

9 January 2019

STRATEGY AND RESOURCES COMMITTEE

A meeting of the Strategy and Resources Committee will be held on **THURSDAY 17 JANUARY 2019** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud 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.

AGENDA

- 1 **APOLOGIES**
To receive apologies for absence.
- 2 **DECLARATIONS OF INTEREST**
To receive declarations of interest.
- 3 **MINUTES**
To approve the Minutes of the meeting held on 4 October 2018.
- 4 **PUBLIC QUESTION TIME**
The Chair of the Committee will answer any questions from members of the public, submitted in accordance with the Council's procedures
DEADLINE FOR RECEIPT OF QUESTIONS
Noon on MONDAY 14 JANUARY 2019
Questions must be submitted in writing to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud, and sent by post or by Email: democratic.services@stroud.gov.uk.
- 5 **WORK PROGRAMME**
To consider the work programme.
- 6 **MEMBER REPORTS**
 - a) Performance Monitoring
 - b) Investment and Development Panel

7 TASK AND FINISH GROUPS

ICT Working Group – IT Strategy and Investment Progress – a briefing note has been circulated.

8 FINANCIAL REPORTS

- a) Housing Revenue Account (HRA) – Revised 2018/19 and Original 2019/20 and Medium Term Financial Plan 2018/19 - 2022/23.
- b) General Fund Revenue Estimates – Revised 2018/19 and Original 2019/20.
- c) The General Fund Budget 2019/20, Capital Programme and Medium Term Financial Plan 2019/20 to 2022/23.
- d) Stroud District Council Capital Strategy.

9 RECOMMENDATIONS FROM ENVIRONMENT COMMITTEE

a) Community Infrastructure Levy (CIL) - Governance and Spending Arrangements (Agenda Item 8)

The Chair of the Environment Committee will present these items a) – c).

- a) Bids from strategic infrastructure providers are invited subject to completion of the form attached at Appendix A; and
- b) Funding commitments are agreed according to performance against the criteria set out in the matrix attached at Appendix B.

b) Market Towns Centres Initiative Fund (Agenda Item 9)

That the Market Towns Initiative Capital fund is allocated to individual Town Councils as identified at Appendix A to the above report.

c) Motion regarding Achieving Stroud District Carbon Neutral 2030 Commitment (Agenda Item 14)

Environment Committee requests Strategy and Resources Committee to consider setting aside initial funds via the normal budgeting process in order to fund the scoping and delivery of the “Stroud Carbon Neutral 2030 Commitment”. Further the commitment will be added as a piece of work to this committee’s work programme and that work will include the items listed below from 1 to 7:

1. To set out a Plan of Action, including clear targets and transparent reporting, to develop District wide Locally Determined Contributions to complement National Determined Contributions in line with the Paris Agreement to limit global warming to 1.5C.
2. To include planning and support in the District for adaptation to the climate change that is already happening.
3. To develop a strategy for Stroud District Council to play a leadership role in promoting community, public and business partnerships for this Carbon Neutral 2030 Commitment throughout the District, County and region.
4. To work with partner bodies across the county to ensure that the climate emergency is adequately reflected in the development and implementation of all county wide strategies and plans, including Gloucestershire 2050, the Gloucestershire Industrial Strategy, Gloucestershire Energy Strategy and Gloucestershire Transport Plans.
5. To investigate all possible sources of external funding and match funding to

support this commitment.

6. To work with key partner organisations within the County and region to secure external funding.
7. To report back on an annual basis to Council on progress made.

10 THE FAIR PAY AND SENIOR PAY POLICY STATEMENT 2018/19

To recommend approval to Council of the Fair Pay and Senior Pay Policy Statement for 2018/19.

11 SUBSCRIPTION ROOMS, STROUD

To approve the final terms for the transfer of the freehold interest of the Stroud Subscription Rooms to Stroud Town Council and the transfer of the business (including the staff) to the Stroud Subscription Rooms Trust.

12 PENSION COMMITTEE

Councillor Cooper will give a verbal update on the changes that have been made during the year.

13 COUNCIL TAX DISCOUNT FOR CARE LEAVERS

To adopt the Care Leavers discount policy effective from 1 April 2019 and to delegate to the Director of Customer Services to make minor changes.

14 MEMBERS QUESTIONS

See Agenda Item 4 for deadline for submission

Members of Strategy and Resources Committee 2018/19

Councillor Doina Cornell (Chair)
Councillor Colin Fryer (Vice-Chair)

Councillor Nigel Cooper
Councillor Stephen Davies
Councillor Nick Hurst
Councillor Keith Pearson
Councillor Simon Pickering

Councillor Mattie Ross
Councillor Tom Skinner
Councillor Chas Townley
Councillor Ken Tucker
Councillor Martin Whiteside
Councillor Debbie Young

STRATEGY AND RESOURCES COMMITTEE

4 October 2018

7.00 pm – 10.20 pm
 Council Chamber, Ebley Mill, Stroud

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Minutes

Membership:

Councillor Doina Cornell (Chair)	P	Councillor Mattie Ross	P
Councillor Nigel Cooper	P	Councillor Tom Skinner	P
Councillor Stephen Davies	P	Councillor Chas Townley	P
Councillor Colin Fryer (Vice-Chair)	P	Councillor Ken Tucker	P
Councillor Nick Hurst	P	Councillor Martin Whiteside	P
Councillor Keith Pearson	P	Councillor Debbie Young	P
Councillor Simon Pickering	P		

P = Present A = Absent

Officers Present:

Chief Executive	Principal Accountant
Director of Customer Service	Head of Business Service Planning
Director of Development Services	Head of IT
Head of Property Services	Revenue and Benefits Manager
Property Manager	Community Services Manager
New Homes & Regeneration Manager	Head of Community Services
Head of Finance	Democratic Services Officer
Accountancy Manager	

Other Members Present:

Councillors Tom Williams, McKeown, Robinson, Brine, Marjoram.

The Chair announced that this was the final meeting for the Chief Executive, David Hagg, thanked him and wished him well for the future.

SRC.028 APOLOGIES

There were no apologies for absence.

SRC.029 DECLARATIONS OF INTEREST

Councillor Townley declared an interest in Item 11, Subscription Rooms, Stroud as he is a Member of Stroud Town Council.

Councillor Young declared an interest in Item 12, Delivery Strategy for the redevelopment of Brimscombe Port.

Committee agreed that Item 11, Subscription Rooms, Stroud would be heard after Item 5 on the agenda.

SRC.030 **MINUTES**

RESOLVED **To approve as a correct record the Minutes of the meeting held on 12 July 2018.**

SRC.031 **PUBLIC QUESTION TIME**

There were none.

SRC.032 **WORK PROGRAMME**

Members discussed the following items on the work programme:

- Budget setting process – all Committees to receive budget reports in December 2018.
- Performance Monitoring to be added to the work programme for January 2019.
- Pensions Committee – January 2019, overview of changes during the year.

SRC.033 **SUBSCRIPTION ROOMS, STROUD**

The Head of Property Services introduced this report explaining that it was not possible to transfer the Subscription Rooms to Stroud Town Council by the deadline of 31 October 2018 and requested that the report be withdrawn and the exchange deadline removed but with completion of the transfer still to take place on or before 31 March 2019.

An amended resolution was proposed by Councillor Ross and seconded by Councillor Whiteside. On being put to the vote the proposal was carried, there were 5 votes in favour, 1 against and 4 abstentions of the amendment.

RESOLVED **That negotiations continue for the transfer of the freehold interest in the Subscription Rooms and forecourt and the business operated there from, with a view to completion no later than 31 March 2019 with final terms to be reported back to Committee for approval to exchange of contracts.**

SRC.034 **MEMBER REPORTS**

- (a) Performance Monitoring was discussed by Members who had received the report prior to the meeting. As Councillor Whiteside was the only performance monitor he encouraged other Members to volunteer.
- (b) Investment and Development Panel – Councillor Cornell explained that most of the discussion focussed on Brimscombe Port.

SRC.035 **TASK AND FINISH GROUPS**

- (a) ICT Working Group – IT Strategy and Investment Progress

The Head of Business Service Planning introduced the report and explained that a workshop had taken place to discuss the future IT needs as a council. A report with draft proposals would be discussed at Committee in January 2019. The Head of IT explained that the investment process was in progress with some tasks completed.

Members discussed what type of IT access the residents of the district would need to be able to contact the council in future. Improvements in efficiency and performance would need to be an important factor when implementing the strategy.

RESOLVED **To note the report.**

(b) First Report of the Constitution Working Group 2018

The Chair of the Task and Finish Group presented this report, which was the first of two reports the group will be submitting to Committee. Discussion took place on the following issues.

- The cost of committee, reducing the number of officers attending; reading reports and asking questions of officers prior to the meeting;
- important that all committees take part in the budget setting process;
- youth council to be more involved with the work of the Council.

RESOLVED

1. **No changes be made to the committee structure;**
2. **The Chairperson and the lead officer for each committee ensure that officer attendance is reduced as outlined in the report paragraph 2.3; and**
3. **The practice applied to the budget setting process in 2013/2014 to 2017/18 which ensured that all service committees had the opportunity to consider the annual budget proposals, be continued.**

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

SRC.036 **RECOMMENDATION FROM HOUSING COMMITTEE – 11 SEPTEMBER 2018 – Additional Housing Revenue Account (HRA) Borrowing Programme (2019/20, 2020/21 and 2021/22)**

Councillor Townley presented this report which provided Committee with details of the proposed bids to the Ministry of Housing, Communities and Local Government for the HRA borrowing programme.

RECOMMENDED TO COUNCIL **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**

SRC.037 LOCAL COUNCIL TAX SUPPORT SCHEME

The Revenue and Benefits Manager presented this report which sought approval to set a support scheme for the period 1 April 2019 to 31 March 2020. Council tax benefit was abolished as part of the welfare reform. Different options were explained to Members if the scheme was not adopted.

RECOMMENDED TO COUNCIL **That it adopts the current Local Scheme as the scheme for Stroud District Council for the period 01 April 2019 to 31 March 2020, keeping the scheme unchanged.**

SRC.038 CAR PARK REVIEW 2018

The Director of Customer Services presented this report explaining the background of the variation order put before Committee.

Councillor Ross proposed a motion to amend the resolution to remove car parking charges from Stonehouse until the review of the health of the market towns has been completed. This was seconded by Councillor Fryer.

Following this motion Councillor Pickering declared an interest and left the Council Chamber for this item. He explained that visitors to his Air B&B business have had car parking tickets when parking in the Stonehouse car park.

Advice was given to Members that this matter should be considered by Full Council, as there was a risk of legal challenge to the authority if not decided by Full Council.

The motion proposed by Councillor Ross and seconded by Councillor Fryer was put to the vote this was carried with 4 votes in favour and 8 abstentions.

Members voted on the recommendation to Council. When being put to the vote this was carried with 6 votes in favour and 6 abstentions.

RECOMMENDED TO COUNCIL

- 1. The amended Variation Order (appended to this report) be approved for implementation**
- 2. That car parking charges are not introduced in Dursley, Nailsworth, Stratford Park and Wotton-under-Edge**
- 3. To remove car parking charges from Stonehouse until the review of the health of the market towns has been completed.**

SRC.039 DELIVERY STRATEGY FOR THE REDEVELOPMENT OF BRIMSCOMBE PORT

The New Homes and Regeneration Manager presented this report which provided Committee with details of the proposed delivery strategy for Brimscombe Port. A progress report would be presented to Committee in March 2019.

RESOLVED

- 1. Approve the proposed delivery strategy for the redevelopment of Brimscombe Port by means of seeking a development partner/s subject to a further report to Committee by March 2019 to approve the Heads of Terms for the development agreement, the procurement process and associated documents.**

2. Authorise the Head of Property Services to submit a detailed planning application for the infrastructure for phase 1 and 2 of the redevelopment of the Port and an outline application for the redevelopment of phase 1.
3. To provide £50k per annum grant funding to Stroud Valleys Canals Company (SVCC) from 2020/2021 until the Port is redeveloped and is providing income at this sum or above (such sum to be index-linked to the consumer prices index). Any grant money will be reduced by the sum generated from the redeveloped port and reviewed in March 2024 if the redevelopment has not completed by that date.
4. To delegate authority to the Head of Property Services in consultation with the Head of Finance and Chair and Vice Chair of this committee to agree amended terms for the £2m loan from Homes England to reflect the up to date project and programme and support the redevelopment of the site.

SRC.040 FINANCIAL REPORTS

(a) Housing Revenue Account (HRA) Budget Monitoring Report 2018/19 P1

The Accountancy Manager and Principal Accountant presented this report which gave a forecast of the outturn position against the revenue budget and capital programme for the HRA for 2018/19.

RESOLVED To note the outturn forecast for the HRA Revenue budgets and Capital programmes.

(b) Budget Monitoring Report 2018/19 – 31 Aug 2018

The Accountancy Manager presented this report which set out the outturn forecast for the general fund revenue budget and capital programme. Members asked questions relating to the variations in Table 1 of the report, cost of food waste, rental income relating to the Littlecombe units, multi-service contract overspends and re-negotiation.

RESOLVED 1. To note the outturn forecast for the General Fund Revenue budget and Capital Programme.
2. To approve the re-profiled capital budgets for Stratford Park Lido and Community Buildings, as recommended by Community Services and Licensing Committee set out in paragraphs 37 and 38.

At this point in the meeting a unanimous vote was taken to continue the meeting as detailed in the Council's constitution.

Budget Strategy 2019/20 to 2022/23

The Head of Finance presented this report which set the framework for the detailed budgets which will be presented to Committees in December.

RESOLVED 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.

SRC.041 LEADERSHIP GLOUCESTERSHIRE UPDATE

The Chief Executive gave a brief update on the meeting which took place on 26 July 2018. Members agreed that it was useful to have these updates.

