STROUD DISTRICT COUNCIL
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Council Offices Ebley Mill Ebley Wharf Stroud Gloucestershire GL5 4UB

To all Members of Stroud District Council 11 February 2019

You are hereby summoned to attend a meeting of **STROUD DISTRICT COUNCIL** in the Council Chamber, Ebley Mill on **THURSDAY 21 FEBRUARY 2019 at 7.00pm.**

Kathy O'Leary
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.

A G E N D A

1 APOLOGIES
To receive apologies for absence.

2 DECLARATIONS OF INTEREST
To receive declarations of interest.

3 MINUTES
To approve the Minutes of the Council's meetings held on 18 October 2018 and 24 January 2019.

4 ANNOUNCEMENTS
To receive announcements from the Chair of Council.

5 PUBLIC QUESTION TIME
The Chairs of Committees will answer questions from members of the public submitted in accordance with the Council's procedures.

DEADLINE FOR RECEIPT OF QUESTIONS
Noon on Monday, 18 February 2019

Questions must be submitted to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and sent by post or email (democratic.services@stroud.gov.uk)

6 RECOMMENDATIONS FROM OTHER COMMITTEE(S)

6a Audit and Standards Committee – 29 January 2019

Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2019/20 (Agenda Item 11)
The relevant committee report is also available on the website page for this Council meeting.

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

1. **To adopt the prudential indicators and limits for 2019/20 to 2021/22;**
2. **To approve the treasury management strategy 2019/20, and the treasury prudential indicators;**
3. **To approve the investment strategy 2019/20, and the detailed criteria for specified and non-specified investments; and**
4. **To approve the MRP Statement 2019/20.**

6b Housing Committee – 5 February 2019

Tenant Representatives on Housing Committee (Agenda Item 8)
The relevant committee report is also available on the website page for this Council meeting.

The Chair of the Housing Committee will present these items:

To approve the Tenant Representatives elected for Housing Committee and recommend the appointment to full Council.

7 SETTING THE AMOUNT OF COUNCIL TAX FOR 2019/20

The Leader of the Council will present the item.

The report on this item will not be available until after notification from Gloucestershire County Council of its precept requirement. The Council Tax for the Stroud District must be set by 21 February 2019 otherwise the tax cannot lawfully be collected from 1 April 2019.

8 DURSLEY NEIGHBOURHOOD DEVELOPMENT PLAN

To consider a report on whether the Dursley Neighbourhood Development Plan should be made part of the Development Plan, following the referendum.

9 MEMBERS' QUESTIONS

See Agenda Item 5 for deadline for submission.

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COUNCIL MEETING

3

18 October 2018

7.00 pm – 9.58 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

Martin Baxendale	P	Julie Job	A	Sue Reed	P
Dorcas Binns	A	Haydn Jones	P	Mark Reeves	P
Catherine Braun	P	John Jones	P	Steve Robinson	P
Chris Brine	A	Norman Kay	P	Mattie Ross	P
George Butcher	P	Darren Loftus	P	Tom Skinner	P
Miranda Clifton	P	Stephen Lydon	P	Nigel Studdert-Kennedy	P
Nigel Cooper	P	John Marjoram	P	Haydn Sutton	A
Doina Cornell	P	Phil McAsey	P	Brian Tipper	P
Gordon Craig	P	Karen McKeown	P	Chas Townley	P
Rachel Curley	P	Jenny Miles*	P	Jessica Tomblin	P
Stephen Davies	P	Dave Mossman	P	Ken Tucker	P
Paul Denney	A	Gill Oxley	P	Martin Whiteside	P
Jim Dewey	P	Keith Pearson	P	Tim Williams	P
Jonathan Edmunds	P	Simon Pickering	P	Tom Williams	P
Chas Fellows	P	Gary Powell**	P	Penny Wride	P
Colin Fryer	P	Nigel Prenter	P	Debbie Young	A
Nick Hurst	P	Skeena Rathor	P		

**Chair *Vice-Chair P = Present A = Absent

Officers Present:

Director of Development Services
Head of Legal Services and Monitoring Officer
Head of Community Services
Community Services Manager
Head of Finance
Head of ICT
Democratic Services Officer

CL.032 APOLOGIES

Apologies for absence were received from Councillors Binns, Denney, Job, Sutton and Young.

CL.033 DECLARATIONS OF INTEREST

Councillor Pickering declared an interest in Item 7b(v) Car Park Review because of his Air B&B in Stonehouse.

CL.034 MINUTES

RESOLVED That the minutes of the meeting held on 9 August 2018 are confirmed and signed as a correct record.

CL.035 ANNOUNCEMENTS

Director of Development Services

On 4 October 2018 the Stroud District Council partnership team which included participants from Gloucestershire Association of Parish and Town Councils and NHS Gloucestershire Clinical Commissioning Group scooped the top award at the annual South West Challenge.

Karen Trickey, Head of Legal Services and Monitoring Officer would be leaving on 24 October 2018 and an interim, Nicola Swan, had been appointed starting on 29 October 2018.

Councillor Alison Hayward had resigned on 1 October and a by-election would be held on 15 November 2018.

The Chair of Council

All parishes were congratulated who had entered the Britain in Bloom and had won awards, Stroud – gold, Dursley – gold, Wotton-under-Edge – silver guilt, Nailsworth – silver guilt and Stonehouse – gold and also top town in their category.

CL.0036 PUBLIC QUESTION TIME

Questions were received from Mr Tevans, Mr S Gower and D Hicks. In the absence of the members of the public the questions and answers were taken as read. They had been published on the Council's website.

CL.037 GLOUCESTERSHIRE GREEN INFRASTRUCTURE PLEDGE

Councillor Pickering, Chair of Environment Committee outlined the reasons for the pledge which would support a better environment for future generations. An update would be provided at either Environment Committee or Council in a year's time.

RESOLVED To support the Gloucestershire Green Infrastructure Pledge that recognises the importance of well planned green infrastructure and the five objectives of that pledge.

CL.038 RECOMMENDATIONS FROM OTHER COMMITTEES

(a) Community Services and Licensing Committee

Review of Stroud District Council's Statement of Principles under the Gambling Act 2005

Councillor Ross, Chair of Community Services and Licensing Committee outlined the above report.

RESOLVED That the Council adopts the draft Statement of Principles.

(b) Strategy and Resources Committee

(bi) First Report of Constitution Working Group 2018

The Leader, Councillor Cornell outlined the above report making reference to various paragraphs therein.

RESOLVED That the terms of reference of the District Planning Review Panel (aka 'PRP') be amended as outlined in the report paragraph 2.7.

(bii) Additional Housing Revenue Account (HRA) Borrowing Programme (2019/20, 2020/21 and 2021/22)

Councillor Townley, the Chair of Housing Committee outlined the above report, provided background and updates. Councillor Cooper wanted it noted that he had abstained from voting on this report at Strategy and Resources Committee. Members debated the use of reserves and would be cautious in future borrowing.

RESOLVED To approve the bids to the Ministry of Housing, Communities and Local Government (MHCLG), through Homes England, for additional borrowing from the 'Additional HRA Borrowing Programme (2019/20, 2020/21 and 2021/22)' for the following schemes:

Broadfield Road, Eastington
Orchard Road, Ebley
Queens Drive, Cashes Green
Ringfield Close, Nailsworth
Southbank, Woodchester
Summersfield Road, Minchinhampton
Tanners Piece, Nailsworth
The former Ship Inn site, Bridgend

(biii) Council Tax Support Scheme 2019/20

The Leader outlined the above report which would try to help people who really needed assistance.

RESOLVED That Council adopts the Local Scheme as the scheme for Stroud District for the period 01 April 2019 to 31 March 2020.

(biv) Budget Strategy 2019/20 to 2022/23

The Leader outlined the above report which had assumptions which may be changed as a result of the Government funding review and the implications which will be known next year. The future remained uncertain, particularly with the new homes bonus decreasing and the pressure on the budget from Ubico.

RESOLVED To approve the Budget Strategy 2019/20 to 2022/23 as set out in this report, including the decision to bid for Business Rates Pilot status.

Councillor Pickering left the Council Chamber.

(bv) Car Park Review 2018

The Leader outlined the recommendation that had been agreed and published from Strategy and Resources Committee but advised that she wished to amend it to address grounds for legal challenge, legal advice having not been sought prior to the committee's decision. The new recommendation was seconded by Councillor Ross.

1. Not to introduce charges for off-street parking in Dursley, Nailsworth, Stratford Park and Wotton-Under-Edge;
2. To carry out a statutory consultation on an amended draft variation order which includes the removal of parking charges from Stonehouse Car Parks and to delegate responsibility to the Director of Customer Services for taking the necessary steps to implement the consultation, including making any applicable amendments to the draft variation order; and
3. At the next council meeting consider the amended draft variation order including the responses to the consultation on the removal of parking charges from Stonehouse.

