget for 2018/19 and the MTFP have been prepared has been set out 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 and reasonable assumptions, although paragraph 4.4 of the report does set out detail on underlying service pressures which have not been funded. Some further feasibility work on the proposed Capital Programme will be undertaken during 2018/19 to finalise the delivery phase of the schemes relating to Housing Initiatives/Homes for Rent and ICT Investment before significant expenditure is incurred and this may affect the profiling of the schemes.
- 7.3 The report does set out the core deficit position the council is facing over the MTFP. Progress has been made during the year to address the deficit with a number of savings already identified and being delivered, and a number of savings targets. The council will still be relying on reserve balances to support expenditure plans over the MTFP. The Savings Plan has reduced the reliance on the reserve somewhat, but it important to note that the deficit continues to increase over the medium term.
- 7.4 It is important that the council is able to balance the budget over the medium term in a sustainable and manageable way through a combination of income, sensible use of reserves and a robust savings plan. Therefore, an ongoing and continuous savings plan, that identifies further budget and efficiency savings over and above those indicated in this report will need to be brought forward into the MTFP.
- 7.5 The current savings plan includes a target level of savings to be achieved over the medium term. These includes workforce plan based savings, introducing car park charges, and income from the business rates growth/pool. There is a risk associated with savings targets. Should these savings not materialise at the level or within the timeframe assumed this will increase use of the MTFP equalisation reserve further. The Council will need to identify further savings or ways of reducing spend/increasing income to mitigate this risk.

- 7.6 Some risks remain, particularly around the economic and financial impact of Brexit. Whilst the government have triggered Article 50 and there is some clarity on the likely date that the country will leave the European Union, considerable uncertainty will remain over the MTFP period until negotiations have concluded and possibly for sometime beyond once a deal has been agreed.
- 7.7 Risks around inflation and interest rates also remain, and may be inexorably linked to the negotiations around leaving the EU. Allowance has been made in the MTFP estimates for inflationary pressures in both the General Fund and HRA, with projections of investment income relatively depressed due to low interest rate levels. Future interest rate increases are expected over the medium term, but income projections remain flat due to reduced cash balances available for investment over the same period.
- 7.8 Changes made in April 2013 to the way in which local government is financed could have a material effect on the council's finances if not managed over the MTFP. Council Tax benefit was abolished and replaced by a local Council Tax Support scheme. Although funding was provided to local government, there was a reduction of around 15% in the level of resources transferred at the time. The council adopted a local default scheme that mirrors the previous Council Tax benefit scheme. The cost to the council of the local scheme has reduced in each year since 2013/14 as the number of claimants has fallen. No allowance has been made in the MTFP for any increase in caseload or cost of the local scheme. The council would need to review the design of the scheme, or find equivalent savings across the general fund to mitigate any financial impact.
- 7.9 The localisation of business rates through the Business Rates Retention scheme does pose a financial risk to the council on two levels. Firstly, that the level of business rates income budgeted for in the MTFP does not materialise. Secondly, the level of backdated appeals remains a significant area of uncertainty. Whilst allowance is made within the calculation of retained business rates income for backdated appeals, these losses could be higher than projected. The introduction of the new rating list in April 2017 and the 'check, challenge, appeal' process has to date reduced the level of new appeals coming through the system. A review of the provision for appeals will be undertaken when completing the NNDR1 and NNDR3 returns which will help mitigate this risk.
- 7.10 The move to a new local government finance system through 75% Business Rates retention by 2020/21 is difficult to quantify financially. The assumption made in the MTFP is that income from BRR remains flat with only inflationary increases assumed. The new local government finance system may increase the amount of locally retained business rates income for the council. However, considerable downside risk remains, in particular the impact of successful business rates appeals will fall in full on local government. The performance of the local economy and national economic volatility will have a greater effect on the council's finances.
- 7.11 Finally on Business Rates, the awarding of Pilot status to Gloucestershire does provide the opportunity for additional resources to be retained by Gloucestershire, with around £0.5m of benefit estimated for this Council. A prudent approach has been taken in the MTFP with the £0.5m proposed to transfer to an earmarked reserve for future allocation.