SRC.042 APPOINTMENT OF THE ACTING HEAD OF PAID SERVICE

The Chief Executive presented this report, explaining that the Director of Customer Services and Director of Development Services would share the responsibility of Acting Head of Paid Service between 5 October and 25 November 2018, until the new Chief Executive joins the Council on 26 November 2018.

RESOLVED **To approve the arrangements as set out in paragraph 4 of the report.**

SRC.043 MEMBERS QUESTIONS

Questions were submitted by Councillor Young. They were answered by the Leader, Councillor Cornell. Supplementary questions and answers were also answered. (Refer to the [Council's webcast](#) and [Item 16](#)).

The meeting closed at 10.20 pm.

Chair

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

5

WORK PROGRAMME

Date of meeting	Matter to be considered	Reporting Member/Officer
07.03.19	Work Programme	All the committee
	Member reports: a) Performance Monitoring b) Investment and Development Panel	Councillor Whiteside Leader
	Task and Finish Groups a) ICT b) Constitution Working Group	Head of IT and Head of Business Service Planning Head of Legal Services and Monitoring Officer
	Brimscombe Port Redevelopment	Head of Property Services
	Housing Initiatives	Director of Development Services
	ICT Strategy	Head of Business Service Planning
	Subscription Rooms Update	Director of Customer Services
	LEP making a presentation on Growth Hub and Local Industrial Strategy	
	Leadership Gloucestershire Update	Chief Executive
11.04.19	Member reports: a) Performance Monitoring b) Investment and Development Panel	Councillor Whiteside Leader
	Brimscombe Port Redevelopment	Head of Property Services
	Housing Initiatives	Director of Development Services
	ICT Strategy	Head of Business Service Planning
	Financial Reports a) Housing Revenue Account Budget Monitoring Report 2018/19 (P3) b) General Fund Revenue and Capital Budget Monitoring Report 2018/19 (P3)	Head of Finance
	Subscription Rooms Update	Head of Property Services
	Leadership Gloucestershire Update	Chief Executive
	Asset Management Plan	Head of Property Services

Information Sheets

Ref/Date	Topic	Author(s)
S&RC- 2018/19-001 7.1.19	Developing an IT Strategy	Mark Fisher & Tim Power

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

8a

Report Title	HOUSING REVENUE ACCOUNT (HRA) – REVISED 2018/19 AND ORIGINAL 2019/20 AND MEDIUM TERM FINANCIAL PLAN 2018/19 – 2022/23
Purpose of Report	To present to the committee the revised estimates for 2018/19 and the original estimates for 2019/20
Decision(s)	<p>The Committee RECOMMENDS to Council that:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> 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 <p style="margin-left: 40px;">As detailed in Appendix A</p> (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.
Consultation and Feedback	Budget holders and senior managers

<p>Financial Implications and Risk Assessment</p>	<p>The report sets out the medium term financial forecast for the HRA over the next 4 years. Revenue and Capital budgets have been reviewed in detail for 2018/19 and 2019/20, although further work will need to be undertaken on the Major Works capital schemes over the medium term plan period.</p> <p>The MTFP aims to maintain minimum balances of £1.5m over the medium term. The overall level of expenditure across the HRA is increasing from £20.8m to £23.8m, with rental income projected to increase from 2020/21 as social housing rent can increase by CPI +1% for a five year period.</p> <p>The report sets out two important changes to the approach around HRA borrowing and financing. Firstly, this report includes a preferred option on making provision for the repayment of HRA borrowing (paragraph 10.3 to 10.16) on an annual basis. Secondly, the removal of the HRA borrowing cap in October 2018 (paragraphs 10.17 to 10.19) does allow for HRA to fund elements of the New Homes and Regeneration Programme.</p> <p>A number of risks and uncertainties remain with the MTFP forecasts, and these are set out in paragraphs 14.1 to 14.6 in the report.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
<p>Legal Implications</p>	<p>This report forms part of the budget setting process for 2019/20 which involves the Council calculating estimated expenditure and income which will be charged / allocated to its Housing Revenue Account.</p> <p>Recommendations on rent levels take account of the Welfare Reform and Work Act 2016 requirement of the Council to reduce social housing rents payable by individual tenants by 1% each year from 2016 to 2019.</p> <p>This committee needs to be satisfied the proposed recommendations are appropriate, in reliance on professional financial advice.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk</p>
<p>Report Author</p>	<p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk</p>
<p>Options</p>	<p>a) Reduce or increase capital and revenue expenditure b) Reduce dwelling rents c) Reduce or increase landlord service charges</p>

Performance Management Follow Up	Budget Monitoring report to Strategy and Resources Committee and Housing Committee in April 2019 Outturn report to Strategy and Resources in May 2019 and Housing Committee in June 2019
Background Papers/ Appendices	A – Rents and Service Charges B – MTFP and reserves position C – Capital Programme and funding

1. Background

- 1.1 The Budget Strategy report to Strategy and Resources Committee in October 2018 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
- 1.2 It would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.

2. Summary

- 2.1 A reduction in overall budget of £644k in 2018/19 (revised) will allow a return to Housing Revenue Account (HRA) general reserves of £519k, with a transfer to HRA general reserves of £102k included in the draft budget for 2019/20.
- 2.2 It is proposed that weekly rents reduce by 1%, with most other charges rising with inflation.
- 2.3 The HRA now has the ability for prudential borrowing which has allowed a refreshed new build programme to be included in the budget proposal.
- 2.4 The HRA has a balanced position forecasted over the medium term, and it is proposed that an ongoing provision is made for the long term repayment of HRA borrowing.

3. Housing Revenue Account (HRA)

- 3.1 The MTFP proposes a revised revenue expenditure of £20,756k for 2018/19, funded by income of £22,769k, with transfers to reserves of £2,043k, of which £1,494k is to earmarked reserves.
- 3.2 The proposed budget for 2019/20 includes expenditure of £22,518k, funded by £22,394k, with a net transfer from reserves of £124k.

Table 1: HRA MTFP Summary

	2018/19 Base £000s	2018/19 Revised £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Dwelling Rents	(20,829)	(21,078)	(20,816)	(20,987)	(21,506)	(22,184)
Other Income	(1,706)	(1,691)	(1,578)	(1,580)	(1,593)	(1,616)
Total Income	(22,535)	(22,769)	(22,394)	(22,567)	(23,099)	(23,800)
Expenditure	22,710	20,756	22,518	22,650	24,384	23,779
Total Expenditure	22,710	20,756	22,518	22,650	24,384	23,779
Transfers to/(from) EMR	(50)	1,494	(226)	604	(1,847)	(309)
Transfer to/(from) HRA General Reserves	(125)	519	102	(687)	562	330
HRA General Reserves Balance c/f	2,878	3,522	3,624	2,937	3,499	3,829

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

3.4 The budget proposal includes a number of changes from the 2018/19 base budget. A summary of the significant changes can be found in Table 2 below.

Table 2: Summary of proposed budget changes

Service Area	Para	2018/19 (revised) £000s	2019/20 (base) £000s
Transfer (to)/from HRA reserves – 2018/19 base budget		125	125
Rents and service charges update	4	(316)	342
Rents – 53 week rent year	4.3	-	(411)
Provision for bad debt	4.11	(120)	(120)
Pay Inflation	5.1	-	70
Non pay inflation	5.2, 5.3	-	152
Vacancy Savings	6.3	(144)	-
Contingency	7.2	(86)	(186)
Sheltered Housing	6.4	(180)	(127)
Project Costs	6.6	-	70
Contribution to Sheltered Modernisation EMR	9.2	-	(390)
Contribution to Estates EMR	9.2	-	(820)
Insurance Costs	7.6	(59)	(114)
Interest Costs	7.7	(93)	(134)
Depreciation	7.8	350	469
Pension lump sum	7.9	-	72
Provision towards repaying debt	8.15		900
Other minor changes (net)		4	0
Final position – transfer (to)/from HRA reserves		(519)	(102)

4. Proposed Rent and Service Charges 2019/20

4.1 Appendix A sets out the proposed increases in fees and charges.

4.2 Dwelling Rents

2019/20 is the final year of the four year rent reduction as set out in the Housing and Planning Act. It is therefore proposed that all social and affordable rents are decreased by 1% in line with the legislation. This reduces the average rent from £81.96 per week to £81.14 per week, a decrease of 82p per week.

4.3 Although weekly rents will decrease by 1%, 2019/20 is a 53 week year. This happens every five or six years when there are 53 Mondays during the financial year, and so 53 weekly payments due during the year. Therefore, although weekly rents are lower, tenants who choose to pay monthly will see a small increase in their payments. For the average rent this equates to a monthly increase of £3.22, or 0.9%.

4.4 Members could choose to reduce rents by more than 1%. Each additional 0.5% reduction would reduce the average weekly rent for tenants by £0.41 per week, or £21.32 per year (for a standard 52 week year), and decrease dwelling rent income to the HRA by approximately £104k per year. If Members chose to implement a further reductions, the corresponding amount would need to be funded from reductions in existing services.

4.5 On becoming vacant, dwellings at social rent are being relet at the Target Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all local authority and housing association stock. Currently 83% of tenants have rents below the Target Rent (a decrease from 88% last year). Of those, the average difference is £1.79 per week. This is equivalent to loss of income of approximately £440k per year. This figure will reduce as dwellings become void and are relet, but as existing tenancies will be unaffected it will be a very gradual change. Members could choose to implement Social Rents at above Target Rent on relet (up to 5% on General Needs and 10% on Sheltered properties), but this is not being proposed at this time.

4.6 Shared ownership rents are to increase by the inflationary uplifts set out in each lease.

4.7 Garage rents and service charges

Garage rents and service charges are recommended to increase by 2.4% (September Customer Price Index – CPI), with the exception of district heating charges. This is for the five sheltered schemes with a communal boiler that serves all of the dwellings in the scheme. As an authority our gas prices have increased by 14%, and it is proposed that this increase is passed on to tenants, as it would if they were charged directly from the utility provider. However, as this is a large increase, any increase would be capped at £1 per week and so no tenant will see an increase higher than this.

4.8 A review of landlord services is being undertaken by Tenant Services, and will initially report to Housing Committee in April 2019.

4.9 Void assumptions

Void levels are currently assumed to be 2% for General Needs properties and 5% for Sheltered. This is higher than is being experienced and so this will drop to 1% for General Needs for two years.

4.10 Additional income of £316k is forecast in 2018/19, largely due to this lower void level and so the budget will be revised in line with this.

4.11 Provision for bad debt

Assumptions around non payment of rents and charges have been set at a higher level for 2018/19 and the following two years. This was to make an allowance for the anticipated impact of Universal Credit. As a full roll out is not expected to take place before 2023, it is proposed that the provision made for bad debt is reduced from £200k to £80k for both 2018/19 (revised), and 2019/20. The higher level of £200k will still be included over the medium term, but pushed back to reflect the later date of implementation.

5. Pay and Price Inflation

5.1 In line with the Budget Strategy, future years pay inflation has been provided for in the MTFP at a rate of 2%.

5.2 Provision has been made for non pay inflation for major contracts at a rate of 3%.

5.3 Utility budgets have been increased in line with contractual increases.

6. Service Changes

6.1 Significant work has been undertaken across the housing service to realign the budgets for both 2018/19 and 2019/20. These changes are not to change the service being provided, but rather to align the budget to the current service level. Going forward it is likely that further revision will be required, but this represents a big step towards having the right information on which to make financial decisions.

6.2 A summary of the key changes are below:

6.3 Vacancy savings – savings of £144k across supervision and management are expected in 2018/19 and so it is proposed to return these saving to reserves. This figure could change over the year as posts are filled or new ones become vacant, and this transfer will not prevent vacancies being filled during the remainder of the year.

6.4 Sheltered Housing – ongoing savings of £127k are identified, largely due to reducing staffing levels and costs associated with the closure of schemes identified as red in the sheltered modernisation programme. There are also additional savings in 2018/19 with the inclusion of vacancy savings in year.

6.5 Tenancy management – by reviewing budgets across Tenancy Management, the opportunity has arisen to redirect funding towards a new Sustaining Tenancies budget of £25k. By working in collaboration with a wide range of organisations, this budget would be used to deliver

services and solutions to help and support new and vulnerable tenants for the common good - sustaining tenancies.

- 6.6 Repairs and maintenance – maintenance budgets have been realigned, but there are no material changes overall. An additional cost of £70k has been identified in 2019/20 to bring in expertise on the project looking at options for delivery of responsive maintenance from 2020.

7. Central Changes

- 7.1 A number of changes are proposed to central budgets:
- 7.2 Contingency – The base budget includes a £50k general contingency and a £135k staffing contingency. Neither contingency has been used in the last three years. It is therefore proposed that these revenue contingencies cease, with a transfer in 2018/19 to a new General Contingency HRA earmarked reserve (EMR) of £100k. This new EMR could be accessed by senior management within Housing, should the need arise (in line with the current contingency budget). Any use of the EMR would be reported to Housing Committee in the next Budget Monitoring report.
- 7.3 There is already a Staffing EMR of £250k and so no further transfer is necessary.
- 7.4 No transfer to either reserve has been included in the base budget for 2019/20, but should either EMR be used, a transfer would be made from revenue, as part of the budget setting process, when funds are available.
- 7.5 Further information on the EMRs held by the HRA are included in section 9.
- 7.6 Insurance – the cost of insurance has reduced from the start of a new contract in October 2018. This has led to expected savings of £59k in 2018/19 and £114k in 2019/20 budget, when compared to the base budget for 2018/19.
- 7.7 Interest costs – by utilising the reserves held by the HRA, we are able to internally borrow, which means that external interest is not payable on this amount. As reserves are effectively offset, it means that investment income is no longer receivable on the full balance, but the amount lost in investment income would be lower than the amount saved by not paying interest.
- 7.8 Depreciation – depreciation charges have been reset, and are expected to be higher than previously budgeted. Although a ‘cost’ to the HRA, the depreciation charge is transferred to the Major Repairs Reserve to finance the capital programme and so this higher charge in year will be used to fund major works capital spend.
- 7.9 Pension lump sum – in line with the triennial review, the contribution towards the past pension cost lump sum has increased.