A further report would be presented at the next meeting of Council because of budget implications. Councillor Davies asked what the cost would be for not introducing the car parking charges and the Leader would send a reply.

Members debated the new motion questioning why not remove charges from both Stroud and Painswick.

Councillor Cooper proposed a further amendment to the motion requesting that Painswick is removed. This was seconded by Councillor Pearson.

The Leader asked the Chair if there could be an adjourn the meeting. The meeting adjourned at 8.50 pm and reconvened at 9.05 pm.

The Leader agreed to the proposed amendment to include Painswick and this now became the substantive motion.

Councillor Skinner proposed another amendment to include Stroud which was seconded by Councillor Davis. After questions and a debate, Councillor Skinner withdrew his proposal.

Members voted on the substantive motion and

RESOLVED
1. **Not to introduce charges for off-street parking in Dursley, Nailsworth, Stratford Park and Wotton-Under-Edge;**
2. **To carry out a statutory consultation on an amended draft variation order which includes the removal of parking charges from Stonehouse and Painswick Car Parks and to delegate responsibility to the Director of Customer Services for taking the necessary steps to implement the consultation, including making any applicable amendments to the draft variation order; and**
3. **At the next council meeting consider the amended draft variation order including the responses to the consultation on the removal of parking charges from Stonehouse and Painswick.**

Councillor Pickering returned to the Council Chamber.

(c) Audit and Standards Committee

Procurement Update

Councillor Studdert-Kennedy, Chair of the Audit and Standards Committee explained the background to the recommendation that was before full Council for their endorsement.

Members asked questions and debated the recommendation.

RESOLVED The Corporate Team be reminded of the importance, without exception, of ensuring:

1. **Forward planning for any procurement, whether a completely new service or a renewal (as opposed to an extension) of contract;**
2. **All procurements undertaken are recorded in writing and documents are retained in line with the Council's documentation retention policy; and**

All applications for exemptions (granted or otherwise) to the Council's Procurement and Procedure Rules be reported to the Audit & Standards Committee as part of the regular procurement updates.

CL.039 COMMITTEE MEMBERSHIP

The Leader outlined the following changes:-

Community Services and Licensing Committee – Councillor McKeown to replace Councillor Marjoram.
Environment Committee – Councillor Powell to replace Councillor Lydon.
Development Control Committee – Councillor Tomblin to replace Councillor Mossman.

RESOLVED To note the above committee membership changes.

CL.040 GLOUCESTERSHIRE VISION 2050

The Leader gave a verbal update. Reports would be in the public domain on 22 October 2018. The two topics of most concern were housing and public transport. A members information session to look at the papers had been arranged for 13 December 2018.

CL.041 NOTICE OF MOTION

A motion was proposed by Councillor Cornell and seconded by Councillor Townley regarding SDC's vision in 'Leading a community that is making Stroud district a better place to live, work and visit for everyone' and one of the council's key priorities to achieve this is by helping 'create a sustainable and vibrant economy that works for all'.

The Leader explained the purpose of the motion that would capture the work that we already do to deliver our key priorities within Stroud district.

In accordance with the Council's Constitution (Section 3: paragraph 6) members voted to continue with the meeting.

RESOLVED

1. **To create a long term action plan by which the practical strategies of local wealth building can be used to achieve SDC's vision and corporate priorities, including the creation of a local wealth building strategy.**
2. **To examine whether a resource is required to support this work.**
3. **That the S&R committee reviews the existing procurement strategy and other strategic documents to ensure social value and local wealth building are accurately and strongly embedded in these guiding strategies.**
4. **That the S&R committee supports the pre-procurement process by considering well in advance which of the council's largest contracts are to be renewed, and how this process will support local wealth building and the vision and priorities of the council.**
5. **That the A&S committee annually reviews the council's local spend with Gloucestershire suppliers with the aim of increasing the percentage year on year.**
6. **That the Leader and Chief Executive use existing forums such as the Local Strategic Partnership, Leadership Gloucestershire and the LEP to identify other anchor institutions in our district and build partnerships with a view to creating a local wealth building network.**

CL.042 MEMBERS' QUESTIONS

Questions were submitted by Councillor Davies. They were answered by the Leader. Supplementary questions were also answered. (Refer to the Council's webcast and Item 11).

The meeting closed at 9.58 pm.

Chair

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COUNCIL MEETING

3

24 January 2019

7.00 pm – 10.37 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

Martin Baxendale	P	Nick Hurst	P	Skeena Rathor	P
Dorcas Binns	A	Julie Job	P	Sue Reed	P
Catherine Braun	P	Haydn Jones	P	Mark Reeves	A
Chris Brine	P	John Jones	P	Steve Robinson	P
George Butcher	P	Norman Kay	P	Mattie Ross	P
Miranda Clifton	P	Darren Loftus	P	Tom Skinner	P
Nigel Cooper	P	Stephen Lydon	P	Nigel Studdert-Kennedy	P
Doina Cornell	P	John Marjoram	P	Haydn Sutton	P
Gordon Craig	P	Phil McAsey	A	Brian Tipper	P
Rachel Curley	P	Karen McKeown	A	Chas Townley	P
Stephen Davies	P	Jenny Miles*	P	Jessica Tomblin	A
Paul Denney	A	Dave Mossman	A	Ken Tucker	P
Jim Dewey	A	Gill Oxley	P	Martin Whiteside	P
Jonathan Edmunds	P	Keith Pearson	P	Tim Williams	P
Chas Fellows	A	Simon Pickering	P	Tom Williams	P
Colin Fryer	P	Gary Powell**	P	Debbie Young	P
Trevor Hall	P	Nigel Prenter	P		

**Chair *Vice-Chair P = Present A = Absent

Officers Present:

Chief Executive
Director of Customer Services
Director of Development Services
Interim Head of Legal Services & Monitoring Officer
Head of Finance and Section 151Officer
Community Services Manager
Head of Community Services
Elections Manager
Democratic Services Officer

The Chair confirmed that with the agreement of the Chief Executive, the activist group Extinction Rebellion would be allowed to make a statement and ask questions following on from last weeks Strategy and Resources Committee. Agenda item 6b would be brought forward.

All present stood for a minute's silence, as a mark of respect, for both Councillor Penny Wride and former Stroud District Council Chair and Parish Councillor Roy Nicholas who had both recently passed away. Members paid tribute. Both had given so much of their time to their communities and would be greatly missed.

CL.043 APOLOGIES

Apologies for absence were received from Councillors Binns, Denney, Dewey, Fellows, McAsey, McKeown, Mossman, Reeves, and Tomblin.

CL.044 DECLARATIONS OF INTEREST

Councillor Pickering declared an interest in Agenda Item 7 - Car Park Review 2018 because of his Air B&B in Stonehouse where visitors often use the Council's car park.

CL.045 RECOMMENDATION(S) FROM OTHER COMMITTEES

Environment Committee – 13 December 2018

Motion regarding Achieving Stroud District Carbon Neutral 2030 Commitment

Councillor Pickering, Chair of Environment outlined the background and discussion that had taken place at Environment Committee resulting in an amendment in funding, and unanimous support. The next steps would be to draft a document setting out how we are going forward. There is wide support around the district and Members fully endorsed the motion.

Councillor Butcher, the seconder for the motion stated that the public needed to be educated which would lead to small changes becoming bigger ones.

In summing up Councillor Pickering thanked members for their support.

On being put to the vote the Motion was carried.

RESOLVED To endorse the 'Climate Emergency' announced by the administration on 16 November 2018 and pledge to do everything within the Council's power to make Stroud District carbon neutral by 2030.

A statement was read out by Lyndon Edwardson, a representative of the activist group Extinction Rebellion. Questions had also been asked by Katerina Hasapopoulos and Senan Clifford, which were answered by Councillor Pickering. Supplementary questions were also asked (refer to webcast).

CL.046 2018 SOUTH WEST CHALLENGE

The Chair congratulated the team members for winning the 2018 South West Challenge, Alison Robinson, Chloe Lloyd, Susan Turner, Charlotte Boileau, Ben Falconer and Helen Edwards and presented them with the trophy.

CL.047 APPOINTMENTS

The Leader introduced the above report. On being put to the vote, the Motion was unanimous.

RESOLVED 1. Appoint Kathy O'Leary, Chief Executive as Electoral Registration Officer pursuant to section 8(2)(a) of the Representation of the People Act 1983 with immediate effect.

2. **Appoint Kathy O'Leary, Chief Executive as Returning Officer pursuant to section 35(1) of the Representation of the People Act 1983 with immediate effect**
3. **Appoint Hannah Emery, Elections Manager as Deputy Electoral Registration Officer, with the full powers of the Electoral Registration Officer in her absence.**

CL.048 COMMITTEE MEMBERSHIP

On being put to the vote the Motion was unanimous.

RESOLVED To appoint Councillor Trevor Hall to Environment Committee.