Financial Reserves

- 7.12 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.
- 7.13 The Council's earmarked reserves have been reviewed, as set out in this report, with a reprioritisation of limited number of the reserves to support the council's proposed capital programme.
- 7.14 A different approach was taken in 2017/18 following a review of the General Fund balance, with a risk-based balance of £2m being maintained over the MTFP period. The risk and level has been reviewed and is considered adequate. It is advised that General Fund balances do not fall below this level.
- 7.15 This report highlights the utilisation of both the MTFP Equalisation reserve (supporting the revenue budget) and the Capital Reserve (providing funding for the capital programme). These reserves are forecast to reduce to £2.589m and £1.892m respectively over the medium term. The estimated closing balances provide some scope for future support to both the revenue budget and capital programme. However, the rate of utilisation beyond the medium term plan period must be considered.
- 7.16 Overall, I am satisfied that the projected levels of balances and reserves 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 Government's future plans for New Homes Bonus and 75% business rates retention become clearer.

Summary of changes from the 2017/18 Original Budget

This is the same Table as included in the General Fund Estimates report. It is included as an Appendix in this report for completeness. Detailed revenue estimates for each committee were provided in the General Fund Estimates report.

	2017/18 Original Estimate (£'000)	2017/18 Revised Estimate (£'000)	2018/19 Original Estimate (£'000)
General Fund			
[a] Original Budget	15,491	15,491	15,491
[b] Carry forwards from Prior year		169	0
[c] Technical Adjustments		0	(71)
[d] Pay Inflation 2017/18		0	97
[e] Price & Income inflation		0	13
Base Budget	15,491	15,660	15,530
[f] Budget Pressures		0	9
[f] Efficiency Savings		(250)	(1,037)
[g] Insurance Adjustment		0	39
[h] Technical Adjustment		(0)	204
[j] Recharge Adjustment		0	11
[j] Accounting Adjustments	565	1,803	1,748
Net Service Revenue Expenditure Budget	16,056	17,213	16,503

(may include some rounding differences)

General Fund Medium Term Financial Plan (MTFP) – 2017/18 to 2021/22

	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
GENERAL FUND MTFP					
Service Revenue Expenditure	17,213	16,503	16,442	16,442	16,442
Corporate Items					
Minimum Revenue Provision (MRP)	1,120	1,291	1,107	1,276	1,367
Capital Charges	(1,892)	(1,892)	(1,892)	(1,892)	(1,892)
IAS19 Retirement Benefits	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)
Net transfer to / from (-) Reserves	0	500	0	0	0
General Fund Contingency	50	50	50	50	50
Waste Management Contingency	400	200	100	50	0
Multi-Service VRP Provision	0	0	0	0	0
Drainage Board Levies	128	137	144	151	159
Interest payable & similar charges	150	180	210	270	330
Interest & investment income	(261)	(264)	(256)	(259)	(259)
Feed-in-tariff Income	(27)	(27)	(27)	(27)	(27)
Subtotal	(2,127)	(1,619)	(2,359)	(2,175)	(2,067)
Adjusted Budget	15,086	14,884	14,083	14,266	14,375
MTFP Adjustments					
Non-Pay Inflation	0	0	150	250	350
Pay Inflation (Further 1% provision, 2% per annum)	0	115	345	550	760
Employers Pension Contributions	0	0	204	407	611
Subtotal	0	115	699	1,207	1,721
Adjusted MTFP position	15,086	14,999	14,782	15,474	16,096
Budget Proposals					
Software Contingency & Invest to Save		266	266	266	166
Subtotal	0	266	266	266	166
Savings Plan					
Savings Plan 2018/19	(25)	(250)	(852)	(880)	(690)
Subtotal	(25)	(250)	(852)	(880)	(690)
Proposed Net Revenue Budget	15,061	15,015	14,196	14,860	15,572

	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
GENERAL FUND MTFP					
Proposed Net Revenue Budget	15,061	15,015	14,196	14,860	15,572
Funded By:					
Precept on Collection Fund	8,354	8,773	8,905	9,038	9,174
£5 Council Tax increase assumed 2019/20 onwards			221	449	683
Business Rates Retention Funding	3,314	3,414	3,487	3,557	3,628
Business Rates Pilot		500			
Revenue Support Grant	347				
Tariff/Top-Up adjustment	0	0	(549)	(549)	(549)
Transition Grant + Other Grants	123	20	20	20	20
New Homes Bonus	2,718	2,174	1,707	974	936
Subtotal Government Funding	6,502	6,108	4,665	4,002	4,035
Council Tax Collection Fund surplus/-deficit	177	169	0	0	0
NNDR Collection Fund surplus/-deficit	39	0	0	0	0
TOTAL Funding	15,072	15,050	13,791	13,488	13,892
Core Surplus / (Deficit) before reserves	10	35	(405)	(1,371)	(1,680)
Utilisation of Reserves	(10)	(35)	405	1,371	1,680
Surplus / (Deficit) after use of reserve	0	0	0	0	0