8. HRA Borrowing and Provision for Repayment of Debt

8.1 Current borrowing position

Total borrowing for the HRA is £102.5m. Loans totalling £97.7m held by the HRA are due for repayment between 2032 and 2066. A £2m loan is due for repayment in early 2019 and it is expected that this will be internally borrowed initially, bringing the total internally borrowed balance to £4.8m.

8.2 By internally borrowing this balance, a saving can be made on interest payable. Since balances would not be as high, some investment income is lost, but the net position is positive as the interest rates on borrowing are higher.

8.3 Repayment of debt

Unlike the General Fund, the HRA doesn't have to make a specific annual contribution towards repaying debt through Minimum Revenue Provision (MRP).

8.4 At the start of self financing it was forecasted that reserves would be enough to repay any borrowing when it was due, and so annual contributions were not needed. Since 2012 the national picture has changed significantly, and reserves are not now expected to be high enough.

8.5 Therefore it would now be prudent to start making an annual provision - putting money aside to repay the loans, where possible, when they are due.

8.6 As there is no 'minimum' payment that needs to be made, the amount put aside can be flexible, and Members should be minded to weigh up the cost vs benefits for both current and future tenants.

8.7 Proposed Options

Although there are unlimited options available for the repayment of debt, this report will focus on three of the options:

1. Repay borrowing over 48 years

This option has been chosen as it is broadly in line with the original self financing plan, which would have repaid the debt in 49 years (from 2012) and also this option would repay approximately half of the debt over the next 30 years.

By putting aside £1.3m in 2019/20, which then would rise in line with inflation each year (ie in line with rental income), all of the £102.48m would be repaid in 48 years.

2. Repay borrowing over 60 years

This option recognises that the financial position of the HRA is not as strong as it was at self financing and so pushes the repayment of debt out to 60 years.

Starting with a provision of £0.9m, and again increasing with inflation each year, the borrowing would be repaid over 60 years.

3. Make no provision

This option would not make any repayment of borrowing, and as loans become due for repayment, they would need to be refinanced.

Note: these options would relate to the existing debt only, with any new borrowing being considered separately (paras 8.20 and 15.5)

8.8 Although putting aside additional funding to repay debt on top of paying the interest increases the overall cost to the HRA in earlier years, as borrowing is repaid interest costs will reduce and so over the longer term the cost evens out. By the end of the 30 year period the total amount being paid is actually forecasted to be lower than if interest alone was being paid.

8.9 The below table shows the total cost of the borrowing (interest costs plus the provision for repayment of debt) over the three options.

Table 3: Total revenue cost of borrowing

	Total Revenue Cost		
	5 years £m	30 years £m	60 years £m
1 - repay borrowing over 48 years	24.0	142.5	210.9
2 - repay over 60 years	22.1	129.4	243.3
3 - no provision	17.8	113.7	259.5

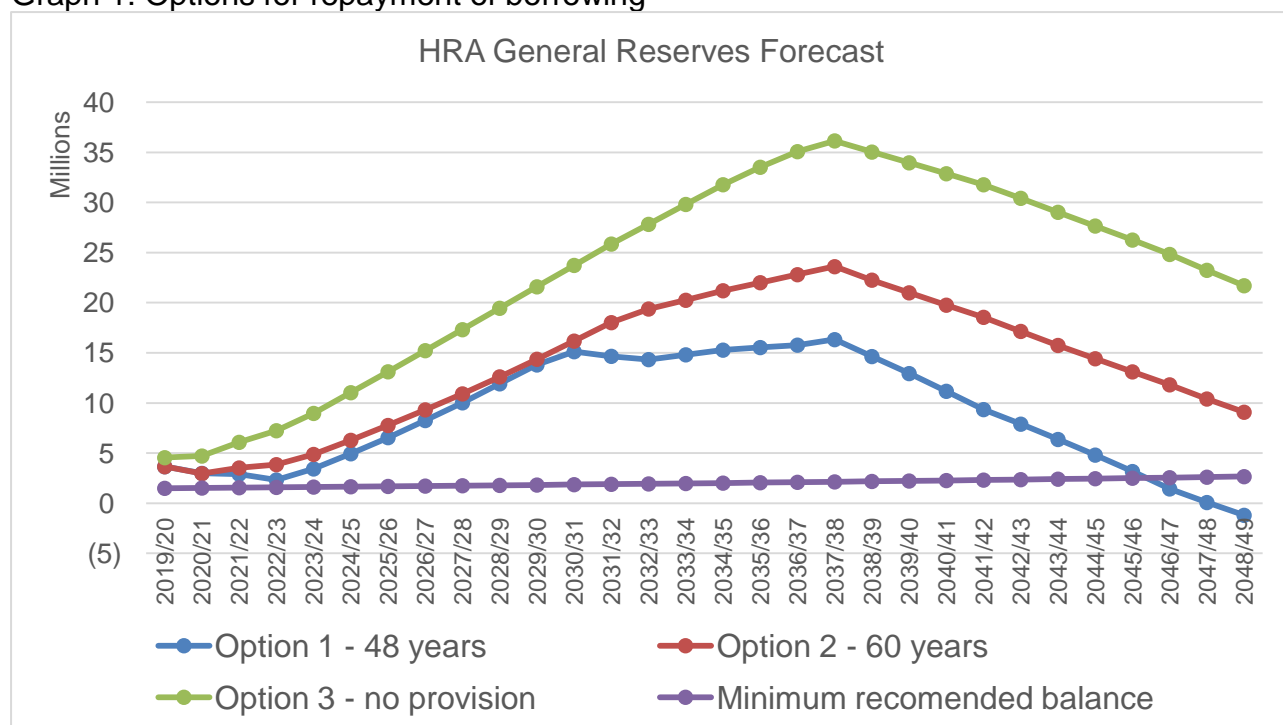
8.10 As provision is made, it is effectively put in the bank and saved up ready and waiting for the loans to be repaid. As the loans taken out have fixed redemption dates, it is unlikely that the loans will be repaid early as the penalties would be high, however this would be regularly reviewed as part of the standard treasury management process. Even though provision will build up, it is likely that under any option some loans would need to be refinanced (as the repayment profile would be different). Clearly the higher the provision made, the fewer loans would need to be refinanced, but any refinancing, although likely to be at higher rates than the current borrowing which was at preferential rates as part of self financing, could be over a shorter period and so interest would only be payable for a short additional period.

8.11 If no provision is made, all borrowing would need to be refinanced, leaving the HRA open to a higher level of interest rate risk.

8.12 In the HRA this provision doesn't have to come directly from revenue funding, it could also come from the Major Repairs Reserve (MRR), which is funded from depreciation and used to fund the capital programme, or from capital receipts. The overall cost remains the same, but being flexible in the way that it is funded means that the most beneficial option can be selected each year.

8.13 The below graph shows the impact on HRA general reserves over the 30 year period for each of the options.

Graph 1: Options for repayment of borrowing



8.14 As is clear from the graph, with the current position both option 2 (60 years) and option 3 (no repayment) are affordable, but option 1 (48 years) is not affordable without finding savings across the service.

8.15 The recommended option is therefore Option 2 – Repay borrowing over 60 years, with this to be funded flexibly between revenue, the MRR, or from capital receipts. In 2019/20 the first payment of £0.9m has been included in the MTFP as being financed from revenue funding.

8.16 This provision should be reviewed regularly, and should the overall financial position improve, the amount put aside for the repayment of debt could increase, and if for any reason it needs to be reduced for a period, for instance if rents are further reduced, it could be considered as an option.

8.17 Housing Committee will also review the financial position of the HRA each year, and should funds be available, such as from in year underspends, consideration will be given to recommend to Strategy and Resources putting additional money aside in an earmarked reserve in order to repay debt earlier.

8.18 HRA Debt Cap

The Autumn Budget confirmed the end of the HRA debt cap, and now means that the HRA comes under the same prudential borrowing rules as the General Fund. This means that the HRA can now borrow, providing that it is 'affordable'.

8.19 This announcement has superseded the Additional Borrowing Bid and so all schemes included in the bid have been added to the capital programme. Further borrowing is planned for completion of the

Glebelands (Sheltered Modernisation red scheme) site, as well as an opportunity land acquisition pot. Further details of the schemes can be found in section 15.

8.20 As the borrowing for these schemes will be financed from the rental income from the housing that is built, it is proposed that the borrowing be paid back over 30 years. This will allow the borrowing to be repaid without needing additional subsidy (other than the capital receipts as stated in the Additional Borrowing Bid), and so won't affect services provided to current tenants. Any provision for repayment of this additional borrowing will be on top of the provision made for existing debt, as set out in paragraphs 8.3 to 8.16.

9. Earmarked Reserves

9.1 The below table shows a summary of the earmarked reserves held in the HRA. This includes the proposed transfer of £100k to an HRA General Contingency EMR as set out in paragraph 7.2.

Table 4: HRA Earmarked Reserves

Earmarked Reserve	2018/19				2019/20			
	Opening balance £000s	Transfers out £000s	Transfers in £000s	Closing balance £000s	Opening balance £000s	Transfers out £000s	Transfers in £000s	Closing balance £000s
Sheltered Modernisation	1,976	(816)	1,390	2,550	2,550	(1,226)	1,000	2,324
Estate Redevelopment	350	0	820	1,170	1,170	0	0	1,170
Staffing	250	0	0	250	250	0	0	250
HRA General Contingency	0	0	100	100	100	0	0	100
	2,576	(816)	2,310	4,070	4,070	(1,226)	1,000	3,844

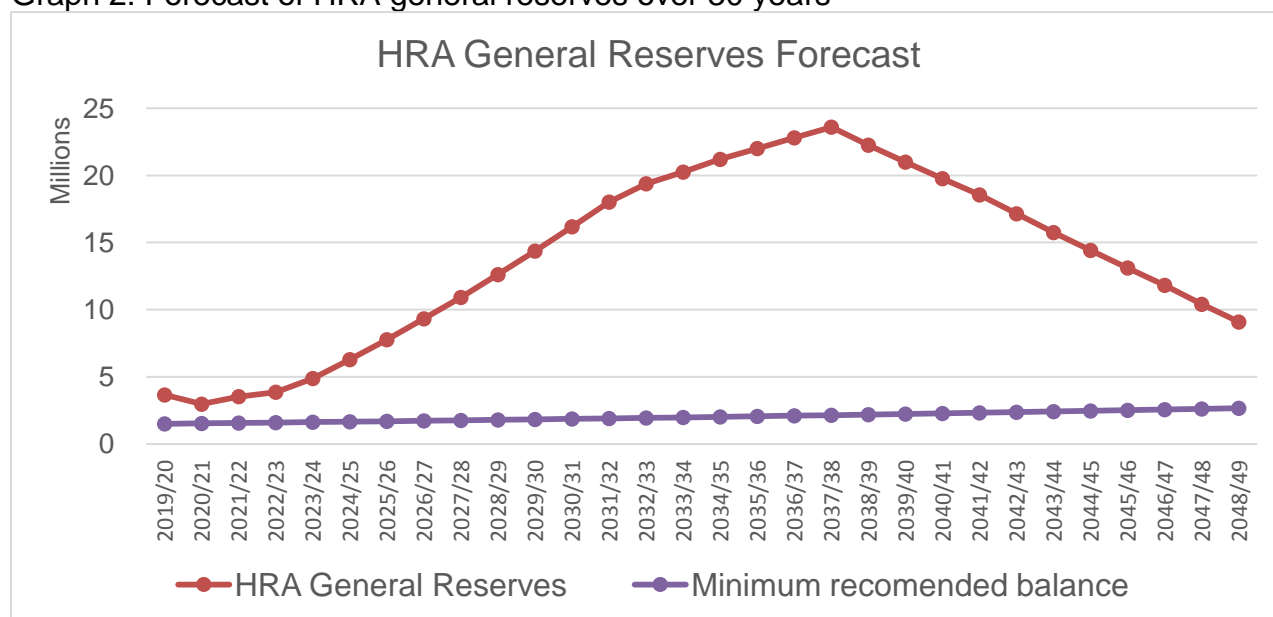
9.2 Transfers to the Sheltered Housing and Estate EMRs are in line with previous assumptions.

9.3 The transfers from the Sheltered Modernisation are in line with current forecasts of spend.

10. HRA Medium Term Financial Plan (MTFP) and 30 Year Position

10.1 With the changes proposed in this report the HRA is forecasted to have a balanced position across the full 30 year period.

Graph 2: Forecast of HRA general reserves over 30 years



11. Material Assumptions Made in the HRA MTFP

11.1 The MTFP forecast is made under a number of assumption. The main ones of note are summarised below:

- Rents are decreased by 1% across all social and affordable rented housing stock up to 2020. Rents will then rise by CPI+1% for five years, then CPI only.
- Void levels of 2% in general needs (after a two year period of 1% as detailed in paragraph 4.9), and 5% in sheltered housing properties are assumed (in schemes not affected by the Sheltered Housing Modernisation Programme).
- Inflation of 2% has been assumed across rents and contract inflation.
- 30 Right to Buy sales a year have been assumed in terms of rent loss
- HRA balances will be maintained at a minimum of £1.5m (rising with inflation) over the MTFP period in order provide resilience against the negative financial impact of future legislative changes.

12. Risks and Uncertainties

12.1 Although some previous risks have now been removed, such as the Higher Value Asset Levy, the HRA still faces a number of risks and uncertainties over the medium to long term.

These include:

12.2 Capital receipts – the MTFP includes the use of capital receipts to fund the New Build and Development Programme and the Sheltered Housing Modernisation. Should these assets not be sold, or sold for a lower price than expected, alternative funding would need to be allocated for the schemes to progress as planned. However, should a higher capital

receipt be achieved, this would provide additional funding for other projects.