RECOMMENDATIONS FROM OTHER COMMITTEES

(a) Audit and Standards Committee

Half Year Treasury Management Activity Report 2018/19

Councillor Studdert-Kennedy, Chair of Audit and Standards Committee outlined the above report, highlighting paragraph 5. He also stated that the timing and understanding of the financial markets for investment needed to be explored and opportunities for investment could not be ignored.

Members were aware that the Council needed to invest to produce more income but there would always be a level of risk. Members recalled the problems that had occurred with investments that had been made by the Council in Icelandic banks.

The Leader confirmed that no decision to invest was being made only the opportunity for officers to explore the markets and to build more financial resilience into the Council.

The Head of Finance explained the remit of the various Committees and Council.

On being put to the vote the Motion was carried.

RESOLVED
1. **That the Council approves the treasury management activity half year report for 2018/2019, and**
2. **Approves the proposals to increase the limit for investment in property funds to £10m set out in paragraph 15.**

(b) Strategy and Resources Committee

(bi) Housing Revenue Account (HRA) - Revised 2018 and Original 2019/20 and Medium Term Financial Plan 2018/19 – 2022/23

The Chair of Housing Committee, outlined the above report making reference to various paragraphs therein. He confirmed that there was currently a legal debate over the 53 week payment. A briefing note had been circulated prior to the meeting outlining the calculation for Universal Credit. The Chief Executive and Leader will be raising the issue of the 52 week year for people on Universal Credit with the Department of Works and Pensions.

Members debated the length of the loan; whether it should be 48 or 60 years. A decision would be taken annually at Council. It was suggested that if there were any surplus in the account this would be used to pay off some of the debt.

In accordance with the Local Authorities (Standing Orders) (England) Regulations 2001, a recorded vote was taken, the results of which are as follows:-

FOR:	**Councillors**		
(28)	Catherine Braun	Norman Kay	Mattie Ross
	Chris Brine	Stephen Lydon	Nigel Studdert-Kennedy
	George Butcher	Jenny Miles	Haydn Sutton
	Miranda Clifton	Gill Oxley	Chas Townley
	Doina Cornell	Simon Pickering	Ken Tucker
	Rachel Curley	Gary Powell	Martin Whiteside
	Jonathan Edmunds	Nigel Prenter	Tim Williams
	Colin Fryer	Skeena Rathor	Tom Williams
	Trevor Hall	Sue Reed	
	Julie Job	Stephen Robinson	

NO:	**Councillors**		
(5)	Martin Baxendale	Haydn Jones	Brian Tipper
	Nigel Cooper	John Marjoram	

ABSTAIN:	**Councillors**		
(8)	Gordon Craig	John Jones	Tom Skinner
	Stephen Davies	Darren Loftus	Debbie Young
	Nick Hurst	Keith Pearson	

On being put to the vote the Motion was carried.

RESOLVED
1. **The revised HRA revenue budget for 2018/19 and original budget 2019/20 are approved.**
2. **The movement to and from HRA balances and capital reserves as detailed in Appendix B and section 9 are approved.**
3. **That from 1 April 2019:**
   - **i) Social rents and affordable rents are decreased by 1%, as calculated in accordance with legislation.**
   - **ii) Garage rents are increased by 2.4%.**
   - **iii) Landlord service charges are increased by 2.4%, except district heating charges which are increased by 14%, capped at £1 per week.**

   As detailed in Appendix A.
4. **That provision for repayment of HRA borrowing is made on an annual basis, with flexibility retained for this to be made from revenue, the Major Repairs Reserve, capital receipts, or any combination of these.**
5. **That the HRA Capital Programme for 2018/19 to 2022/23, as detailed in Appendix C, be included in the Council's Capital Programme.**

(bii) General Revenue Estimates – Revised 2018/19 and 2019/20

The Leader outlined the above report. Confirmation was given that because of the shift in the market the energy costs had risen when the contract was renewed.

In accordance with the Local Authorities (Standing Orders) (England) Regulations 2001, a recorded vote was taken, the results of which are as follows:-

FOR: **Councillors**
(34)

Martin Baxendale	Julie Job	Sue Reed
Catherine Braun	Norman Kay	Stephen Robinson
Chris Brine	Darren Loftus	Mattie Ross
George Butcher	Stephen Lydon	Tom Skinner
Miranda Clifton	John Marjoram	Haydn Sutton
Nigel Cooper	Jenny Miles	Chas Townley
Doina Cornell	Gill Oxley	Ken Tucker
Rachel Curley	Keith Pearson	Martin Whiteside
Jonathan Edmunds	Simon Pickering	Tim Williams
Colin Fryer	Gary Powell	Tom Williams
Trevor Hall	Nigel Prenter	
Nick Hurst	Skeena Rathor	

NO: **Councillor**
(1) Brian Tipper

ABSTAIN: **Councillors**
(6)

Gordon Craig	Haydn Jones	Nigel Studdert-Kennedy
Stephen Davies	John Jones	Debbie Young

On being put to the vote the Motion was carried.

RESOLVED The estimates set out in the report be considered and approved for inclusion in the General Fund Revenue Budget 2019/20 and Medium Term Financial Plan report to Council elsewhere on this agenda.

At 21.13 pm the meeting adjourned and was reconvened at 21.22 pm.

(biii) The General Fund Budget 2019/20, Capital Programme and Medium Term Financial Plan

The Leader drew Members' attention to the key headlines and the increasing pressures on the budgets. An amendment had been agreed at Strategy and Resources Committee to increase the amount of Market Town Centre grant to Wotton-under-Edge Town Council. This made no change to the Medium Term Financial Plan, but a minor change to the printed total capital programme in the report. The fund would be reviewed annually by the Environment Committee. Members were concerned that not all towns within the district had been considered and this would be reviewed for future allocations.

Councillor Kay declared an interest in the Subscription Rooms because his wife was a trustee.

In accordance with the Local Authorities (Standing Orders) (England) Regulations 2001, a recorded vote was taken, the results of which are as follows:-

FOR:	**Councillors**		
(26)	Martin Baxendale	Nick Hurst	Sue Reed
	Catherine Braun	Julie Job	Stephen Robinson
	George Butcher	Stephen Lydon	Mattie Ross
	Miranda Clifton	John Marjoram	Haydn Sutton
	Doina Cornell	Jenny Miles	Chas Townley
	Rachel Curley	Simon Pickering	Ken Tucker
	Jonathan Edmunds	Gary Powell	Martin Whiteside
	Colin Fryer	Nigel Prenter	Tom Williams
	Trevor Hall	Skeena Rathor	

NO:	**Councillors**		
(7)	Nigel Cooper	Tom Skinner	Debbie Young
	Gordon Craig	Nigel Studdert-Kennedy	
	Stephen Davies	Brian Tipper	

ABSTAIN:	**Councillors**		
(3)	Haydn Jones	John Jones	Keith Pearson

On being put to the vote Motion was carried.

RESOLVED (Subject to the Government's final settlement announcements):

1. **To approve the updated Medium Term Financial Plan as set out in Appendices A-C.**
2. **To increase the council tax by 2.99% to £207.52 at Band D, an increase of less than 12p per week for the services provided by Stroud District Council.**
3. **To note the uncertainty around the impact of changes to local government funding in 2020/21.**
4. **To approve the Capital Programme, as set out in Appendix D.**
5. **To approve the planned changes to the reserves as set out in Section 4 of the report and Appendix E.**

(biv) Stroud District Council Capital Strategy

The Leader presented the above report and a debate ensued. The Leader re-emphasised that the Council needed to be more commercial. The cost of the Subscription Rooms was also mentioned by members. It was important to have a capital strategy and to invest wisely. The report was debated.

In accordance with the Local Authorities (Standing Orders) (England) Regulations 2001, a recorded vote was taken, the results of which are as follows:-

FOR:	**Councillors**		
(34)	Martin Baxendale	Haydn Jones	Mattie Ross
	Catherine Braun	John Jones	Tom Skinner
	George Butcher	Norman Kay	Nigel Studdert-Kennedy
	Miranda Clifton	Stephen Lydon	Haydn Sutton
	Nigel Cooper	John Marjoram	Brian Tipper
	Doina Cornell	Jenny Miles	Chas Townley
	Gordon Craig	Keith Pearson	Ken Tucker
	Stephen Davies	Simon Pickering	Martin Whiteside

Jonathan Edmunds	Gary Powell	Tom Williams
Colin Fryer	Nigel Prenter	Debbie Young
Trevor Hall	Sue Reed	
Julie Job	Stephen Robinson	

On being put to the vote the Motion was unanimously carried.

RESOLVED 1. To approve the Capital Strategy at Appendix A.
2. To grant the S151 Officer Delegated Powers to re-profile capital budgets in consultation with the relevant service Committee chairs.

(bv) <u>The Fair Pay and Senior Pay Policy Statement 2018/19</u>

The Leader introduced the above annual report. On being put to the vote the Motion was unanimously carried.