(may include some rounding differences)

Capital Programme 2017/18 to 2021/22

Capital Scheme	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Community Services					
Community Buildings Investment	50	100	50	-	-
Stratford Park Lido	20	80	100	-	-
Stratford Park Sensory Garden	8	-	-	-	-
Total Community Services	78	180	150	-	-
Environment					
Canal	184	-	-	-	-
Canal Regeneration (Saul to Stonehouse)	250	500	1,500	750	-
CMP - Heat and Power	141	-	-	-	-
Market Town Centres Initiative Fund	-	100	50	50	-
Multi-Service Contract - Vehicles	334	250	250	166	-
Stroud District Cycling & Walking Plan	-	100	100	100	-
Wallbridge - Gateway	-	190	-	-	-
Total Environment	909	1,140	1,900	1,066	-
Housing General Fund					
Affordable Housing – Support to Registered Providers	120	119	-	-	-
Disabled Facilities Grant Scheme	330	330	330	330	330
Health through Warmth Grants	200	-	-	-	-
Private Sector Home Loan Scheme	60	-	-	-	-
Total Housing	710	449	330	330	330
Strategy and Resources					
Brimscombe Port Redevelopment	450	1,600	482	-	-
ICT Investment Plan	-	400	500	500	400
Littlecombe Business Units, Dursley	1,850	100	-	-	-
MSCP Resurfacing	-	120	-	-	-
Housing Initiatives/Homes for Rent	848	600	600	400	400
Total Strategy and Resources	3,148	2,820	1,582	900	800
Total General Fund	4,845	4,589	3,962	2,296	1,130

Capital Scheme	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Housing Revenue Account					
Major Works	6,602	6,657	6,103	6,027	5,919
New Homes and Regeneration	1,967	3,004	-	-	-
Sheltered Housing Modernisation	620	2,059	311	462	1,836
Total Housing Revenue Account	9,189	11,720	6,414	6,489	7,755
Total Capital Programme	14,034	16,309	10,376	8,785	8,885

(may include some rounding differences)

Capital Financing Statement 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
1. Capital Expenditure					
Community Services	78	180	150	-	-
Environment	909	1,140	1,900	1,066	-
Housing General Fund	710	449	330	330	330
Housing Revenue Account	9,189	11,720	6,414	6,489	7,755
Strategy and Resources	3,148	2,820	1,582	900	800
Estimated Expenditure	14,034	16,309	10,376	8,785	8,885
Financed by:					
Borrowing HRA	-	-	-	-	-
HCA Grant	116	198	-	-	-
HRA Reserves	-	2,304	360	10	-
HRA Usable capital receipts (3)	1,787	2,065	304	400	1,750
Revenue funded	7,286	7,153	5,750	6,079	6,005
HRA Financing Total	9,189	11,720	6,414	6,489	7,755
Borrowing GF	2,184	950	2,100	1,316	400
Capital grants (5)	330	1,848	812	330	330
Capital reserve (4)	971	1,572	1,050	650	400
External funding	392	100	-	-	-
General Fund usable capital receipts (2)	120	119	-	-	-
RTB Capital receipts	848	-	-	-	-
Total Financing	14,034	16,309	10,376	8,785	8,885
2. General Fund Usable Capital Receipts					
Brought forward 1 April	471	376	282	307	332
add: received in year	25	25	25	25	25
less: applied as above	(120)	(119)	-	-	-
Carried forward 31 March	376	282	307	332	357
3. HRA Usable Capital Receipts					
Brought forward 1 April	3,018	4,379	3,514	3,810	4,010
add: received in year	2,300	1,200	600	600	600
less: applied as above	(939)	(2,065)	(304)	(400)	(1,750)
Carried forward 31 March	4,379	3,514	3,810	4,010	2,860
4. Capital Reserve					
Brought forward 1 April	5,835	5,564	3,992	2,942	2,292
add: received in year	700	-	-	-	-
less: applied as above	(971)	(1,572)	(1,050)	(650)	(400)
Carried forward 31 March	5,564	3,992	2,942	2,292	1,892
5. Capital Grants					
Disabled Facilities Grant due	330	330	330	330	330
Homes and Community Agency Grant	116	1,716	582	-	-
Capital grants	446	2,046	912	330	330
TOTAL Capital Grants	892	4,092	1,824	660	660