- 12.3 Right to Buy Receipts – The ability to borrow has greatly changed the forecasted position on the use of Right to Buy (RTB) receipts. However, although the new programme as indicatively shown in section 15 is in part funded from RTB receipts, there is still a risk that the programme could slip, or some schemes may not be possible to deliver and so because of changes to timing, receipts would need to be repaid.

There is also a potential risk that the receipts may not be sufficient to fund the capital programme. If this were to happen, alternative funding would need to be found.

- 12.4 Interest Rates - the HRA is largely sheltered from interest rate changes in the medium term as all of the current borrowing is at fixed interest rates. As loans become repayable, advice will be sought from our treasury advisors on the most advantageous approach to refinancing.
- 12.5 Stock Condition – the information held on the condition of the stock continues to grow, with data being collected regularly. As more data is collected, the longer term forecasts are revised and could mean that more, or less, spend is required compared to the current forecast.
- 12.6 Internal Council Changes – Any major changes to the Council could impact on the HRA medium/long term position.

13. Capital Programme

- 13.1 A revised programme of £10.153m in 2018/19 is proposed, followed by an increased budget of £14.753m in 2019/20. The total indicative spend over the five year capital programme is £56.514m, however this is subject to change as schemes are worked up.
- 13.2 A full breakdown of the capital programme and funding can be found in Appendix C.

14. Major Works

- 14.1 It is proposed that the base budget for 2018/19 is revised from £6.657m to £8.124m. This will allow slipped works from last year to take place in areas such as door entry, external works and doors and windows, on top of the 2018/19 programme. There is also a pressure on major voids due to a number of properties being carried forward to this year because of the change in provider, as reported in the Outturn report which came to Strategy and Resources Committee in May 2018.
- 14.2 The proposed budget for 2019/20 remains high at £8.549m. This includes an inflationary uplift of 3%. Note: the budgets for both Environmental Works and Non Traditional Properties have been combined with External Works.
- 14.3 The programming of works for 2019/20 is already well underway which allows greater certainty over the deliverability of the work streams. However, even with a fully planned programme there will always be some element of variation due to unknown void costs, tenant refusals, adverse weather and further stock condition data being known.

14.4 With the major maintenance contracts coming to an end in 2020, it is prudently being planned that fewer works would be completed in that year. Work is already underway to determine the most beneficial way of delivering maintenance across the service.

14.5 As the works are not yet programmed after 2019/20, the Capital Programme is condensed to show all capital major works on one line. This will be expanded on each year to show the full programme when it is in place, with future years also being reprofiled.

15. New Homes and Regeneration Programme

15.1 With the confirmation that the HRA is able to borrow (paragraph 8.18) the New Homes Programme has expanded over the medium term.

15.2 The schemes in the additional borrowing bid have all been included in the programme, along with funding for Bradley Street and Gloucester Street in Wotton under Edge, the full completion of Glebelands (the Sheltered Modernisation programme only included part of the build, with the remainder of the site to be passed to a Registered Provider), and also an Opportunity Land Acquisition Pot.

15.3 As there is now very little developable land left, in order to continue building new homes, further land will need to be purchased. A £3.000m budget has been included in the 2019/20 capital budget which would allow site/s to be purchased should any site/s of interest become available. As this is very much an opportunistic pot, there is no guarantee that site/s would be purchased in 2019/20 and so the budget would need to remain available in any subsequent years. Due to the nature of any acquisition, officers would need to move quickly and so it may not be possible to follow a full committee/council report structure. The Capital Strategy will look at the delegated authority and member consultation that would be needed to use this budget.

15.4 Please note that all costs and timings are only estimates at this point, and as there is still a lot of investigative work to do on each site, it is possible that cost or timings may change, or it may not be possible to progress certain sites. Any updates will be included in the New Homes and Regeneration Information Sheets.

15.5 The revised programme includes new borrowing of £10.700m. As this relates to new dwellings it is proposed that provision for repaying this new borrowing is made over a period of 30 years from the additional rental income received. This will be provided for on top of any provision made for the existing borrowing. Any further borrowing for new schemes would need to be assessed and the period over which the repayments are affordable determined. This may not be as short as 30 years on future schemes when the purchase of land must also be funded.

16. Sheltered Housing Modernisation

16.1 The Sheltered Modernisation Programme continues on the green/amber schemes, with works to the common areas of Concord and George Pearce House planned for 2019/20. Tanners Piece which formed part of the red scheme at Ringfield Close is on site and due to be completed in summer 2019.

- 16.2 With further borrowing now available, it is possible to fully build out both the Ringfield Close and Glebelands sites for our own housing. Although the capital receipt for Ringfield Close had been included in the funding assumptions, it has been possible to replace this funding from a higher than expected anticipated receipt for Dryleaze Court. This will allow Ringfield Close to be developed for new housing, without affecting the delivery of the Sheltered Modernisation Programme.
- 16.3 As previously reported, the funding available in the MTFP is not sufficient to complete the modernisation works (the funding included was only the first stage). A Task and Finish Group is currently exploring 'the expectations of the next generation in relation to SDC's housing stock' which will be fed into the developing Older Persons Strategy, setting a vision for SDC's Older People's accommodation. The outcome of this will need to be considered for funding in the future.

Proposed Level of HRA Rents and Service Charges 2019/20

DRAFT Proposed level of rents and service charges (on a weekly basis over 53 weeks)	Current 2018/19 £	Proposed 2019/20 £	Increase/ Decrease £	Increase/ Decrease %
Rents				
Dwelling rents (average)	81.96	81.14	-0.82	-1.0%
Garage rents (excl VAT which is chargeable to non tenants only)	12.45	12.75	0.3	2.4%
Landlord Service Charges (charged where applicable)				
TV relay (communal aerials – basic IRS)	0.35	0.36	0.01	2.4%
TV relay (communal aerials – comprehensive IRS)	0.89	0.91	0.02	2.4%
Cleaning charges (average)	2.45	2.51	0.06	2.4%
District heating (average)	7.85	8.82	0.97	14% (capped at £1 per week)
Water charges (average)	2.59	2.65	0.06	2.4%
Sheltered Housing	24.7	25.29	0.59	2.4%

APPENDIX B

HRA Medium Term Financial Plan 2018/19 to 2022/23

	2018/19 Base £000s	2018/19 Revised £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Dwelling rents	(20,829)	(21,078)	(20,816)	(20,987)	(21,506)	(22,184)
Non dwelling rents	(228)	(222)	(125)	(107)	(109)	(111)
Charges for services and facilities	(1,020)	(1,016)	(1,005)	(1,024)	(1,034)	(1,054)
Contributions towards charges	(458)	(453)	(448)	(449)	(450)	(451)
Total Income	(22,535)	(22,769)	(22,394)	(22,567)	(23,099)	(23,800)
Repairs and maintenance	3,667	3,795	3,973	4,083	4,202	4,319
Supervision and management	5,459	5,030	5,219	5,435	5,585	5,720
Special services	2,743	2,183	2,305	2,192	2,222	2,320
Contribution to capital programme (depreciation and RCCO)	7,153	6,273	6,687	6,071	7,140	6,098
Provision for repaying debt	0	0	900	1,037	1,171	1,236
Provision for bad debt	200	80	80	111	208	212
Interest Payable	3,513	3,420	3,379	3,750	3,873	3,884
Investment Income	(25)	(25)	(25)	(29)	(17)	(10)
Total Expenditure	22,710	20,756	22,518	22,650	24,384	23,779
Transfers to/(from) EMR	(50)	1,494	(226)	604	(1,847)	(309)
Transfer to/(from HRA General Reserves	(125)	519	102	(687)	562	330

	2018/19 Base £000s	2018/19 Revised £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
General Reserves						
Opening Balance	3,003	3,003	3,522	3,624	2,937	3,499
Transfer to/(from)	(125)	519	102	(687)	562	330
Closing Balance	2,878	3,522	3,624	2,937	3,499	3,829

APPENDIX C

HRA Capital Programme 2018/19 to 2022/23

HRA Capital Programme	2018/19 Base £000s	2018/19 Revised £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Major Works						
Central Heating	710	624	1,021			
Disabled Adaptations	315	143	200			
Kitchens and Bathrooms	1,590	1,506	1,389			
Major Voids	424	570	464			
Asbestos/Radon	257	337	422			
Doors and Windows	530	791	1,022			
Electrical Works	212	212	218			
Environmental Works	127	127				
Non-Traditional Properties	350	595				
Door Entry	212	352	218			
Suited Locks	148	74	76			
External Works	1,750	2,793	3,519			
Lifts	32					
Major Works				4,726	6,843	6,429
Total Major Works	6,657	8,124	8,549	4,726	6,843	6,429
New Homes and Sheltered Modernisation						
Southbank, Woodchester	1,000	300	902			
Former Ship Inn Site, Bridgend	1,433	15	1,000	485		
Sheltered - Tanners Piece	1,700	1,345	449			
Broadfield Road, Eastington			31	1,084		
Orchard Road, Ebley			20	695		
Queens Drive, Cashes Green			27	1,013		
Ringfield Close, Nailsworth			55	1,552	1,606	
Summersfield Road, Minchinhampton			28	892		
Gloucester St and Bradley St, WuE			28	1,279		
Sheltered - Glebelands					1,898	1,897
Opportunity Land Acquisition Pot			3,000			
New Homes Contingency	571	50	50	50	50	50
Sheltered - Ex Warden		17				
Sheltered - Amber/Green Schemes	359	302	614	309	536	213
Total New Homes and Sheltered Modernisation	5,063	2,029	6,204	7,359	4,090	2,160
Total HRA Capital Programme	11,720	10,153	14,753	12,085	10,933	8,589

APPENDIX C

HRA Capital Financing	2018/19 Base £000s	2018/19 Revised £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Revenue Funding (including depreciation and Sheltered Modernisation reserve)	9,457	8,687	9,179	5,035	8,231	6,642
Capital Receipts (including RTB receipts)	2,065	1,466	1,491	3,326	1,241	50
Homes England Grant Funding	198	0	158	233	75	0
Borrowing	0	0	3,925	3,491	1,386	1,897
Total Funding	11,720	10,153	14,753	12,085	10,933	8,589

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

8b

Report Title	GENERAL FUND REVENUE ESTIMATES – REVISED 2018/19 AND ORIGINAL 2019/20
Purpose of Report	To present to the committee the revised estimates for 2018/19 and original estimates for 2019/20.
Decision(s)	The Committee RECOMMENDS: 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.
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings. • Residents and Business telephone surveys (as presented to a members seminar on the 7 December). • Budget workshops for Chairs & Vice Chairs of service committees and Administration group leaders.
Financial Implications & Risk Assessment	<p>The estimates have been incorporated into the Council's Medium Term Financial Plan (MTFP) presented to this committee.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Legal Implications	<p>This report forms part of the formal budget setting process along with other reports on this Agenda. Financial advice and guidance is included in these reports for Members' reliance in decision-making.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk</p>
Report Author	<p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Options	The Administration is considering its budget options at the Strategy and Resources Committee meeting on 17 January 2019. Council will consider the overall budget position for 2019/20 on 24 January 2019.
Performance Management Follow Up	Budget monitoring reports are presented to Committee in September and February/March each year. Members will be informed of the outturn position for 2018/19 at the Strategy and Resources Committee meeting in April 2019.

Background Papers and Appendices	None
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Background

1. The Budget Strategy report to Strategy and Resources Committee in October 2018 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
2. Members will be aware from both the 2018/19 budget and MTFP (approved in January 2018) and the Budget Strategy reports, the Council is facing a number of financial challenges in 2019/20 and future years. A budget deficit has been forecast in the latter part of the medium term due to anticipated reductions in the level of government funding, and inflationary and cost pressures across the Council's services. The service committee's revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report.
3. Community Services and Licensing, Environment, and Housing committees considered their revenue and capital budgets at their meetings in December 2018. Paragraphs 14 to 16 provide an overview of the budget changes consolidating the revenue and capital estimates to provide the overall General Fund service revenue budgets for 2018/19 and 2019/20.
4. **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

STRATEGY AND RESOURCES COMMITTEE BUDGETS

Revenue Budget position

5. The net General Fund service revenue budget for 2018/19, approved by Council in February 2018, was £16.769m (£16.503m + £0.266m of IT Software Contingency) and including support charges has now been revised to £17.870m.
6. The original budget for Strategy and Resources Committee was £6.212m. This is then used as the base budget for the 2018/19 revised estimates and 2019/20 original estimates, incorporating changes arising from unavoidable inflationary cost pressures, budget pressures and efficiency savings. These estimates have only changed from the original budget approved in February 2018, as a result of items reported to the committee in budget monitoring reports.
7. Indicative revenue budgets were included in Appendix A of the October budget monitoring report and were based upon assumptions and known changes at the time. Budgets presented in this report will differ as a result of more detailed work undertaken by budget holders/finance team etc. The original estimate of the Strategy and Resources Committee Budget for 2019/20 is **£6.542m, an increase of £330k** on the base budget. This is largely due to the following significant budget changes:
 - Technical adjustments of **£326k** and in year virements **(£135k)** (para 9)
 - Pay inflation **£63k** and Non-pay inflation of **£50k** (para 10)
 - Budget pressures of **£323k** (para 11 and table 2)
 - Budget and efficiency savings of **(£63k)** (para 11 and table 2)

- Insurance savings of **(£25k)** as a result of a review of the insurance requirements of the Council undertaken in April and May prior to the full retender over the summer
 - Workforce planning savings of **(£266k)** (para 12)
8. Table 1 provides a summary of the changes to the 2018/19 and 2019/20 estimates. A more detailed breakdown of the service committee budget is set out in Appendix A. (these figures are shown net of depreciation, support charges and LGPS pension adjustment). Technical adjustments and other changes are set out in more detail in the body of the report below, with the budget & efficiency savings detailed in Table 2.