RESOLVED To approve the statement.

(bvi) <u>Council Tax Discount for Care Leavers</u>

The Chair introduced the above report and made reference to the paper that the Revenue and Benefit's Manager had circulated prior to the meeting.

On being put to the vote the Motion was unanimously carried.

RESOLVED To adopt the scheme to be effective from 1 April 2019.

Councillor Pickering left the meeting.

<u>CL.048 CAR PARKING REVIEW 2018</u>

The Director of Customer Services summaries the steps that had been taken from the last Council meeting, in particular drawing members' attention to the options in the report's decision box.

Councillor Pearson questioned why it had not been considered to give free parking for two hours in both Stonehouse and Painswick. The Community Services Manager confirmed that the maximum stay for parking in the long stay car park in Painswick was 23 hours at a cost of £2.50 and the existing waiting restrictions would apply. The Head of Finance confirmed that after tonight's decision, if necessary, the budget would be adjusted.

During debate a few members were not satisfied that money would be taken out of the reserves; the charges had been doubled in Painswick for parking and would therefore not be supporting this motion.

The Interim Head of Legal Services and Monitoring Officer drew members' attention to the legal implications within the report.

On being put to the vote the Motion was carried.

RESOLVED 1. **The amended Variation Order (appended to this report) and summarised as follows, be approved for implementation, effective from 1st April 2019:**

- **The parking charges at Stonehouse Car Park shall be removed;**
- **The parking charges at Painswick Car Park shall be removed;**
- **All off–street parking places except for Stratford Park shall have a maximum gross vehicle weight of 3,500kg;**
- **Alterations are made to the boundaries of the off-street parking places at Church Street, Stroud and Newmarket Road and Old Market West, Nailsworth;**
- **The maximum stay at Cheapside Car Park, Stroud is extended to 72 hours;**
- **The car park at Stratford Park, Stratford Road, Stroud shall be designated as an off-street parking place;**
- **Provision is made for payments by credit and debit card where appropriate machinery is installed and for the potential future installation of electric vehicle charging points;**
- **The MTFP for 2019/20 to 2022/23 is amended to remove income targets of £55,700 p.a. with implications as shown in the financial implications box;**

1.a The 23 hour waiting restriction in Stonehouse Car Park is retained.

The meeting closed at 10.37 pm.

Chair

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

COUNCIL

21 FEBRUARY 2019

6a

Audit and Standards Committee report – 29 January 2019 – Agenda Item 11

Report Title	**TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20**
Purpose of Report	This report outlines the Council's prudential indicators for 2019/20 – 2021/22 and sets out the treasury strategy for this period. It fulfils three key reports required by the Local Government Act 2003: • reporting prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities; • a treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management; • an investment strategy in accordance with the MHCLG investment guidance. It also fulfils the statutory duty to approve a minimum revenue policy (MRP) statement for 2019/20.
Decision(s)	**The Audit and Standards Committee RECOMMEND that Council:** **1. adopt the prudential indicators and limits for 2019/20 to 2021/22;** **2. approve the treasury management strategy 2019/20, and the treasury prudential indicators;** **3. approve the investment strategy 2019/20, and the detailed criteria for specified and non-specified investments; and** **4. approve the MRP Statement 2019/20.**
Consultation and Feedback	Link Asset Services (LAS)

Financial Implications and Risk Assessment	This report sets out the Council's policies on investments and borrowing including any appropriate limits or guidelines on such activities. The whole report is of a financial nature and detailed indicators are included within. The Budget for consideration by Council in January 2019 increases the income targets for investment returns. The policies within this strategy are deemed sufficient to meet those targets whilst also considering security and liquidity. Andrew Cummings Head of Finance and Section 151 Officer Email: andrew.cummings@stroud.gov.uk
Legal Implications	The report and recommendations set out how the Council is compliant with statutory requirements of local authorities Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk
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Chair of Committee	Councillor Nigel Studdert-Kennedy Tel: 01453 821491 E-mail: cllr.nigel.studdert-kennedy@stroud.gov.uk
Options	Full Council is required to adopt the prudential indicators and approve the annual treasury management strategy. These are largely determined by the Council's revenue and capital budget decisions when setting the 2019/20 Council Tax, Housing rent levels and the capital programme.
Performance Management Follow Up	Quarterly and annual Treasury Management reports of actual compared with estimated prudential indicators for 2019/20. Any breaches of the Prudential Code will be reported to the Audit and Standards Committee. A breach of the Authorised Borrowing Limit would require immediate investigation and reporting to Council.

Background Papers	Treasury Management Policy Statement Treasury Management Practices - Main Principles Treasury Management Practices – Schedules The Prudential Code for Capital Finance in Local Authorities (2017) Treasury Management in the Public Services Guidance Notes for Local Authorities (2018) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (2017) CIPFA statement on borrowing in advance of need and investments in commercial properties.
Appendices	A. Investments at 31 December 2018 B. Explanation of Prudential Indicators C. Economic Background D. Treasury Management Scheme of Delegation

Discussion

1. Under the Local Government Act 2003 (the Act) and supporting regulations the Council is required to "have regard to" the Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 Prudential Code and the CIPFA 2017 Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
2. Council is required to approve an Annual Treasury Management Strategy Statement for borrowing, and an Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to security and liquidity of investments.
3. There is also a statutory duty to approve a Minimum Revenue Provision (MRP) Policy Statement for the year and this is set out in paragraphs 2.6 – 2.10 of this report.
4. CIPFA Code of Practice on Treasury Management requires the Council to maintain a Treasury Management Manual, which is reviewed annually. This manual is a record of internal procedures and operational guidance, as such it is not subject to approval by Members. The manual incorporates the following documentation relating to Treasury management:
   - <u>Treasury Management Policy Statement</u>. This is reviewed annually.
   - <u>Treasury Management Practices (TMP) – Main Principles</u>. There are 12 practices which set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. These are reviewed annually.
   - <u>Treasury Management Practices – Schedules</u>. These schedules set out the details of how the TMPs are put into effect by this

Council. This document is revised annually to include the latest detailed procedural documents.

- Counterparty Lending List and lending criteria. The list used by the Council is provided by Link Asset Services (LAS), the Council's treasury advisors. A new list is provided weekly, and there are daily updates by email of any changes to ratings.

5. Other CIPFA requirements are:

- a Mid-Year Report and an Annual Report covering activities during the previous year;
- a Capital Strategy;
- delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. At this Council, delegation is to the Section 151 officer;
- delegation by the Council of the role of scrutiny of treasury management reports and strategy to a specific named body. For this Council the delegated body is the Audit and Standards Committee.

Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement 2019/20

1. INTRODUCTION

1.1 The Act and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The 2019/20 strategy for the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, LAS. The strategy covers:

- limits in force to mitigate the Council's treasury risk;
- Prudential Indicators;
- current treasury position;
- borrowing requirement;
- prospects for interest rates;
- borrowing strategy;
- policy on borrowing in advance of need;
- investment strategy;

- creditworthiness policy;
- policy on use of external service providers;
- Minimum Revenue Provision (MRP) statement;
- treasury management scheme of delegation and section 151 role;
- miscellaneous treasury issues.

1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges and minimum revenue provision caused by increased borrowing to finance additional capital expenditure, and

- any increases in running costs from new capital projects are limited to a level which is affordable for the foreseeable future.

2. CAPITAL PRUDENTIAL INDICATORS FOR 2019/20 TO 2021/22

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

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

Table 1: Capital Expenditure

Capital Expenditure	2017/18 £000 Actual	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate
Community Services	8	138	200	-	-
Environment	820	2,393	1,566	22,108	355
Housing General Fund	460	1,179	1,530	330	330
Strategy & Resources	3,191	940	720	800	2,017
General Fund	**4,479**	**4,650**	**4,016**	**23,238**	**2,702**
HRA	**6,002**	**10,153**	**14,753**	**12,085**	**10,933**
Total	**10,481**	**14,803**	**18,769**	**35,323**	**13,635**

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

Table 2: Capital Financing

Capital Expenditure	2017/18 £000 Actual	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate
General Fund	4,479	4,650	4,016	23,238	2,702
HRA	6,002	10,153	14,753	12,085	10,933
Total	**10,481**	**14,803**	**18,769**	**35,323**	**13,635**
Financed by:					
Capital receipts	2,455	1,615	1,491	3,326	1,241
Capital grants	524	2,136	2,420	19,333	905
Capital reserves	4,156	1,729	850	1,075	400
Revenue	1,319	8,687	9,179	5,035	8,231
Net GF Financing Need for the year	**2,027**	**636**	**904**	**3,063**	**1,472**
Net HRA Financing Need for the year	**0**	**0**	**3,925**	**3,491**	**1,386**

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

2.5 The Council is asked to approve the CFR projections below that are in line with approved capital budgets:

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

Capital Financing Requirement	2017/18 £000 Actual	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate
CFR - General Fund	16,622	15,967	15,890	17,913	18,240
CFR - HRA	95,742	95,742	98,767	101,221	101,371
Total CFR	112,364	111,709	114,657	119,134	119,611
Movement in CFR	907	-655	2,948	4,477	477

Movement in CFR represented by					
Net financing need for the year	2,027	636	4,829	6,554	2,858
Less MRP / VRP and other financing movements	-1,120	-1,291	-1,881	-2,077	-2,381
Movement in CFR	907	-655	2,948	4,477	477

Minimum Revenue Provision (MRP) Policy Statement 2019/20

2.6 The Council's MRP policy statement for 2019/20 is in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. MRP will be charged under Option 3 of the MHCLG guidance on General Fund borrowing. Option 3 is an MRP charge over a time period reasonably commensurate with the estimated useful life of a new asset.