(may include some rounding differences)

Earmarked Reserves

Appendix E

Reserve Type	Earmarked Reserve	Purpose	Balance 01/04/2017 (£'000)	2017/18 Financing (£'000)	2017/18 Review (£'000)	Est. Balance 31/03/2018 (£'000)	Est. Balance 31/03/2019 (£'000)	Est. Balance 31/03/2020 (£'000)	Est. Balance 31/03/2021 (£'000)	Est. Balance 31/03/2022 (£'000)
Capital	Capital Reserve	Funding to support Capital Programme	(5,835)	971	(700)	(5,564)	(3,992)	(2,942)	(2,292)	(1,892)
Commitments	The Pulse	Revenue surplus to fund Capital	(130)	0	0	(130)	(130)	(130)	(130)	(130)
Equalisation	Legal Counsel	To fund the cost of legal counsel advice within services	(50)	0	0	(50)	(50)	(50)	(50)	(50)
Equalisation	Planning Appeals	To provide adequate resource to fund any planning appeals or tribunals	(100)	0	0	(100)	(100)	(100)	(100)	(100)
Equalisation	BRR Safety Net	Amount set aside for any potential business rates income shortfall under the Business Rates Retention Scheme	(281)	0	0	(281)	(281)	(281)	(281)	(281)
Equalisation	Welfare Reform	To provide resource for the revolving loan fund used by the Homelessness Prevention team - transferred from revenue balances	(30)	0	0	(30)	(30)	(30)	(30)	(30)
Equalisation	CIL	Smoothing reserve for CIL Administration costs	42	0	0	42	42	42	42	42
Equalisation	MTFP Equalisation	To provide support to the MTFP	(6,000)	(10)	0	(6,010)	(6,046)	(5,641)	(4,269)	(2,589)
Other	Opportunity Land Purchase	To fund land acquisitions	(250)	0	0	(250)	(250)	(250)	(250)	(250)
Other	Workforce Planning	To fund any costs arising from delivering the Workforce Plan in future years	(400)	0	0	(400)	(400)	(400)	(400)	(400)
Other	Invest to Save	Upfront investment funding for Capital or Revenue projects that generate an income stream or reduce costs in future years	0	0	(150)	(150)	(150)	(150)	(150)	(150)
Other	Climate Change	To Fund the Carbon Management Programme	(671)	0	350	(321)	(321)	(321)	(321)	(321)
Other	Littlecombe	Transferred to the Capital Reserve	(50)	0	50	0	0	0	0	0
Other	Neighbourhood Planning	Funding received to support development of Neighbourhood Plans	(71)	0	0	(71)	(71)	(71)	(71)	(71)
Other	Jobs and Growth	Transferred to the Capital Reserve	(450)	0	450	0	0	0	0	0
Partnership	Building Control	Building Control Partnership surplus/(deficit)	(142)	0	0	(142)	(142)	(142)	(142)	(142)
Partnership	Merrywalks	Net income held prior to distribution as per Management agreement	(222)	222	0	0	0	0	0	0
			(14,640)	1,183	0	(13,457)	(11,920)	(10,465)	(8,444)	(6,364)
GF Balances	GF Balance	Risk-based balance - minimum level to be held	(2,169)	169	0	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)

(may include some rounding differences)

**RECOMMENDATION FROM
STRATEGY AND RESOURCES COMMITTEE
TO COUNCIL ON 25 JANUARY 2018**

**AGENDA
ITEM NO**

5d

This is a copy of the Agenda Item 10 report to the Committee on
18 January 2018

Report Title	THE FAIR PAY AND SENIOR PAY POLICY STATEMENT 2018/19
Purpose of Report	The Council is required under the Localism Act 2011 to approve and publish a policy statement on senior pay.
Decision(s)	The Committee RECOMMENDS to Council that the statement is approved.
Consultation and Feedback	A copy of the draft statement has been provided to Unison
Financial Implications and Risk Assessment	<p>There are no financial implications arising from this report.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> <p>Non compliance with this statutory requirement would place the Council at risk. The inclusion of this statement in the annual review process for the Constitution enables this risk to be mitigated.</p> <p>David Hagg, Chief Executive Tel: 01453 754290 Email: david.hagg@stroud.gov.uk</p>
Legal Implications	<p>In summary, Section 38 Localism Act 2011 requires all local authorities to produce and publish a pay policy statement for the forthcoming financial year to be approved by resolution of full Council including:</p> <ul style="list-style-type: none"> • the remuneration of Chief Officers (being the statutory officers; those officers that report to the Chief Executive (i.e. Directors) and those that report to the latter (e.g. Heads of Service / Service Managers)); • the remuneration of its lowest paid employees; and • the relationship between the remuneration of its Chief Officers and other employees. (Ref: rc8118d4118) <p>Karen Trickey, Head of Legal Services & Monitoring Officer Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>