Table 1 – Summary of changes from the 2018/19 Original Budget

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Strategy and Resources Committee			
[a] Original Budget	6,212	6,240	6,240
[b1] In-year virements			(135)
[b2] Technical Adjustments		(25)	326
[c] Reversal of Prior-year Budget Proposals			
[d] Pay Inflation 2019/20			63
[e] Price & Income Inflation			50
Base Budget	6,212	6,215	6,544
[f] Previous Policy Decisions			
[g] Budget Pressures			323
[h] Efficiency Savings			(63)
[i] WFP Savings			(266)
[j] Recharge Adjustment *			29
[k] Insurance Adjustment			(25)
Net Service Revenue Expenditure Budget	6,212	6,215	6,542

(Table may contain roundings)

9. Technical adjustments/In year virements

Technical adjustments and in-year virements include centralisation of service software budgets to ICT (across all committees) and alignment of budgets to agreed establishment structures. 2018/19 1% salary inflationary catch up, re-structuring changes to budgets across the committees following the workforce plan review and re-distribution of the building maintenance budget according to the proposed schedule of works with each committee.

10. Inflation

d) Pay Inflation

The 2019/20 salary budgets have been increased by an initial 2% in line with budget strategy.

e) Price inflation

Gas and electricity supplies have seen a significant inflationary increase due to the renewal of both contracts from the beginning of October. Software budgets have been increased by CPI in line with budget strategy.

11. Budget Pressures & Efficiencies

Table 2 provides a detailed overview of the budget pressures and efficiencies for 2018/19 and 2019/20, which have been incorporated into the General Fund budget.

Budget Pressures include additional budget of **£323k** (as per Table 2). The most significant element of the budget pressures for the 2019/20 original budget include the amount forecast on the MTFP approved by Council in February 2018 for the pension lump sum budget of £203k.

Other budget pressures relate to an additional post required in IT (Infrastructure Developer) and pressures around costs and income for some of the Council's Assets.

There are two efficiency savings – a reduction in the Internal Audit fee of 10% (£13k) in-line with a reduction in the number of planned audit days from 2018/19, and an anticipated increase in car park tariffs of £50k in-line with the 2018/19 MTFP and Savings Plan.

Table 2 – Budget Pressures and Efficiency Savings

Type	Service	Description of Efficiency or Budget Pressure	2018/19 (£'000)	2019/20 (£'000)
BP	ICT	Additional Infrastructure Developer post and Restructure of current establishment		75
BP	Marketing	Regrade of Corporate Communications Manager and re-allocation from HRA of Communications Officer post		40
BP	Investment Assets	Littlecombe Units - Utilities and rates		13
BP	Misc Properties	Old Town Hall - Loss of income and service charge		33
BP	Various	2019/20 MTFP - Employers Pension contributions (as reflected in the January 2018 MTFP)		203
BP	Ebley Mill	Building cleaning to be re-allocated as part of the MSC contract pressure across all Committees		-41
		Subtotal - Pressures		323
ES	Finance	Reduction in the Internal Audit fee (10%) following a reduction of 51 audit days in the 2018/19 Internal Audit Plan		-13
ES	Car Parks	Planned increase in car park tariffs (as reflected in the January 2018 MTFP and Savings Plan)		-50
		Subtotal - Efficiencies		-63
		Total Strategy & Resources Pressures and Efficiencies		260

12. Workforce Plan

Workforce plan phase 2 reviews that have been completed and implemented for the services listed below for this Committee. The table below outlines the net post reductions across these services. Please note that most of these reductions will impact over several committees.

Number of net post reductions

Phase 2 WFP	Net post reductions
Human Resources	-2
Community Services	-7
Regeneration	-3
Posts given up at budget setting (legal, property services and finance)	-4

At the time of writing this report, Phase 3 of the Workforce is underway. Planned service reviews which affect this Committee include Finance, Marketing, ICT and Car Parks. There may be may some future impact on Strategy and Resources Committee budgets when these have completed.

13. Insurance/Recharge Adjustment/Support Service recharges

The cost of insurance has reduced from the start of a new contract in October 2018. This has led a small reduction in the budgets for this committee in 2019/20 of £25k when compared to the base budget for 2018/19.

The net recharge adjustment increase of £29k reflects the revised apportionment of Corporate Management and Democratic Representation and Management costs between the General Fund and Housing Revenue Account.

CAPITAL

14. Table 5 below outlines the capital schemes that the committee is responsible for. The budget monitoring report to committee in October 2018 set out some changes to the budget profile of the Brimscombe Port capital scheme, and the removal of the Merrywalks Redevelopment (Commercial Loan) capital scheme. These changes have been reflected in the table below.

15. The only new capital scheme is £109k for required works to the windows at Ebley Mill. This can be funded from the capital reserve. The only other change is the removal of the Housing Initiatives capital budget. This is covered in more detail in the MTFP report to this committee.

Table 5 – Capital schemes 2018/19 and 2019/20 (Strategy and Resources Committee only)

Strategy and Resources Capital Schemes	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)
Financial Systems	-	-	-
Housing Initiatives	600	-	-
Brimscombe Port Redevelopment	1,600	311	166
MSCP Repairs and Maintenance	120	120	-
Merrywalks Redevelopment (Commercial Loan)	-	-	-
ICT Investment Plan	400	400	500
Ebley Mill Works		109	
Littlecombe Business Units	100	-	-
Subtotal Strategy & Resources	2,820	940	666

COMMUNITY SERVICES & LICENSING, ENVIRONMENT, HOUSING (GF) REVENUE ESTIMATES

16. Community Services comments

The most significant change to the budget in 2019/20 is an increase in the level of budgeted income for The Pulse, Dursley (£285k). The Pulse continues to maintain a large presence within the local community. Additional investment has been made into this year's marketing activities in order to reach a wider and broader audience which has helped increase our market share in the local area.

Other changes to the budget include savings arising from the Workforce Plan, and the budget saving from the closure of the Joint Use Sports Centres in 2018/19.

17. Housing GF comments

A proposed increase of £45k would bring the total General Fund housing revenue budget to £552k in 2018/19. The proposed original budget for 2019/20 is £540k. This is largely due to changes in funding for Homelessness, and an ongoing virement from savings within other services to sustain specialist housing delivery and related support.

18. Environment comments

Budgets supporting the Multi-Service contract have been revised reflecting the ongoing cost pressures around Waste and Recycling. The extract below was included in the Environment Committee Revenue Estimates report, and is repeated here given the impact on the Council's resources.

The narrative below and the supporting table include costs associated with the Multi-Service contract which are not the responsibility of Environment Committee (i.e. Building Cleaning, Grounds Maintenance). However, as the vast majority of service delivery falls within the remit of this committee, it would seem appropriate to include all elements of the contract within this report. Tables 1, 4 and 5 of (the Environment Committee report) only contain the multi-service budgets that this committee has responsibility for so do not directly reconcile to the budgets shown in Table 2 (of the Environment Committee report).

Members will be fully aware of the cost pressures on the Multi-Service contract, given the level of overspend reported in the budget monitoring reports in 2017/18 and 2018/19. It is also worth noting that the gross expenditure and income budgets associated with the Multi-Service contract were not amended at service level. Whilst additional funding was agreed by Council in January 2017 (£1.15m over 4 years), this was held as a contingency budget centrally so as not to disturb the financial reporting process through the service committees.

The January 2018 MTFP was prepared in the absence of detailed contract cost information from Ubico for 2018/19. The view taken at the time was to maintain the gross contract cost at around £5.4m over the medium term through a review of service costs and identification of contract efficiencies (as agreed in the Action Plan) resulting in little change to the Council's budgets. Clearly this has not been achieved.

Provision was made in the 2017/18 outturn report to Strategy and Resources committee in May 2018 to set aside £0.600m in an earmarked reserve to mitigate anticipated cost pressures likely in the MTFP.

For 2019/20, service budgets will be amended to reflect the gross expenditure and income budgets required to support service delivery, with any central contingency allocated directly to the service.

The 2019/20 gross expenditure budget for the Multi-Service contract has been included in the revenue estimates at £5.873m – an increase of £1.240m over the amount of expenditure previously budgeted for, with non-contract budgets increasing by £0.171m largely as a result of reallocations. At the same time, an additional (£0.749m) of service income from recycling credits, incentive payment and other recycling income has been budgeted for. This reduces the net increase to £0.579m. Table 3a shows the impact on the Council's budgets, with Table 3b showing the changes to the contract sum (and subsequent outturn) since 2016/17 for context.

Discussion has taken place with Ubico much earlier this year on the contract sum, with a robust dialogue around the Council's expectations. It should be noted that the current draft 2019/20 contract sum from Ubico has yet to be formally agreed and it is the final amount may be subject to change owing to validation work being undertaken by the finance team. This report has assumed the draft contract amount of £5.873m (this includes an additional round of £95k to support the increased demand on recycling and the contract). An update will be provided in the report to Strategy and Resources committee and Council in January 2019.

Whilst an element of budgeted increase in expenditure can be seen as multi-year inflationary catch-up or growth due to additional recycling rounds, this still represents a significant additional use of the Council's limited revenue resources.

There remains risk around income from recycling credits, incentive payment and income from the sale of recyclate. As such, members may need to review the level of service provision in future years should the financial position become unsustainable.

Table 3a – Multi Service Contract change from 2018/19

	2018/19 Original (£'000)	2019/20 Original (£'000)	Budget Change (£'000)
Multi Service Contract			
Ubico contract			
Refuse Waste (inc Dog Waste)	1,135	1,293	158
Food Waste	374	851	477
Recycling	1,513	1,837	324
Garden Waste	234	426	191
Bulky collections	88	87	(1)
Street Cleansing	586	634	48
Building Cleaning	344	290	(54)
Grounds Maintenance	360	456	96
Gross UBICO Contract Cost	4,634	5,873	1,240
Waste & Recycling costs	148	109	(38)
Recylate Waste Disposal costs	320	739	419
Garden Waste administration costs	58	48	(10)
Other non-contract costs	13	13	0
Central contingency	200	0	(200)
OTHER - Multi Service Costs	739	910	171
JWP Incentive Payment	(133)	(350)	(217)
Recycling Credits	(549)	(650)	(101)
Recyclate Waste Disposal Income	(90)	(544)	(454)
Other waste income	(60)	0	60
Garden Waste subscriptions	(451)	(451)	0
Bulky Waste Collections	(43)	(80)	(37)
INCOME - Multi Service Income	(1,326)	(2,075)	(749)
NET BUDGET - Multi Service Cost	4,046	4,708	662
NET BUDGET - GF only	3,790	4,369	579

Table 3b – Contract Sum and Outturn position

	2016/17 Contract Sum ** (£'000)	2017/18 Contract Sum (£'000)	2017/18 Outturn (£'000)	2018/19 Contract Sum (£'000)	2018/19 Forecast Outturn P7 (£'000)	2019/20 Contract Sum (£'000)
Multi Service Contract (Ubico)						
Refuse Waste (inc Dog Waste)	1,229	1,152	1,254	1,234	1,256	1,293
Food Waste	525	813	838	920	808	851
Recycling	1,523	1,637	1,623	1,591	1,773	1,837
Garden Waste	286	323	329	369	458	426
Bulky collections	0	88	83	91	91	87
Street Cleansing	640	669	601	615	621	634
Building Cleaning	320	323	322	328	299	290
Grounds Maintenance	449	446	423	492	444	456
Gross UBICO Contract Cost	4,971	5,452	5,473	5,639	5,751	5,873

** This is the full year equivalent contract sum. Ubico service started 01 July 2016 with a pro-rata contract sum of £3.782m and an Outturn of £4.048m

19. Service Revenue Expenditure

The table below consolidates the revenue estimates for all 4 committees along with non-service revenue expenditure, which forms the Council's General Fund Revenue budget for 2019/20. This is considered in more detail in the Medium Term Financial Plan.

Table 4 – Service Revenue estimates 2018/19 and 2019/20 (all committees)

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
TOTAL General Fund			
[a] Original Budget	14,339	14,367	14,367
[b1] In-year virements	0	195	72
[b2] Technical Adjustments	0	717	705
[c] Reversal of Prior-year Budget Proposals	0	0	0
[d] Pay Inflation 2019/20	0	0	196
[e] Price & Income Inflation	0	0	224
Base Budget	14,339	15,278	15,563
[f] Previous Policy Decisions	0	0	0
[g] Budget Pressures	0	0	1,169
[h] Efficiency Savings	0	(8)	(424)
[i] WFP Savings	0	(140)	(486)
[j] Recharge Adjustment *	0	0	29
[k] Insurance Adjustment	0	0	(55)
Net Service Revenue Expenditure Budget	14,339	15,130	15,795
Add: Support Service Charges	2,431	2,431	2,075
Net SRE Incl SSCs	16,770	17,561	17,870

Support Service Charges have notionally decreased from £2.431m to £2.075m. This is largely due to a change in the way the assets for the Multi-Service contract (Depot and Vehicles) are accounted for within the service. These charges are then reversed-out below the line so as not to impact on the calculation of the Council Tax requirement.