2.7 There is no requirement to charge MRP to the HRA. However, following on from the introduction of Self-Financing the HRA is required to charge depreciation on its assets for financial years commencing April 2017. As a result, depreciation is a real cost to the HRA from financial year 2017/18. The regulations had previously allowed for the Major Repairs Allowance to be used as a proxy for depreciation until 31 March 2017.

2.8 The HRA and the General Fund will make Voluntary Revenue Provision (VRP) when this is considered prudent. The General Fund made a VRP in 2017/18 of £0.283m, and the HRA has planned VRP of £0.9m in 2019/20, £1.037m in 2020/21 and £1.236m in 2021/22.

2.9 The General Fund MRP liability began when the General Fund undertook borrowing during financial year 2016/17. Borrowing in respect of The Pulse fitness extension, the Multi-Service contract vehicles, premises and equipment, and more recently the Littlecombe Business Units has resulted in a requirement to charge the General Fund with MRP, as a prudent provision for the repayment of that debt.

2.10 The status of £2m of funding received from the HCA in respect of capital development works to Brimscombe Port is effectively a loan, although a future capital receipt arising from the property asset transferred to the Council as part of the development agreement should be sufficient to repay that loan. At this stage no MRP provision is being charged to the General Fund. However, this position will be kept under review.

Table 4: Core Funds and Expected Investments

Year end resources	2017/18 £m Actual	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
Fund balances / reserves	30.138	28.233	24.806	22.622	18.335
Capital receipts	5.233	8.566	8.051	5.350	4.734
Provisions	1.438	0.665	0.665	0.665	0.665
Other	1.179	0.500	0.500	0.500	0.500
Total Core funds	**37.988**	**37.964**	**34.022**	**29.137**	**24.234**
Working capital	-0.793	0.500	0.500	0.500	0.500
Under (-) / over borrowing	-6.646	-7.992	-8.940	-11.417	-9.894
Expected investments	**30.549**	**30.472**	**25.582**	**18.220**	**14.840**

2.11 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed in Table 4 above are estimates of the year-end balances for each resource and total cash flow balances.

Affordability of capital plans prudential indicators

2.12 A prudential indicator is required to assess the affordability of capital expenditure plans. This indicator provides an estimate of the impact of capital investment plans on the Council's overall finances. The Council is asked to approve the cost of capital expenditure plans as a ratio of the net revenue stream indicator shown in table 5.

Table 5: Ratio of financing costs to net revenue stream

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non-HRA	-0.84%	-1.17%	-1.80%	-0.34%	-0.68%
HRA	16.09%	16.23%	16.23%	17.87%	18.01%

3. BORROWING

3.1 Amongst the objectives of the treasury management function are ensuring that the Council's cash is managed in accordance with relevant professional codes and that sufficient cash is available at the right times to facilitate revenue and capital spending plans. Capital expenditure plans as set out in section 2 indicate if borrowing is required.

3.2 Table 6 shows the actual external debt (the treasury management operations), compared against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6: Gross Debt compared with Capital Financing Requirement (CFR)

	2017/18 £m Actual	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
External Debt					
Debt at 1 April	106.717	105.717	103.717	105.717	107.717
Expected change in debt	-1.000	-2.000	2.000	2.000	2.000
Other long term liabilities at 1 Apr	-	-	-	-	-
Actual Gross Debt at 31 March	105.717	103.717	105.717	107.717	109.717
Capital Financing Requirement	112.364	111.709	114.657	119.134	119.611
Under / (-) over borrowing	6.647	7.992	8.940	11.417	9.894

Borrowing Strategy

3.3 Currently the Council has £105.717m of borrowing, compared with a Capital Financing Requirement (CFR) of £112.364m. This means that the capital borrowing need (the CFR), is greater than loan debt by £6.647m. The Council has taken no borrowing during the 2018/19 financial year.

3.4 There was a limit on HRA borrowing set by the Government in the Localism Act 2011 known as the HRA debt cap. This Council's HRA debt cap was £95.742m. This cap was the absolute limit for HRA borrowing under the Prudential Code, even if the Council considered further borrowing was affordable by the HRA. The 2017/18 HRA CFR was £95.742m and borrowing was £95.742m, this means that borrowing 'headroom' following HRA self-financing was fully utilised measured against the cap, as shown by table 9.

3.5 During 2018/19 the HRA debt cap was withdrawn. Consequently, HRA capital plans have been revised to include further borrowing commencing in 2019/20 of £10.699m. General Fund capital plans include borrowing of £9.122m up to 2023/24. The Section 151 officer will decide on the length and type of borrowing, as well as the optimum time to borrow in consultation with LAS, and take into account the latest projections for interest rates and other relevant factors including any benefits arising from internal borrowing.

3.6 A £2m loan from Hampshire County Council is due for repayment in February 2019.

3.7 At the end of 2018/19 there is an estimated internal borrowing position of £7.992m. Internal borrowing is currently beneficial because it reduces the financial impact of the differential between borrowing and investment interest rates. This position is projected as continuing through the period to 2021/22. Although, with the MTFP forecasting the running down of balances, and possible future changes in interest rate forecasts the Section 151 officer will keep this under review, and adjust the strategy as necessary in consultation with our Treasury advisers LAS.

3.8 Within the prudential indicators, there are key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not for revenue purposes.

3.9 The Section 151 officer reports that the Council complied with this prudential indicator in the current year and does not expect any breaches up to and including financial year 2021/22. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.10 There are two Treasury indicators set which limit external debt. The operational boundary is the limit that external debt should not normally exceed. If external debt were to exceed this figure then it should prompt an internal investigation to establish the reasons why the breach had occurred.

Table 7: Operational Boundary

Operational Boundary	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
Debt	122	127	134	136
Other Long Term Liabilities	-	-	-	-
Total	122	127	134	136

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

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

Table 8: Authorised Limit for External Debt

Authorised Limit	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
Debt	130	135	142	144
Other Long Term Liabilities	-	-	-	-
Total	130	135	142	144

3.13 A separate control on the Council's borrowing was a limit on the maximum HRA CFR introduced as part of HRA self-financing. This Council had some headroom to borrow over and above the self-financing settlement amount. The borrowing headroom was used up by 31 March 2017. No further borrowing by the HRA was permitted up until 29 October 2018. On that date the HRA Debt Limit was abolished, therefore HRA investments funded by borrowing are now permitted subject to application of the affordability criteria set out by the Prudential Code. This is shown in the next table:

Table 9: HRA Debt Limit

HRA Debt Limit	2017/18 £m Actual	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
Actual HRA CFR	95.742	95.742	98.767	101.221	101.436
Limit	95.742	95.742	N/A	N/A	N/A
Headroom	-	-	N/A	N/A	N/A

3.14 Link Asset Services (LAS) are treasury advisers to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the latest LAS forecast as at November 2018.

Table 10: Interest Rate Forecast

Month	Bank Rate	PWLB Borrowing Rates		
		5 year	**25 year**	**50 year**
Dec-18	0.75	2	2.9	2.7
Mar-19	0.75	2.1	2.9	2.7
Jun-19	1	2.2	3	2.8
Sep-19	1	2.2	3.1	2.9
Dec-19	1	2.3	3.1	2.9
Mar-20	1.25	2.3	3.2	3
Jun-20	1.25	2.4	3.3	3.1
Sep-20	1.25	2.5	3.3	3.1
Dec-20	1.5	2.5	3.4	3.2
Mar-21	1.5	2.6	3.4	3.2

Treasury management limits on activity

3.15 The purpose of treasury management limits are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The maturity structure of borrowing limits are set out in Table 11. The gross limits are set to control the Council's exposure to large fixed rate sums falling due for refinancing at the same time. Upper and lower limits are set for each time period.

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

Table 11: Maturity structure of borrowing

Maturity structure of new fixed and variable rate borrowing during 2019/20	Upper Limit	Lower Limit
Under 12 months	25%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Table 12: Non-specified investment limit

Upper Limit for total principal sums invested for over 365 days	2017/18	2018/19	2019/20	2020/21	2021/22
Investments	£8m	£10m	£15m	£15m	£15m

Policy on borrowing in advance of need

3.17 The Council will not borrow more than, or in advance of, need purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates as required by the Prudential Code (see paragraph 3.3). Decisions to borrow will seek to ensure value for money and security of funds.