Report Author	Lucy Powell, HR Manager Tel: 01453 754286 Email: lucy.powell@stroud.gov.uk
Options	The Council is required to publish a statement by the 31 st March 2018 for the ensuing financial year. The nature and content must adhere to guidelines issued by the Secretary of State for Communities and Local Government.
Performance Management Follow Up	The operation of the policy and its subsequent annual review is a function of the Committee.
Background Papers	Information on the Council's workforce was extracted from the Council's human resources/payroll system. The remuneration of individual senior officers is also published in the Council's Statement of Accounts and on the Council's website.

The Fair Pay and Senior Pay Policy Statement 2018

This Pay Policy Statement is produced on an annual basis in accordance with Section 38 (1) of the Localism Act 2011. It is made available on the Council's website.

The Council has published information on senior pay for a number of years on its website and in its Statement of Accounts. It has also responded openly and in full to Freedom of Information Act requests for such details. For the past nine years, the Chief Executive has published full details of his remuneration that go well beyond the statutory requirements.

The Local Government Transparency Code 2014 places additional publication requirements on local authorities to publish data on their websites. This includes the requirement either to publish the data on their website or place a link on their website to such data. Additional requirements of the Code include the requirement for local authorities to publish:-

- A list of responsibilities of senior staff
- Details of bonuses and "benefits-in-kind" for all employees whose salary exceeds £50,000
- The pay multiple, defined as the ratio between the highest paid taxable earnings for the given year and the median earnings figure of the whole of the authority's workforce.

This information is available on the Council's website.

Pay Accountability - Senior Pay Policy Statement for Stroud District Council 2018/19

Both the Localism Act 2011 and the Transparency Code 2014 require the definition and publication of data on the lowest paid employees, their remuneration and the clarification of the relationship of pay between the lowest and highest paid groups of employees.

The lowest paid employees of the Council are on the Apprentice grade and have a salary at 01/01/2018 of £10,804. The highest paid employee on Stroud 12 has a salary at

01/01/2018 of £110,792. This is calculated as a ratio of 1:10 between the lowest and the highest paid employees of the Council. The Government's view is that the salaries ratio in the public sector should not exceed 1:20, so the Council is well within these guidelines. As members have pointed out previously, the Council's apprenticeship programme is not typical of local authorities. A comparison of Stroud 1 (including the living wage) to Stroud 12 produces a ratio of 1:7.

There is only a requirement by the Government to pay Apprentices £3.40 per hour. However, the Apprentice grade at SDC has been based on the National Minimum Wage for 18-20yr olds of £5.60.

The Council engages consultants where there is a requirement for specific skills or where particular expertise is required for a project. We are not required by legislation to publish this information, but as an illustration, the ratio between an employee on Stroud 1 (including the living wage) and the highest paid consultant is 1:14 (based on an hourly rate of pay).

Since 2013, the Council has paid the Living Wage Foundation (LWF) living wage to staff on Stroud 1 by way of a supplement to basic pay. This means that, excluding apprentices, the lowest paid staff receive an hourly rate of £8.75 per hour, which is a figure defined by the LWF as the minimum income needed to meet basic needs. The figure is reviewed annually.

1. Level and Elements of Remuneration in 2018/19

1.1 The Council pays 'spot' salaries to all employees. There are 13 spot salaries:

Stroud Grade	FTE Jan 2017	Headcount Jan 2017	FTE Jan 2018	Headcount Jan 2018
STR12 £110,792	1.00	1	1.00	1
STR10 £70,320	4.00	4	3.00	3
STR9 £53,410	5.10	6	5.80	6
STR8 £47,470	9.00	9	8.80	9
STR7 £41,025	19.96	22	21.26	22
STR6 £35,444	38.05	40	32.97	35
STR5 £30,153	61.39	73	63.48	74
STR4 £24,964	71.23	84	74.26	85
STR3 £20,661	70.73	91	68.84	85
STR2 £17,772	46.23	70	50.54	72
STR1 £15,375**	7.73	21	7.20	23
STR App £10,804	7.00	7	5.81	6
TOTAL	341.42	428* Actual 405	342.96	421* Actual 400

* This figure shows employees with contracted hours at each Stroud grade.