STRATEGY AND RESOURCES COMMITTEE	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Brunel Mall	(52)	(44)	(44)
Industrial Units	(16)	(16)	(9)
Brimscombe Port	50	50	50
Littlecombe site, Dursley	(61)	(61)	(47)
Gossington Depot	0	39	29
Subtotal Investment Assets	(78)	(32)	(21)
Dursley Bus Station	(3)	(4)	(4)
Miscellaneous Properties and Land	27	51	84
May Lane	0	0	9
Subtotal Other Assets	24	47	89
Car Parks (NC)	15	11	17
Car Parks (MT)	(23)	(15)	(26)
Car Parks (Stroud)	(648)	(647)	(698)
Subtotal Car Parks	(656)	(651)	(707)
Head of Property Services	82	83	60
Property Services	263	266	254
Asset Building Maintenance	64	65	66
Subtotal Property Services Team	327	330	319
Facilities Management	212	13	10
Ebley Mill	459	479	402
Emergency Management	91	60	29
Subtotal Facilities Management	761	551	442
Members Expenses	365	365	364
Democratic Representation and Management	(157)	(157)	(148)
Electoral Registration	126	127	107
Elections	88	89	98
Youth Councils	3	3	3
Subtotal Democratic Representation and Management	426	427	424
Past Service Pension Costs/Central Budget Alloc	1,861	1,762	1,980
Corporate Management	(22)	(22)	(2)
Pension Costs	49	49	49
Land & Property Custodian	(28)	0	0
Subtotal Resources and Finance - Direct Spend	1,859	1,789	2,027

(Table may contain roundings)

STRATEGY AND RESOURCES COMMITTEE	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Chief Executive	189	191	197
Marketing	54	54	96
Director (Corporate Services)	47	47	48
Human Resources	420	409	407
Corporate Change Team	100	322	75
Business services	122	123	126
Subtotal Corporate Business Services	222	445	201
Legal Services	416	420	411
Procurement	63	63	65
Democratic Services	96	96	82
Subtotal Corporate Services (Legal)	575	580	557
Head of Finance	80	81	83
Financial Services	871	847	676
Information & Communication Technology	1,009	1,015	1,645
STRATEGY & RESOURCES Total	6,212	6,215	6,542
Add: COMMUNITY SERVICES Total	3,554	3,657	3,252
Add: ENVIRONMENT Total	4,070	4,707	5,462
Add: HOUSING GF Total	503	552	540
SUBTOTAL Service Revenue Expenditure	14,339	15,131	15,795
A25, J's. K90, K91	2,431	2,245	2,075
Net Service Revenue Expenditure	16,769	17,376	17,870

Subjective Analysis	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Employee costs	12,121	12,262	12,118
Premises costs	1,944	1,918	1,809
Transport costs	143	130	125
Supplies and Services	4,083	4,131	4,234
Third Party Payments	4,797	4,775	6,371
Transfer Payments	22,370	22,370	22,370
Total Expenditure	45,457	45,586	47,026
Grants	(22,996)	(22,996)	(23,121)
Contributions	(1,642)	(1,642)	(2,357)
Fees & Charges	(6,479)	(5,816)	(5,752)
Interest	(1)	(1)	(1)
Total Income	(31,118)	(30,455)	(31,231)
Net Expenditure	14,339	15,131	15,795
A25, J's. K90, K91	2,431	2,245	2,075
Net Service Revenue Expenditure	16,769	17,376	17,870

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2018

8c

Report Title	THE GENERAL FUND BUDGET 2019/20, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN
Purpose of Report	To consider the Council's financial position over the medium term and set a budget requirement and the level of council tax for 2019/20.
Decision(s)	<p>The Committee RECOMMENDS to Council (and subject to the Government's final settlement announcements):</p> <ul style="list-style-type: none"> a) to approve the updated Medium Term Financial Plan as set out in Appendices A-C; b) 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; c) to note the uncertainty around the impact of changes to local government funding in 2020/21; d) to approve the Capital Programme, as set out in Appendix D; e) to approve the planned changes to the reserves as set out in Section 4 of the report and Appendix E.
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings • Residents and businesses phone survey • Member workshops
Financial Implications and Risk Assessment	<p>The whole report is of a financial nature as it sets out the Council's Revenue and Capital Budgets for the period 2019/20 to 2022/23.</p> <p>Andrew Cummings Head of Finance and Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p> <p>There are a number of risks to the Council's future financial position and the material risks are outlined in the body of this report. The budget monitoring process will report material changes in the Council's financial position to members.</p>

Legal Implications	This report forms part of the formal budget setting process along with other reports on this Agenda. The Council is under legal obligation to set a budget. Financial advice and guidance is included in these reports for Members' reliance in decision-making. Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk
Report Authors	Andrew Cummings – Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk
Options	The Council must set a balanced budget in time to start collecting council tax by 1 st April.
Performance Management Follow Up	Budget Monitoring reporting during 2019/20.
Background Papers/ Appendices	MHCLG Provisional Finance Settlement; HRA Budget and MTFP, Service Committee Revenue Estimates Appendices A - E

1. Introduction and Background

- 1.1 Strategy and Resources Committee approved the Budget Strategy 2018-22 at its meeting on 04 October 2018. This agreed the framework for the budget setting process in advance of the detailed budget work being undertaken by the authority.
- 1.2 The following report sets out the details of the Authority's medium term financial plan for the period 2019/20 – 2023/24. Each section of the report is laid out to focus on a specific area of the budget.
- 1.3 The report is structured as follows;
 - Section 2 – Estimates of Major Funding Sources
 - Section 3 – Estimates made on costs / revenue
 - Section 4 – The Medium Term Financial Position and planned use of reserves
 - Section 5 – Capital Programme
 - Section 6 – Statement of Chief Financial Officer and Long Term Risks
- 1.4 Appendix A sets out the summary of the Council's Medium term Financial Plan. It shows adjustments to the plan as well as the estimates of major funding sources and movement on reserves.
- 1.5 Appendix B shows all the identified savings and pressures over the life of the plan.
- 1.6 Appendix C sets a summary of the total revenue expenditure budget for 2019/20. The detail behind the Committee expenditure budgets is included within the service estimates report taken to each Service Committee.
- 1.7 Appendix D shows the planned capital programme for the General Fund and the sources of financing which are estimated in the medium term.

1.8 Appendix E shows the impact of the Medium Term Financial on the General Fund Reserves.

2. ESTIMATES OF MAJOR FUNDING SOURCES

2.1 The provisional settlement for 2019/20, announced on 13th December 2018, has confirmed the final year of the multi-year settlement. The significant features impacting Stroud within the Settlement were

- Confirmation of the removal of negative RSG
- The New Homes bonus allocation for 2019/20 being set at £1.726 million
- The Council Tax referendum limit being confirmed at 3%
- Notification that the Business Rates Pilot will not continue into 2019/20.

COUNCIL TAX

2.2 Council Tax remains the most stable element of funding available to the Council. The tax base has grown by 1.71% in the past year against an assumption of 1.5% in the Budget Strategy. This budget proposes, in line with the agreed Budget Strategy, that tax is increased by 2.99%. This is an increase of £6.02 (12p per week) for a Band D Council Tax payer within the district and takes the Band D charge from £201.50 to £207.52. The additional funding raised by an increase in Council Tax continues to benefit the authority in every year of the MTFP.

2.3 The government has not made any proposals for the referendum limit in years after 2019/20. The Council Tax forecasts in the MTFP assume the limit will revert to the previous £5 a year for District Councils. Any change to that limit will be updated in future budget reports. The tax base has also been assumed to grow at an annual average of 1.5% in line with the average growth of the last few years.

2.4 The Council Tax collection performance has again been strong resulting in an estimated surplus of Council Tax collected this year. The Council's share of this is included as a one-off benefit to the General Fund of £186k in 2019/20.

BUSINESS RATES

2.5 The provisional settlement confirmed that there will not be a Gloucestershire Business Rates Pilot for 2019/20.

2.6 The Gloucestershire authorities have therefore agreed to revert to the pooling arrangements which existed before the 2018/19 pilot. This scheme increases the business rates retained locally by reducing the levy that is payable to Central Government on business rates collected above the centrally set baseline. The existing MTFP includes an assumption of a minimum of £100k income from the pool and this is retained for this new plan.

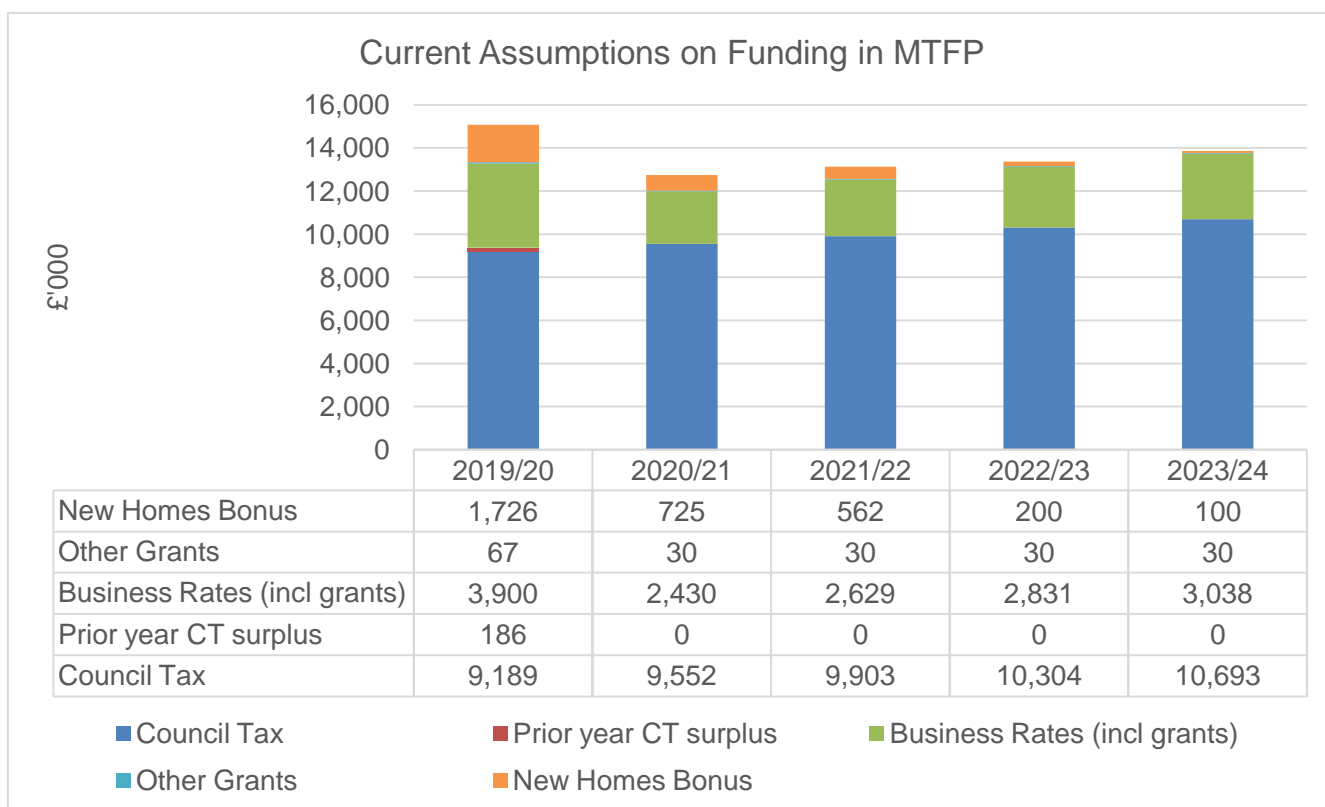
2.7 Business rates income in future years of the plan is likely to be adversely affected by any decision the government makes around that baseline. The authority currently benefits by collecting more business rates than the government expects which is then retained. It is expected in 2020/21 that the government will reset our baseline to a level closer to actual business rates collected thereby significantly reducing retention. An assumption has been made as to the level of reduction and the actual level will become known during 2019.

- 2.8 The business rates that the authority can include within its medium term financial plan represents its assessed funding need (known as the “Settlement Funding Assessment” or “SFA) plus growth above the baseline. For 2019/20 this can be accurately estimated and is included within the plan.
- 2.9 This budget is produced before the formal process of notifying Central Government of expected business rates income in January 2019 (a process known as NNDR1). Any variation during 2019/20 against expected business rates income will be added or deducted from the Business Rates Reserve.

NEW HOMES BONUS

- 2.10 The provisional settlement gave certainty to the amount of New Homes Bonus that is to be received by the authority in 2019/20 at £1.726 million (£1.583 million was assumed in the budget strategy). This is a result of actual property growth in Stroud being confirmed at 0.65% and the National Baseline, above which growth is rewarded, remaining at 0.4%.
- 2.11 The uncertainty around this funding in future years continues. National funding for New Homes Bonus is only confirmed up until 2019/20 with the government due to confirm in 2019 what the future of the system is. It has been assumed that the scheme will not continue in its current form but gradually reduce with payments only being made for housing growth achieved in prior years. Therefore the increase in funding for 2019/20 over the previously predicted amount will be placed into General Fund reserves to mitigate against future reductions.

Table 1 – Current Funding Assumptions included in the MTFP



The Local Government Finance Outlook

2.12 There is a great deal of uncertainty around the Local Government finance environment post 2019/20, which is the last year of the previously agreed four year settlement. There are three main factors which are likely to impact upon the funding position of the Council in the following years.

- The Fair Funding Review
- Business Rates Baseline Reset
- The future of New Homes Bonus

2.13 The Fair Funding Review is a process being undertaken by Central Government to determine the correct allocation of funding across the local government sector. This process will consider a number of factors such as the overall funding envelope, the funding balance required between different types of local government services and factors which affect the cost of services. The impact of this review will be on base level of Business Rates that the authority is permitted to retain which is highly likely to be reduced by the result of this review. There will not be a return to a system of Central Government grant. A technical consultation was released alongside the provisional settlement and the Council will make a response to the consultation.

2.14 As part of the business rate retention system the Council has benefited in recent years by collecting more rates in the area than the Government was expecting when the system was set up in 2013. The majority of this additional funding goes into the Council's baseline budget. In 2020/21 the Government is expected to reset the Council's baselines for expected collection of business rates. This would have the effect of returning more business rates to Central Government reducing the amount to be retained by the District Council. The provisional settlement confirmed the

intention by Central Government to fully reset the baseline and reclaim all growth. This reduces expected business rates to be retained from £3.9 million in 2019/20 to £2.4 million in 2020/21.