3.18 The Council will consider borrowing up to 12 months ahead of capital spend:

- If such capital spend is considered very likely to occur within 12 months;
- treasury advisers demonstrate that rates are particularly low and likely to move higher within 12 months;
- treasury advisers evaluate a net saving after assessing cost of carry;

- a trigger rate(s) will be set by s151 officer in consultation with treasury advisers and treasury officers;
- borrowing may be conducted in parcels – eg £4m could be split into 4 x £1m or 2 x £2m;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been fully considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;

3.19 The foregoing usual procedure will not prevent the s151 officer from forward borrowing to the fullest extent permitted by the Prudential Code, CFR for the current year plus the following two years, if extraordinary conditions arise in the short term to make such action in the interests of the authority.

Debt rescheduling

3.20 Now that the Council has £105.7m of debt, the Section 151 officer will keep under review opportunities for debt rescheduling. Debt rescheduling is reported to Council at the next meeting after it occurs.

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

4.1 It is vital in the current climate of uncertainty around funding that the Council ensures that its investment balances are best utilised to help its financial position. Appendix A shows a net balance of over £50m invested. Improving average returns on the Council portfolio will be a significant factor in improving financial sustainability and is in line with the Medium Term Financial Plan. In accordance with this strategy all activities to increase return will include appropriate consideration of risk. It must be recognised however, that under achievement of returns also represent a key financial risk

4.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, any updates to that guidance such as the 2018 update, and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code"). The Council's investment priorities in order are:

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

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

4.4 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector. Assessment will also take account of information reflecting the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" (CDS). Other information sources used will include the financial press, share price and other such information about the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4.5 The intention of the strategy is to provide security of investment and an awareness of risk.

4.6 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is generally low in order to give priority to security of investments, however this does not preclude the consideration and implementation of higher risk investments as part of a balanced portfolio of investments, subject to proper due diligence by the Section 151 officer.

4.7 Borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

4.8 'Specified' Investments which are investments with a high level of credit quality and maturities of up to 1 year and 'Non-Specified' Investments which are of a lower credit quality, may be for longer periods than 1 year and are more complex investment instruments which require proper due diligence before they are authorised for use during the financial year.

Specified Investments

4.9 All specified investments will be sterling denominated, with maturities up to 1 year or less (including any forward deal time), subject to LAS's colour coding rating system as set out in creditworthiness policy paragraphs 4.21 – 4.26.

Table 13: Specified Investments

Type of Investment	Minimum 'High' Credit Criteria	Max Sum** per institution / group
Debt Management Agency Deposit Facility	*	Unlimited
Term deposits – local authorities	*	£8m
Term deposits – banks and building societies	Colour coded as per CAS Weekly counterparty listing (AA- countries & UK only)	£8m
UK Government Gilts	*	£12m
Bonds issued by multilateral development banks	*	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	£8m
Treasury Bills	*	£12m
Certificates of deposits issued by banks and building societies	Colour coded as per CAS Weekly counterparty listing (AA- countries & UK only)	£8m
Money Market Funds (CNAV)	AAA	£4m per MMF & £12m total in MMFs
Money Market Funds (LVNAV)	AAA	£4m per MMF & £12m total in MMFs
Money Market Funds (VNAV)	AAA	£2m & £12m total in MMFs

Non-Specified Investments

4.10 All investments will be sterling denominated.

4.11 Table 14 includes some different investment options this year which will enable the Council to engage in longer term investments that may generate higher returns over the medium to longer term.

4.12 Investments newly included in the listing of non-specified investments this year are Short Dated Bond Funds, UK Gilt Funds, UK Index Linked Gilt Funds, £ Corporate Bond Funds, UK Equity & Bond Income Funds, Mixed Investments 0-35% Shares, Mixed Investments 20-60% Shares and Mixed Investments 40-85% Shares. There is a list of definitions below Table 14.

4.13 Investments will not necessarily be made in all categories but they are included to allow the Council to put together a balanced portfolio to mitigate risk. Member training has been held which sets out characteristics of these categories.

4.14 There are some important considerations that need to be borne in mind when considering non-specified investment types:

- There is a need to commit to investing for the medium to longer term and so funds invested need to be sourced from balances that will not be called upon for cash flow purposes in the short term;
- Some investments have naturally fluctuating capital values, whilst still providing a revenue income stream;
- Fluctuation in the value of pooled investments has no impact upon the General Fund in the short term. This is because government has given local government a 5 year mitigation commencing April 2018 under the accounting standard IFRS9 which affects the accounting for pooled investments. Without the mitigation, IFRS9 would have meant charging any fluctuations in capital values of investments against the Council's revenue expenditure each year.
- The Section 151 officer will subject any investment proposals to extensive due diligence using investment advisers as appropriate.

4.14 Before the first investment is made in pooled funds the Council will carry out a selection process which will include member involvement.

Table 14: Non-specified Investments - Maturities in excess of 1 year

Financial instrument / institution	Minimum Credit Criteria	Max. maturity period	Max. Sum**
Term deposits – banks and building societies	Colour coded as per LAS Weekly counterparty listing (AA- countries & UK only)	3 years	£8m
Certificates of deposits issued by banks and building societies	Colour coded as per LAS Weekly counterparty listing (AA- countries & UK only)	3 years	£8m
Property Funds	***	25 years	£10m
Short Dated Bond Funds	****	3 years	£3m
UK Gilts Funds	****	4 years	£3m
UK Index Linked Gilts Funds	****	4 years	£3m
£ Corporate Bond Funds	****	4 years	£3m
UK Equity & Bond Income Funds	****	10 years	£3m
Mixed Investments 0-35% Shares	****	3 years	£3m
Mixed Investments 20-60% Shares	****	4 years	£3m
Mixed investments 40-85% Shares	****	5 years	£3m
Corporate Bonds	AA-	3 years	£3m
UK Local Authorities	*	3 years	£8m
UK Government Gilts	*	3 years	£8m
Bonds issued by multilateral development banks	*	3 years	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	3 years	£8m

* Government institutions have the highest security, although they are not formally rated.
** A maximum sum refers to the combined total of specified and non-specified investments with a particular bank, or group if specified.
*** Any investment would be subject to an evaluation process and a report to Strategy and Resources Committee.
**** Due diligence Section 151 Officer

Investment Definitions

Short Dated Bond Funds which focus on shorter-term investments, typically with a maturity limit of 5 years. May invest in all forms of fixed income investments, including government and corporate debt. They are often limited to only using investment grade bonds (BBB-rated and higher), but some funds may make use of sub-investment grade bonds, or unrated issuance.

UK Gilt Funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) government backed securities, with a rating the same or higher than that of the UK, with at least 80% invested in UK government securities (Gilts).

UK Index Linked Gilt Funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) government backed index linked securities, with a rating the same or higher than that of the UK, with at least 80% invested in UK Index Linked Gilts.

£ Corporate Bond Funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling), Triple BBB minus or above corporate bond securities (as measured by Standard & Poors or an equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs).

UK Equity & Bond Income Funds which invest at least 80% of their assets in the UK, between 20% and 80% in UK fixed interest securities and between 20% and 80% in UK equities. These funds aim to have a yield in excess of 120% of the FTSE All Share Index.

Mixed Investments 0 – 35% Share Funds in this sector are required to have a range of different investments. Up to 35% of the fund can be invested in company shares (equities). At least 45% of the fund must be in fixed income investments (for example, corporate and government bonds) and/or "cash" investments. "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

Mixed Investments 20 – 60% Shares Funds in this sector are required to have a range of different investments. The fund must have between 20% and 60% invested in company shares (equities). At least 30% of the fund must be in fixed income investments (for example, corporate and government bonds) and/or "cash" investments. "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

Mixed Investments 40 – 85% Shares Funds in this sector are required to have a range of different investments. However, there is scope for funds to have a high proportion in company shares (equities). The fund must have between 40% and 85% invested in company shares.

Property Funds invest an average of at least 70% of their assets direct in UK property over 5 year rolling periods.

Investment Strategy

4.15 Cash flow forecast requirements and the outlook for short-term interest rates are important factors to consider when making investments. During 2018 base interest rate was 0.5% until August when the base interest rate rose to 0.75%. This was the second base interest rate rise since 2007.

4.16 In 2019-20 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category (see para 4.22) for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council's upper time limits.

Table 15: Investments maturing after the end of the current financial year.