** plus living wage = £16,881

The 'actual' figure indicates exact headcount, as some employees have more than one post at different grades.

- 1.2 There are no bonuses, annual increments or performance related payments. A salary supplement or honorarium can be paid when an employee carries out a substantial increase in duties and responsibilities.
- 1.3 The actual headcount has reduced by 1.2% since last year. This has been due to the impact of business reorganisations and through natural wastage in line with the reductions in headcount required by the Council's workforce plan.
- 1.4 The Chief Executive is employed under Chief Executives' Terms and Conditions. All other senior officers are employed under National Joint Council (NJC) for local government services. The Council publishes an Employee Handbook that sets out local terms and conditions of employment. This is available on the staff intranet.
- 1.5 The pay in relation to individual senior officers is shown below;

Chief Executive

- Salary of £110,792 subject to any national pay award. The Chief Executives' pay agreement of March 2016 increased Chief Executives' pay by one percent in April 2016 and by one percent in April 2017. (This was the first increase for eight years for Chief Executives earning £100,000 or more p.a.). The Chief Executives' pay agreement for 2018 is currently being considered and no firm agreement has been made.
- Taxable allowance of £1,996 (a fixed sum set in July 2001 and with no increase for inflation) for car mileage. This payment has ceased with effect from 1st January 2018 in line with the review of staff car allowances.
- Employed under the Chief Executives' Terms and Conditions
- Election Fees as Returning Officer as set out in the Gloucestershire Scheme Scale of Fees for District and Parish Elections; Parliamentary, European Parliament, Referendum, Police Area Returning Officer Fees as specified by the Ministry of Justice, the Home Office or the Electoral Commission. The fees vary from year to year depending on the nature and number of elections. This is classed as a separate employment for superannuation purposes.
- Payment of membership of the Society of Local Authority Chief Executives (invoiced direct to the Council)

Directors

- Salary of £70,320 subject to any national pay award
- Taxable car allowances payable in line with HMRC reimbursement rates with effect from 1st February 2018.
- Payment of membership of one professional body (invoiced direct to the Council)
- Election fees payable to officers as election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees

Heads of Service

- Salary of £53,410 subject to any national pay award
- Taxable car allowances payable in line with HMRC reimbursement rates with effect from 1st February 2018
- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees

Monitoring Officer

- Salary of £47,470 subject to national pay award; plus a market supplement of £14,467 (Market supplement is paid as pay scales may sometimes fail to attract suitable candidates for specific posts due to market pressures)
- Taxable car allowance payable in line with HRMC reimbursement rates with effect from 1st February 2018
- Payment of membership of one professional body (invoiced direct to the Council)
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees.

Service Managers

- Salaries in range from £47,470 to £35,444 subject to any national pay award
- Taxable car allowances payable in line with HMRC reimbursement rates with effect from 1st February 2018
- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees

2. Remuneration on Recruitment

2.1 Chief Executive

The remuneration would be reviewed prior to advertisement by the Strategy & Resources Committee or its panel under delegated authority from the Council. The Committee's membership is agreed by the Council at its Annual General Meeting and is politically balanced.

The full Council appoints the Chief Executive based on a recommendation from the Committee.

2.2 Directors, Heads of Service, Service Managers and Monitoring Officer

The remuneration and allowances are set out in the Employee Handbook and the published salary scales (Stroud 10 for Directors £70,320; Stroud 9 for Heads of Service £53,410; Stroud 8 £47,470 plus reviewable market supplement of £14,467 for Monitoring Officer; Stroud 8 to Stroud 6 for Service Managers £47,470 to £35,444)

3. Remuneration on ceasing to hold office/be employed by the Council

3.1 Chief Executive

The Committee would make a recommendation to the full Council.

3.2 Directors, Heads of Service, Service Managers and Monitoring Officer

The terms of any redundancy or retirement are set out in the Employee Handbook (Section 3.3).

4. Publication and Access to Information Relating to Remuneration

4.1 This pay policy statement is published on the Council's website located under Open Data at <http://www.stroud.gov.uk/opendata>

4.2 The Council's Constitution and the Council's Statement of Accounts are published at www.stroud.gov.uk