- 2.15 Paragraph 2.11 sets out the current uncertainty regarding New Homes Bonus with nothing known about the future of the grant after 2019/20. The current assumption within this MTFP is that New Homes Bonus will reduce to zero over the life of the plan but there will be some small amount of legacy funding available in the years after 2019/20 as part of the transition towards the removal of the grant.
- 2.16 Overall the situation for 2020/21 is one of almost unprecedented uncertainty with a number of different funding mechanisms being revised. The funding estimates for years for 2020/21 onwards have been effectively been prepared on a mid-case scenario taking neither the most pessimistic nor the most optimistic forecasts. It remains highly likely that actual figures will be within a margin either side of these estimates and members will be updated as to the actual position at the earliest possible opportunity.

3. ADJUSTMENTS TO REVENUE BUDGETS IN FUTURE YEARS

- 3.1 The following section sets out the most significant changes which have been made in the 2019/20 budget. For the purposes of this report additional allocations of budget, or reductions in income targets are referred to as “pressures”. An increase in income targets or reduction in expenditure budgets are referred to as “savings”.

Recurring Budget Changes

- 3.2 There are a number of inflationary factors which will cause pressures on the MTFP in every year of the plan. These are included as annual adjustments.
- 3.3 Provision has been made for staff to receive a 2% pay award in each year of the plan. This has added £196k to service budgets in 2019/20. An allowance of £190k has been added in each future year of the plan. Reducing staffing levels as a result of the Work Force plan may reduce the inflationary impact of future pay awards.
- 3.4 Payments made under contractual arrangements will also be subject to inflation. The Council’s budget strategy sets out that an inflationary allowance will be made for these contracts at a level of approximately 2.5%. The detailed budget work has resulted in an inflationary allowance of £232k in 2019/20. The MTFP allows for further increases of £200k p.a. for the life of the plan which is likely to be sufficient.
- 3.5 The upcoming financial year represents the final year of the triennial valuation of the pension scheme so contributions are known with certainty for 2019/20. Future year’s contributions will be determined by the actuarial valuation to take place at 31st March 2019. It is not possible to accurately determine the impact of the valuation at this stage although. A general increase of £150k p.a. is currently deemed to be sufficient and has been included (reduced from £200k at the Budget Strategy). Officers will work closely with the pension fund and the actuary during the valuation process to try to ensure that contribution levels are set to protect both the long term sustainability of the pension fund and Council finances.

Additional Budget allocations – Existing Pressures

- 3.6 Budgets across the authority have been subject to wholesale review throughout the budget setting process. This has identified a number of service areas where additional budget is required to cover existing services. The significant changes are set out in the following paragraphs.
- 3.7 The Multi-Service contract which commenced in July 2016, and subsequent adjustments to services, have been a considerable strain on the Council's financial position over the following couple of years. In July 2018 the external auditors reported that they had considered the overspends in this area as part of their review of the Council's Value for Money position. They reported that "On balance we have concluded that we should report an unqualified VFM opinion. However, the issues are not yet fully resolved and there is work for the Council to do to. We would expect to see significant progress over the next three to six months"
- 3.8 The resolution of the contract budget has therefore been a priority during the 2019/20 budget setting process. Officers have met with Ubico on multiple occasions throughout the last three months to work towards agreement on a contract sum. This resulted in receiving confirmation from Ubico on November 21st 2018 that we have a draft contract sum which was agreeable to both parties. This should be regarded as a significant step forward. Although the process has improved, and the Council now works with Ubico on a partnership basis, opportunities for continuous improvement are also being sought and discussions about the budgeting process for future years have already begun.
- 3.9 Budgets agreed by the Council in previous years have not included sufficient sums to cover the contract costs, in part due to non-allowance for inflation. This budget recommends that Council move to a position where the contract is fully funded. To do otherwise is a significant risk to medium term stability with unfunded expenditure continuing on an annual basis. The net sum required to be added to the Council's budget is £352k. This adjustment will put the service on a sound budgetary footing for the first time.
- 3.10 The MTFP for 2017/18 approved additional income to be generated by raising planning fees. There was no provision for using any of that funding for investment within the service. Pressures on the service mean that funding for at least one additional post (£45k) is required and provision for this has been included within this budget.
- 3.11 The Council has previously agreed capital sums of £1.8 million to be invested in the IT infrastructure. This has resulted in additional pressures on the team and budget monitoring during 2018/19 has consistently shown an over spend on salaries. As the investment plan is an on ongoing programme an allowance of £75k has been added to the salaries budget for future years.
- 3.12 During 2018/19 the Council has strengthened its Communications team who are working together under a Corporate Communications Manager. This strengthening has resulted in an additional budgetary provision of £40k.

Additional Budget allocations – New Pressures

- 3.13 As part of the ongoing budget discussions referenced at paragraph 3.9, Ubico have indicated that the recycling service is operating at close to maximum capacity as a result of the growth in the number of properties within the district. Therefore an additional round is required. An additional recycling round is estimated to cost approximately £150k p.a. As the round will begin part way through 2019/20, an allowance of £95k has been included in that year with an additional £55k in the following year. The Council must be prepared for future increases in rounds in the waste and recycling service and therefore an indicative increase of £150k has also been included in 2022/23.
- 3.14 The cost of providing temporary accommodation for households faced with homelessness has continued to be above the Council's budgeted level of provision. The Council must meet its statutory obligations to prevent homelessness and an additional £50k has been added as an allocation for this service. In addition, Housing Committee in December 2018 approved a project to consider the Council's provision for temporary accommodation and budgets will be reviewed in the light of the outcomes of that project.
- 3.15 The Revenues and Benefits service has historically been supported by a number of grants from central government. The level of grants is expected to reduce in 2019/20 and an appropriate budget adjustment of £89k has been made.
- 3.16 An allocation of £60k has been included to scope out future work, and carry out some initial actions, within the district aimed at reducing carbon emissions. A motion from Environment Committee on December 13th 2018 asked Strategy and Resources Committee "to consider setting aside funds via the normal budgeting process in order to fund the scoping and delivery of the Stroud Carbon Neutral 2030 Commitment". This allocation represents a commitment to deliver on that motion and will allow the Council to consider how it can best work across the community to deliver our environmental commitments. Where any initial spend occurs during the 2018/19 year this will be funded from reserves which will be restored with a portion of the £60k in 2019/20.
- 3.17 The outcomes of the scoping work may include identification of external funding sources and will allow the Council to prepare a business case to support any future budget allocations towards this priority. Where the scoping work identifies work to be carried out in 2019/20 there are reserves available to fund projects, including the Business Rates Pilot reserve, subject to the approval of Strategy and Resources Committee. Future budget setting processes will also consider allocations of further additional money in later years.
- 3.18 The progress of the Work Force plan has allowed the Council to allocate a budget to fund the team working on the project. This cost pressure is created as a number of staff previously had a majority of costs charged to the Housing Revenue Account and now predominantly within the General Fund. An allocation of £100k has been included in the budget which is estimated to last for at least a further three years as this team continues to work on transformation projects.

Budget Savings – Already Achieved

- 3.19 The comprehensive review of budgets within the Council has revealed a number of areas where savings can be made by adjusting either expenditure or income budgets to reflect savings which are already achieved. The majority of these savings were included within the Budget Strategy, although as anticipated the final numbers may differ from the expectation at that stage.
- 3.20 The Minimum Revenue Provision (MRP) represents the cost to the General Fund of borrowing to support the Capital Programme. Review of this budget has indicated that it is higher than the provision the Council is required to make. A saving of £310k has therefore been included. This budget is then adjusted in future years to ensure the MRP for the current Capital Programme can be funded from the General Fund budget. Any future capital schemes to be funded from borrowing will demonstrate how they can meet any MRP cost within their business case.
- 3.21 The work force plan has reviewed a number of areas throughout 2018/19 and has delivered savings of £491k. In addition, a saving of £95k has been made on the pension contribution on deleted posts. In accordance with previous budget strategies this sum is to be placed in a reserve in 2019/20 to mitigate against the risk of the pension valuation referred to at paragraph 3.5. If the pension fund valuation determines this reserve is not required the saving will be released and scored against future WFP targets.
- 3.22 The Council has recently completed a highly successful re-tendering of its insurance policies. This has resulted in both considerable revenue savings (£55k to the General Fund) and a reduction of excess levels, protecting the Council against risk in future years.
- 3.23 Decisions previously made at Community Services and Licensing Committee have resulted in the joint use sports centres returning to be operated by schools. The saving created by this decision has been reviewed and included at £50k in the 2019/20 budget.
- 3.24 The Pulse leisure centre has significantly over achieved against budgeted growth and income levels. The result of this continued success is that an increase in income targets can be used to benefit the General Fund as a whole. The level of increase agreed with the service manager is £284k.
- 3.25 In line with the budget strategy there is no longer a specific General Fund contingency as over and underspends are managed within the overall context of the General Fund position and reserves. This results in a saving of £66k against current budgets.

Budget Savings – To be achieved

- 3.26 In addition to those savings which have been achieved there are also a number of savings targets to be achieved in future years. These represent those areas where the Council has identified means by which to make savings but the actions required to complete them have not yet been carried out. The progress on achieving these savings in future years will be included in future budget monitoring reports.

- 3.27 The Work Force Plan future phases are included as a saving to be achieved. Savings targets under this plan are expressed as a financial figure (£350k by 2020/21 and £150k by 2021/22). The target for savings has been kept in line with previous targets and budget strategies but will be kept under constant review as the plan progresses.
- 3.28 The Council has previously agreed to transfer ownership of the subscription rooms in Stroud. Work to complete this transfer continues to progress and is expected to complete by 31st March 2019. There is no budget saving to the Council in the first year as the Council will continue to financially support the operation of the Sub Rooms but a saving of £226k is expected from 2020/21 onwards if the transfer proceeds as anticipated.
- 3.29 The Budget Strategy set out the intentions of the Council to begin working towards closing the gap between revenue and expenditure by increasing the level of income from its Treasury management investments. This will require the Council to widen the types of investment that it employs, including the use of pooled property funds, and take to a more challenging approach to its risk appetite. Future risk evaluation must include an analysis of the risk of under achieving investment income when compared to the effects of inflation. At this stage the budget includes an additional £100k of investment income for each year of the plan.
- 3.30 Community Services and Licensing Committee made a decision on December 6th 2018 to cease the central tourist information service which no longer had suitable accommodation after the transfer of the Subscription Rooms. As a part of this decision, grants will be made available in the first year post service cessation to market towns to allow them to improve their offering of tourist information. The financial impact is that a saving of £67k has been included for 2019/20 with a further saving of £14k in 2020/21 after those grants have ceased to be payable.
- 3.31 The authority does not currently have a document setting out Fees and Charges and policies relating to these charges. This will be reviewed in 2019 with the results of the review coming back to Committee for approval.

4. The Medium Term Financial Position and Use of Reserves

- 4.1 The proposed budget is in line with the Council's legal requirement to set a balanced budget. The forecast position is a surplus of £630k in 2019/20 before any movement in reserves.
- 4.2 The medium term financial position is more challenging and the MTFP shows expected deficit levels in future years. To reach a balanced position in each of the future years the Council must identify and implement additional savings. This will protect the balances of the Council and allow their use on priority projects. The level of additional savings required over the period of the MTFP is £1.359 million and the required timing of those savings is shown in the following table.

Table 2 – Additional Savings Required

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Additional Savings Required	703	250	405	1,359

- 4.3 The financial management of the Council in previous years has created an earmarked reserve specifically to be used to fund any in-year deficit on the General Fund position. As reported in the Budget Strategy the balance in the reserve was £6.017 million at the end of 2018/19. The estimated surplus position for 2019/20 will be placed into this reserve to protect the Council against anticipated reductions in funding in future years.
- 4.4 The Council has a work force plan reserve to meet the costs, principally relating to redundancy, arising from the work force plan. When originally established this reserve was at a level of £400k. The most recent forecast suggests the year-end balance at the end of 2018/19 will be £526k. This net increase in the reserve after a significant portion of the work force plan is a strong financial position for the Council. It is anticipated that the balance of this reserve will be used in the future years of the plan.
- 4.5 The current General Fund working balance representing the Council's base reserve before any consideration of earmarked reserves remains at £2.169 million. This is approximately 15% of the revenue budget in each year of the financial plan. This budget does not propose a revision of that sum although it will be kept under review by the S151 Officer in future years.
- 4.6 The Council has previously established a reserve to mitigate against the potential impact of reduced business rates income. The expected balance of this reserve at the end of 2018/19 is £1.28 million. This MTFP assumes an additional £400k will be placed in this reserve in 19/20. With the reduction of business rates expected in future years this reserve will then be used for the purpose in which is intended. There is £1.5 million of this reserve being released into the budget over the life of the plan. Where business rates growth occurs in future years the opportunity will be taken to add to this reserve where appropriate.
- 4.7 The Council has a Waste and Recycling reserve to help mitigate cost overruns on the Ubico contract, with an estimated balance of £300k at the end of 2018/19. With the correction of the budget this reserve is not likely to be required for this purpose. It is proposed to release it back to the General Fund in two £150k blocks in each year where a new round is required for the full year (2020/21 and 2022/23).
- 4.8 The full detail of the Council's earmarked reserves is shown at Appendix E.
- 4.9 The table below shows the estimated usage of the Council's reserves over the Medium Term Plan. All budgeted usage is in line with the original purposes for which money was reserved.

Table 3 – Summary of Reserves

	Estimated 18/19 £000	Budgeted Usage				Estimated 22/23 £000
		19/20	20/21	21/22	22/23	
		£000	£000	£000	£000	
Capital	4,310	(850)	(1,272)	(400)	0	1,788
Business Rates Pilot	500	(500)				0
Business Rates Safety Net	1,281	400	(800)	(500)	(200)	181
Waste and Recycling	300		(150)		(150)	0
Work Force Plan	526	(150)	(150)	(150)	(76)	0
Other Reserves	1,767					1,767
Equalisation	6,091	230	(703)	(953)	(1,359)	3,306
General Fund Balance	2,169					2,169
Total GF Reserves	16,944	(870)	(3,075)	(2,003)	(1,785)	9,211

5. CAPITAL PROGRAMME 2019/20 to 2022/23

- 5.1 This section sets out the authority's Capital Programme for the Medium Term including descriptions of any major changes to capital schemes or financing requirements.
- 5.2 The authority is introducing a Capital Strategy for schemes commencing after April 2019. This will rationalise the process of adding projects to the capital programme and monitoring the outcomes. It will also set out the Council's appetite for capital schemes designed solely to generate a Commercial return. At this point there are no schemes of that nature in the capital programme.
- 5.3 The proposed Capital Programme is set out in the table below with a full list of capital schemes shown in Appendix D. The following paragraphs set out those capital schemes which have been significantly altered in this year's capital programme. With the exception of the HRA new build scheme there are no major projects which have been added to the Capital Programme for the first time.