Financial Institution	Amount £	Maturity	Rate
Natwest	1,000,000	19/07/2019	0.99%
Natwest	1,000,000	02/09/2019	1.05%
Goldman Sachs	2,000,000	26/06/2019	0.755%
Toronto Dominium	2,000,000	06/11/2019	1.16%
Lloyds	2,000,000	22/05/2019	1.00%

4.17 Bank Rate is currently forecast to continue on a rising trend with further 0.25% increases forecast for June 2019 and March 2020, this would take base rate up to 1.25% in March 2020.

4.18 The Council will primarily make short-dated deposits of up to a year with appropriately rated banks or UK local authorities rather than utilising call accounts or money market funds in order to maximise interest. Transaction costs will be taken into account in any investment decision for smaller sums, which means balances of up to £1m may be retained in lower interest rate accounts. This will be done to save transaction costs, where transaction costs would exceed interest earned.

4.19 The 2019-20 financial year will mark the start of the Council taking a more diverse approach to investments in accordance with the limits above. The Section 151 officer will consider a range of investments newly introduced within the unspecified investment category to gain a greater return on the Council's core balances that can be invested over the medium to longer term. This will be done whilst maintaining liquidity in accordance with the forecasts of cash flow.

4.20 There will be daily monitoring of investments by treasury staff and there will be first quarter, half year, third quarter and year end reports that detail investment activity and performance to Audit and Standards Committee and to Council.

Creditworthiness policy

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

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

4.22 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- **Yellow** 3 years
- **Dark pink** 3 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink** 3 years for Ultra-Short Dated Bond Funds with credit score of 1.5
- **Purple** 2 years
- **Blue** 1 year (only applies to nationalised or semi nationalised UK Banks)
- **Orange** 1 year
- **Red** 6 months
- **Green** 100 days
- **No colour** not to be used

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

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

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

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

4.26 The Council will not place sole reliance on the use of this external service. In addition this Council will use market data and market information, and information on external support for banks to help support its decision making process.

Country limits

4.27 The Council will only invest in the UK and countries with a sovereign rating of AA- or higher. The following countries currently have sovereign ratings of AA- or higher, and also have banks operating in sterling markets which have credit ratings of green or above in LAS credit worthiness service.

AAA	**AA+**	**AA**	**AA-**
Australia	Finland	Abu Dhabi (UAE)	Belgium
Canada	USA	France	Qatar
Denmark		Hong Kong	
Germany		UK	
Luxemburg			
Netherlands			
Norway			
Singapore			
Sweden			
Switzerland			

5. MISCELLANEOUS TREASURY ISSUES

Use of external service providers

5.1 Link Asset Services (LAS), are the Council's treasury management advisers. However, responsibility for treasury management decisions remains with the Council at all times, therefore undue reliance will not be placed upon our external treasury management advisers. The current contract has an end date of 30 September 2020.

Member Training

5.2 The CIPFA Code requires the Section 151 officer to arrange the provision of adequate training for members. Member training was held on 4 December 2018. Training is necessary to enable Audit and Standards Committee members to fulfil their role more effectively.

INVESTMENTS AS AT 31 December 2018

Counterparty	£	%	S / NS	Type	Issue	Maturity
NatWest Treasury Reserve	2,420,303	0.20%	S	Call		
RBS Deposit Account	7,508	0.35%	S	Call		
Natwest RFB	1,000,000	0.99%	S	CD	20/07/2018	19/07/2019
Natwest RFB	1,000,000	1.05%	S	CD	03/09/2018	02/09/2019
Natwest RFB	2,000,000	0.90%	S	CD	11/09/2018	11/03/2019
Natwest RFB	2,000,000	0.81%	S	CD	28/09/2018	03/01/2019
Natwest RFB	1,000,000	0.81%	S	CD	19/10/2018	21/01/2019
NatWest/RBS GroupTotal	**9,427,811**					
Goldman	3,437,043	0.68%	S	Call		
Federated Prime Rate	3,928,679	0.73%	S	Call		
Deutsche	1,251	0.67%	S	Call		
Aberdeen (prev Standard Life)	608,502	0.66%	S	Call		
Money Market Fund Total	**7,975,476**					
Santander	1,000,000	0.84%	S	Fixed	11/10/2018	08/03/2019
Santander	2,000,000	0.87%	S	Fixed	08/11/2018	08/03/2019
Santander	2,000,000	0.90%	S	Fixed	19/11/2018	08/03/2019
Santander	900,000	0.91%	S	Fixed	04/12/2018	25/03/2019
Santander - 180 day Notice	2,069,379	0.95%	S	Notice		
Santander - 95 day Notice	846	0.85%	S	Notice		
Santander Total	**7,970,225**					
Svenska call	1,944	0.20%	S	Call		
Svenska Total	**1,944**					
Bank of Scotland	1,500,000	0.85%	S	Fixed	19/02/2018	18/02/2019
Bank of Scotland Total	**1,500,000**					
32 day notice	2,015,549	0.75%	S	Notice		
Lloyds	2,000,000	1.00%	S	Fixed	22/05/2018	22/05/2019
175 day notice	2,452,206	1.00%	S	Notice		
Lloyds Total	**6,467,755**					
Barclays FIBCA	1,433	0.10%	S	Call		
Barclays 95 Day Notice	7,029,611	0.95%	S	Notice		
Barclays Total	**7,031,044**					
95 day notice	2,000,000	1.01%	S	Notice		
Standard Chartered	1,000,000	0.84%	S	CD	02/11/2018	04/03/2019
Standard Chartered	2,000,000	0.91%	S	CD	19/11/2018	19/03/2019
Standard Chartered Total	**5,000,000**					
Goldman Sachs 185 Day Notice	2,000,000	0.755%	S	Notice given		23/06/2019
Goldman Sachs Total	**2,000,000**					
Credit Industriel et Commercial	2,000,000	0.80%	S	CD	08/10/2018	06/02/2019
Credit Industriel et Commercial	**2,000,000**					
Toronto Dominion	2,000,000	1.16%	S	CD	07/11/2018	06/11/2019
Toronto Dominion	**2,000,000**					
Coventry Building Society	2,000,000	0.77%	S	Fixed	03/09/2018	01/02/2019
Coventry Building Society	**2,000,000**					
TOTAL INVESTMENTS	**53,374,254**					

S = Specified Investment - 1 year and less
NS = Non-specified investment - over 1 year
SONIA = Sterling Over Night Index Average

EXPLANATION OF PRUDENTIAL INDICATORS

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

Capital expenditure – table 1 shows last year's capital expenditure, this year's projected capital expenditure and the approved programme until 2021/22.

Ratio of financing costs to net revenue stream – table 5 shows that the General Fund currently receives a small net income from the investment of balances. HRA borrowing means that interest on net borrowing now accounts for between 16.09% and 18.01% of net revenue.

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

Capital financing requirement (CFR) as at 31 March – table 3 shows the CFR which is the council's underlying need to borrow for capital purposes as determined from the balance sheet. Table 6 shows the overall CFR is £112.364m. As the Council has borrowing of £105.717m the balance sheet shows there is currently under borrowing of £6.647m, which is projected to increase to £7.992m by 31 March 2019.

HRA debt limit – table 9 shows the absolute limit had been reached for HRA indebtedness when measured against the HRA CFR of £95.742m. However, the removal of the HRA debt limit means that £5.629m of net additional HRA borrowing is now planned up to 2021/22.

Authorised limit for external debt - table 8 shows the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows.

Operational boundary for external debt – table 7 shows the more likely limit to the level of external debt that may be required for day to day cashflow.

Upper limit for total principal sums invested for over 365 days – table 12 shows the amount it is considered can be prudently invested for period in excess of a year.

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, nor, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The first half of 2018/19 has seen UK **economic growth** post only a modest performance. However, after an adverse weather depressed performance in quarter 1, growth has been recovering apace and the latest 3 month rolling average came in at a healthy 0.7%. The positive run of economic statistics was sufficiently robust for the

Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest overall at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation came in at 2.4% in September and is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.1%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. With inflation in danger of moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second

half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to a reverse of policy.
The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effect of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this

makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit to be followed by a proposed transitional period ending around December 2020.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

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

1. Council

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

2. Audit and Standards Committee

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

3. Section 151 Officer

- Reviewing the treasury management policy, procedures, strategy and making recommendations to the Audit and Standards Committee;
- Approving the selection of external service providers and agreeing terms of appointment;
- Submitting regular treasury management strategy reports;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy on internal audit and liaising with external audit;
- Treasury management/capital and revenue financial implications of the Capital Strategy
- Preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

COUNCIL

21 FEBRUARY 2019

6b

Housing Committee report – 5 February 2019 – Agenda Item 8

Report Title	**TENANT REPRESENTATIVES ON HOUSING COMMITTEE**
Purpose of Report	Feedback to Housing Committee to provide an update from the Independent Tenant Assessor and assessments undertaken by tenants.
Decisions	**Committee RESOLVES: To approve the Tenant Representatives elected for Housing Committee and recommend the appointment to full Council.**
Consultation and Feedback	• Chair & Vice Chair of Housing Committee • Neighbourhood Ambassadors • Tenant Representatives on Housing Committee
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. All proposals are within the existing budget. Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk Risk Assessment The regulator for social housing administers compliance with the tenant involvement and empowerment standard which requires providers to ensure that tenants are given a wide range of opportunities to influence and be involved in decisions relating to housing related services including policies. This process is fully compliant with that approach.
Legal Implications	The Regulator of Social Housing Regulatory Framework for Social Housing in England requires the Council (as a Registered Provider of Social Housing) to ensure tenants are given a wide range of opportunities to influence and be involved in the management of their homes, the formulation of policies and the making of decisions about how housing landlord services are delivered. In accordance with the constitution: *"The two co-opted members act as representatives of the Council tenants and are entitled to speak (but not vote) on matters concerning Council housing."* This is a decision to be taken by Full Council as it is regarding the composition of Housing Committee. Any scoring process and assessment will need to be done consistently and fairly; some record as to that process will need to be kept in line with the Council's retention policy in

	order to justify any selection if needed. Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk R15.01C21.01D22.01
Report Author	Michelle Elliott, Principal Neighbourhood Management Officer Tel; 01453 754113 Email: michelle.elliott@stroud.gov.uk
Background Papers / Appendices	Appendix 1 Letter to tenants Appendix 2 Discussion topics Appendix 3 Scoring criteria Appendix 4 Assessment scores

1. Background

1.1 Tenant Involvement is a key regulatory compliance requirement as part of co-regulation, supporting tenants and improving the services we provide. Tenant Services recognise the benefits of tenant involvement in enhancing the communities in which they live and providing social value to individuals, improving wellbeing, increasing confidence and involving tenants in issues which matter and are transparent.

1.2 Following the paper to Housing Committee in June 2016, it was agreed that two tenants would be co-opted onto the Housing Committee membership and would have rights to speak on housing matters. Ian Allan and Sadie Tazewell were appointed for a period of two years. This period is now completed and we have procured an Independent Tenant Advisor to work with our tenants to choose two new representatives.

2. Introduction

2.1 As the 2 year process has come to a conclusion we are now looking to recruit two new tenants for a further 2 years to be co-opted on to Housing Committee.

2.2 Tenants were invited to be involved with the procurement of the Independent Tenant Advisor and scrutinised proposals from TPAS, HQN and Jon Warnock before approving Jon Warnock as the chosen Independent Tenant Advisor.

3. Tenant Consultation

3.1 All tenants received information inviting them to consider the opportunity to apply for the tenant positions on Housing Committee (see Appendix 1). The process was made accessible to all and interested tenants were asked to call our Independent Tenant Advisor to register their interest.

3.2 31 Tenants registered their interest and after further discussion 21 tenants have agreed to attend the assessment evening.

3.3 An assessment evening has been arranged on 15 January 2019, where tenants will meet together and in small groups will discuss various housing related topics (Appendix 2). There will be a facilitator to lead each group and tenants will be scored on their input to the discussion.

3.4 A small group of our Neighbourhood Ambassadors and Tenant Voids & Repairs Inspectors will be involved in the evening and have received training from our Independent Tenant Advisor in order that they can score the discussions (Appendix 3 & 4). They have found this process informative and instructive.

3.5 Following the discussions on the evening, the scoring matrix will be shared with candidates. The Independent Tenant Advisor will then invite the tenants who have scored well to an informal discussion. Two Neighbourhood Ambassadors will also attend this discussion and two representatives will be chosen.

4. Summary

4.1 Following recommendation from Housing Committee in September 2018, we have ensured that the process for applying to be a tenant representative is straightforward and transparent. With 31 responses we have now made contact with some tenants that we have not communicated with before and it is hoped that all tenants who have shown an interest in this role may be interested in working with us in other roles.

STROUD DISTRICT COUNCIL

COUNCIL

21 FEBRUARY 2019

AGENDA ITEM NO

8

Report Title	**DURSLEY NEIGHBOURHOOD DEVELOPMENT PLAN**
Purpose of Report	To decide whether the Dursley Neighbourhood Development Plan should be made part of the Development Plan for Stroud District following the positive outcome of the referendum held on Thursday, 15th November 2018.
Decision(s)	**Council RESOLVES:** **1. That the Dursley Neighbourhood Development Plan is made part of the Development Plan for Stroud District**. **2. To delegate to the Director of Development Services, in agreement with the Qualifying Body, the correction of any further minor spelling, grammatical or typographical errors together with any improvements from a presentational perspective.**
Consultation and Feedback	A Referendum relating to the adoption of the Dursley Neighbourhood Development Plan was held on Thursday 15th November 2018. The question which was asked in the Referendum was: "Do you want Stroud District Council to use the Neighbourhood Plan for Dursley to help it decide planning applications in the neighbourhood area?" The result was as follows: • Yes = 1434 votes (85.5%) • No = 243 votes (14.5%) • Turnout = 31.7% All neighbourhood development plans are required to gain a majority of 50% plus one in favour at a local referendum in order to become part of the Development Plan. They are then required to be 'made'/ adopted by the local planning authority. If the plan received a positive result the local planning authority has a legal duty to bring the plan into force.

Financial Implications and Risk Assessment	No direct financial implications arising from this development plan. It is a legal requirement to bring the plan into force, not adopting it would lead to costs associated with legal challenge. Adele Rudkin, Accountant Tel: 01453 754109 Email: adele.rudkin@stroud.gov.uk
Legal Implications	The legal position in respect of adopting the Neighbourhood Plan is correctly summarised in paragraph 8 of this report. Alan Carr, Solicitor Tel: 01453 754357 Email: alan.carr@stroud.gov.uk
Report Author	Simon Maher, Neighbourhood Planning Officer Tel: 01453 754339 Email: simon.maher@stroud.gov.uk
Options	The Council has a legal duty to bring the plan into force following a positive result at the local referendum. The only circumstances in which the Council could not make the Neighbourhood Plan would be if it considers that the Neighbourhood Plan, including its preparation, breaches and would otherwise be incompatible with any EU obligation or any Convention rights (within the meaning of the Human Rights Act 1998)
Performance Management Follow Up	The Neighbourhood Plan, when 'made', will continue to form part of the Development Plan for the District and will be used to determine planning applications. The implementation of the Plan will be monitored by the Town Council. A key measure of success will be the extent to which planning permissions granted in the Parish reflect the policies in the Plan. It is hoped that by monitoring the Plan, the Town Council will be able to ascertain where changes may need to be made when the Plan is updated.
Background Papers/ Appendices	Appendix A – Dursley Neighbourhood Development Plan

BACKGROUND

1. The Dursley Neighbourhood Area was designated by resolution of the Council's Environment Committee on 4th February 2014.

2. The preparation of the Dursley Neighbourhood Development Plan (DNDP) was led by Dursley Town Council ('the qualifying body').

3. A submission version of the DNDP was accepted by the Council on 25th May 2018, under regulation 15 of the Neighbourhood Planning (General) Regulations 2012 (as amended) ('the regulations'). As prescribed by 'the regulations', the Council consulted on the plan for six weeks and arranged for the plan to be examined.

4. The Council appointed John Slater MRTPI as independent examiner of the DNDP.

5. The examination concluded on 6th September 2018 with the submission of the Examiner's Report, which recommended that the DNDP, once modified, should proceed to a referendum.

6. The Council's Environment Committee decided on 13th September 2018:

    1. to accept all recommended modifications of the Examiner's Report
    2. that 'the plan', as modified, meets the basic conditions, is compatible with the Convention rights, complies with the definition of a neighbourhood development plan (NDP) and the provisions that can be made by a NDP; and
    3. to take all appropriate actions to progress the plan to referendum on the 15th of November 2018.

7. Following the positive result at referendum, the DNDP became part of the Development Plan for the Stroud District.

CONSIDERATION

8. Neighbourhood planning is not a legal requirement but a right which communities in England can choose to use. Under section 38A (4) of the Planning and Compulsory Purchase Act 2004 (as amended), local planning authorities have a legal duty to make a neighbourhood development plan following a positive referendum result. This is subject to the limited exception, in sub section (6), whereby the council need not adopt the plan if it considers that it would be incompatible with any European Union obligations or Human Rights conventions. In this regard, Environment Committee on 13th September 2018 determined that such requirements had been considered and satisfied. Therefore to not make/adopt the Dursley Neighbourhood Development Plan would be in breach of these statutory provisions.

NEXT STEPS

9. The Council must publish a statement setting out its decision and the reason for making it.

10. Once made, the Plan continues to form part of the statutory Development Plan for the District. The NPPF (paragraph 198) states: "Where a planning application conflicts with a neighbourhood plan that has been brought into force, planning permission should not normally be granted."

11. As soon as possible the Council should publish the plan, details of when and where it can be inspected and notify any person who has asked to be notified that it has been made and where and when it may be inspected.