Table 4 - Summary General Fund Capital Programme 2019/20 to 2023/24

	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total (£'000)
Capital Financing						
Community Services & Licensing	200	0	0	0	0	200
Environment	1,566	22,108	355	217	2,830	27,076
Housing General Fund	1,530	330	330	330	330	2,850
Strategy & Resources	720	800	2,017	2,000	0	5,537
Total Funding	4,016	23,238	2,702	2,547	3,160	35,662

- 5.4 The £2 million Housing Initiatives Capital Budget, to be funded by borrowing, had previously been included within the capital programme as an indication of general fund support for affordable housing. The lifting of the HRA debt cap and the subsequent inclusion of additional borrowing to support a substantial new build programme within the HRA has achieved many of the aims of the General Fund capital budget so it is now removed from the programme.
- 5.5 However, it must be stressed that the need to support housing priorities remains and work is continuing. Housing Committee approved in December a piece of work to consider options for the provision of temporary accommodation to prevent homelessness. The outcomes of this work, should they require capital investment, will be presented to Strategy and Resources committee, with a business case having been completed, for inclusion in the capital programme in future.
- 5.6 The next phase of the Canal work (1B delivery) has been included as an indicative amount only and further profiling work will be required. Within this budget there is no further Council contribution in excess of the £3 million already agreed.
- 5.7 An increase on the budget has been included to allow for the purchase of vehicles and equipment for use on the Ubico contract. A project has been undertaken with Ubico to correctly identify the equipment required over the medium term and a budget has been produced accordingly. Although this requires additional investment in the capital programme this will prevent the additional costs which would be incurred by using vehicles behind the end of their useful life. It has allowed for a saving within the contract sum by reducing the allocation required for expensive hire vehicles.

Capital Financing

- 5.8 The planned resources to fund the Capital Programme over the Medium Term are also shown at Appendix D.
- 5.9 The capital programme includes expectation of borrowing over the medium term of £11.122 million. The revenue provision for these schemes is included within the current Medium Term Financial Plan as part of the budget for the Minimum Revenue Provision. Any future schemes where borrowing is identified as a potential financing source must demonstrate that they make service efficiencies or generate income at least equal to the annual revenue costs of the borrowing. This is in line with the principles of the Capital Strategy.
- 5.10 A significant proportion (£4.251 million) of the General Fund capital programme is to be financed from the Capital Reserve. The Capital Reserve balance is therefore estimated to £1.788 million by the end of the 2022/23.
- 5.11 The Council has maintained a policy in recent years of borrowing against from its own cash resources rather than borrowing externally. Historically low interest rates make this economically advantageous. However, with the Council looking to increase investment returns, and the increased levels of borrowing within the capital programme, this position will be kept under review. Where external borrowing is undertaken to finance the capital programme it will be within the guidelines set by Council in the Treasury Management Strategy and forecasts for interest costs will be updated as necessary.

5.12 The Council's Treasury Management Strategy Statement (TMSS), due to be considered by Audit and Standards Committee in January, sets out the approach taken on borrowing from a Treasury Management perspective.

6. STATEMENT OF THE CHIEF FINANCIAL OFFICER

6.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered and the council tax is set, on the robustness of the budget estimates and the adequacy of the financial reserves. The Act requires councillors to have regard to the report in making decision at the Council's budget and rent setting, and the council tax setting meetings.

6.2 The process of compiling the estimates involves finance staff and budget holders working together to produce a mutually agreed position. The authority's strong track record of delivering services within budget is evidence of the success of such a process.

6.3 I am therefore satisfied that the estimates contained within this report are robust.

6.4 The Council's General Fund balance of £2.169 million is sufficient for an authority with a budget of our size and there is no planned fluctuation in the balance over this medium term plan which is a further demonstration of financial strength.

6.5 The level of earmarked reserves for the General Fund is estimated to be £14.775 million at the end of 2018/19. This is a very healthy level for an authority of this size. The Medium Term Financial Plan proposed in this report would see some of these reserves utilised for their originally intended purpose with an estimated position of £7.042 million at the end of 2022/23. The budgeted level of reserves for 2022/23 can still be considered to be adequate.

6.6 As discussed earlier in the report there remains a considerable risk to the authority with regards to the uncertainty about finding levels post 2019/20 with the fair funding review and the impact on business rates baselines. The MTFP contained within this report includes assumptions on the possible impact of these changes but future financial plans will need to be updated when more certainty is known.

6.7 There are other risks in the longer term which may have an impact upon the plan in future years. This include possible changes to levels of income relating to recycling, the levels of Local Council Tax Support provided to residents and non-achievement of existing savings. This risks will be monitored and considered in future budget setting processes if necessary.

6.8 The overall summary of the MTFP is of a widening gap between expenditure and resources. This is a result of inflationary led cost pressures and an overall anticipated reduction in funding. To ensure financial sustainability in the longer term the authority must look to close that gap through a combination of income generation and changes in expenditure.

6.9 The proposed MTFP includes a number of savings to be achieved over the medium term. The achievement of these savings will be reported back to members through the budget monitoring process. Where savings are not achieved there will be a

requirement to identify alternative savings process to mitigate the impact of non-achievement.

6.10 I am therefore satisfied that the current and planned level of reserves in this MTFP is adequate.

Draft MTFP 2019/20 to 2022/23					
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Budget					
Opening Budget	14,514	14,514	14,438	14,390	14,577
Recurring Changes					
Pay Increases		196	190	190	190
Pensions Increases		203	150	150	150
Contract Increases		224	200	200	200
Revised Budget	14,514	15,137	14,978	14,930	15,117
Proposed Budget Adjustments		(699)	(588)	(353)	(43)
Revised Budget	14,514	14,438	14,390	14,577	15,074
Funding					
Council Tax	8,773	9,189	9,552	9,903	10,304
Prior year CT surplus	169	186	0	0	0
Business Rates (incl grants)	4,452	3,900	2,430	2,629	2,831
Other Grant	20	67	30	30	30
New Homes Bonus	2,174	1,726	725	562	200
Total Funding	15,588	15,068	12,737	13,124	13,365
Surplus / (Deficit) before Reserves Movements	1,074	630	(1,653)	(1,453)	(1,709)
Reserves Movements					
Business Rates Reserve	1,000	400	(800)	(500)	(200)
Waste and Recycling Reserve			(150)		(150)
Estimated Surplus / (Deficit)	74	230	(703)	(953)	(1,359)
GF equalisation reserve					
Opening	6,017	6,091	6,321	5,618	4,665
Change	74	230	(703)	(953)	(1,359)
Closing	6,091	6,321	5,618	4,665	3,306

MTFS Changes

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Pressures				
Historic Budget Adjustments				
Ubico inflation catch up	352			
Corporate Change Team	100		(100)	
Planning Salaries	45			
Reshaping comms team	40			
Old Town Hall Income	33			
Community Safety Income	32			
	602	0	(100)	0
New Pressures				
Additional Recycling Round	95	55		150
IT Salaries	75			
Temporary accommodation to prevent homelessness	50			
Carbon reduction scoping	60	(60)		
Revs and Bens Grant Reduction	89			
HRA Share of Increased investment income	6			
Drainage Board Levy	7	7	7	7
	382	2	7	157
Total Pressure	984	2	(93)	157
Savings				
Achieved				
MRP	(310)	60	100	
Workforce Plan	(491)			
General Fund Contingency	(66)			
Pension Prepayment - One Year Saving	(154)	154		
Insurance Premium	(55)			
Homelessness Grant	(69)	69		
Joint Use Sports Centres	(50)			
Pulse Income	(284)			
	(1,479)	283	100	0
To be achieved				
Workforce Plan - Future Phases		(350)	(150)	
Sub Rooms transfer		(226)		
TIC Closure	(67)	(14)		
Littlecombe Business Units Income	13	(73)		
Car Parks - Inflation on existing charges	(50)	(50)	(50)	(50)
Kingshill House - Asset Transfer		(10)	(10)	
Increased Investment Income	(100)	(100)	(100)	(100)
Future Fees and Charges Growth		(50)	(50)	(50)
	(204)	(873)	(360)	(200)
Total Saving	(1,683)	(590)	(260)	(200)
Net Changes	(699)	(588)	(353)	(43)

Appendix C

General Fund Budget 2019/20	
Committee Budgets	£000
Community Services & Licensing	3,252
Environment	5,462
Housing	540
Strategy & Resources	6,542
Net of Support Services, technical adjustments and HRA income	2,075
Gross Committee Budgets	17,871
Reversal of technical adjustments and HRA income	(4,037)
Net Committee Budgets	13,834
Corporate Budgets	
Minimum Revenue Provision	981
Interest Payable	286
Interest Receivable	(618)
Feed in Tariff	(27)
Carbon reduction scoping	60
Drainage Board Levy	144
Total Corporate Budgets	826
Savings not yet allocated to Committees	
Work Force Plan	(101)
Closure of Tourist Information Centre	(67)
Work Force Plan Pension Saving	96
Spend Consolidation Project	(50)
Business Rates Pooling Income	(100)
Total Unallocated Savings	(222)
Net Revenue Budget (as seen on Appendix A)	14,438

Proposed Capital Programme

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Community Services Capital Schemes							
Stratford Park Lido	-	200	-	-	-	-	200
Community Building Investment	138	-	-	-	-	-	138
Subtotal Community Services	138	200	-	-	-	-	338

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Environment Capital Schemes							
Canal - Phase 1B (Development)	1,474	732					2,205
Canal - Phase 1B (Delivery)			21,195				21,195
MSC - Vehicles	619	684	763	355	217	2,830	5,468
Wallbridge	100	-	-	-	-	-	100
Stroud District Cycling & Walking	100	100	100	-	-	-	300
Market Town Centres	100	50	50	-	-	-	200
Subtotal Environment	2,393	1,566	22,108	355	217	2,830	29,468

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Strategy and Resources Capital Schemes							
Brimscombe Port Redevelopment	311	166	300	1,617	2,000	-	4,394
MSCP Resurfacing	120	-	-	-	-	-	120
ICT Investment Plan	400	500	500	400	-	-	1,800
Ebley Mill Works	109	-	-	-	-	-	109
Littlecombe Business Units	-	54	-	-	-	-	54
Subtotal Strategy & Resources	940	720	800	2,017	2,000	-	6,477

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Housing GF Capital Schemes							
Affordable Housing Capital Programme	149	-	-	-	-	-	149
Mandatory Disabled Facilities Grants	330	330	330	330	330	330	1,980
Warm Homes Fund	500	1,000	-	-	-	-	1,500
CCG Health through Warmth Grants	200	200	-	-	-	-	400
Subtotal Housing General Fund	1,179	1,530	330	330	330	330	4,029

TOTAL General Fund Capital Schemes	4,650	4,016	23,238	2,702	2,547	3,160	40,312
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	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	2023/24 Original Estimate (£'000)	Total (£'000)
Capital Financing							
Capital Reserve	1,729	850	1,272	400	0	0	4,251
Capital Receipts	149	0	0	0	0	0	149
Borrowing (Excl Canal)	636	904	1,063	1,472	2,217	2,830	9,122
Grant (excl Canal)	1,040	1,530	330	330	330	330	3,890
Revenue Income	0	0	0	500	0	0	500
Borrowing (Canal)	0	0	2,000	0	0	0	2,000
External Canal Funding	1,096	732	18,573	0	0	0	20,400
Total Funding	4,650	4,016	23,238	2,702	2,547	3,160	40,312

HRA Capital Programme

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	2020/21 Original Estimate (£'000)	2021/22 Original Estimate (£'000)	2022/23 Original Estimate (£'000)	Total (£'000)
Major Works	8,124	8,549	4,726	6,843	6,429	34,671
New Homes and Sheltered Modernisation	2,029	6,204	7,359	4,090	2,160	21,842
Total HRA Capital	10,153	14,753	12,085	10,933	8,589	56,513
Revenue Funding	8,687	9,179	5,035	8,231	6,642	37,774
Capital Receipts	1,466	1,491	3,326	1,241	50	7,574
Homes England Grant Funding	0	158	233	75	0	466
Borrowing	0	3,925	3,491	1,386	1,897	10,699
Total Funding	10,153	14,753	12,085	10,933	8,589	56,513

Budgeted Movement on Reserves and Balances

List of Council Reserves	Actual 17/18 £000	Estimated 2018/19 £000	Budgeted 2022/23 £000
Building Control Shared Service	180	180	180
Business Rates Safety Net	781	1,281	181
Business Rates Pilot	0	500	0
Capital	6,039	4,310	1,788
Climate Change	168	168	168
Community Infrastructure Levy	(106)	(106)	(106)
Invest to Save	150	150	150
Homelessness Prevention	95	95	95
Legal Counsel	50	50	50
Merrywalks Car Park	427	0	0
Miscellaneous General Fund	273	273	273
MTFP Equalisation	6,017	6,091	3,306
Neighbourhood Planning Grant	71	71	71
Opportunity Land Purchase	250	250	250
PDG	36	36	36
Pension Fund	120	120	120
Planning Appeal Costs	100	100	100
Revenue Provision Equalisation	250	250	250
The Pulse	130	130	130
Waste and Recycling	600	300	0
Work Force Planning	650	526	0
Total Earmarked Reserves	16,281	14,775	7,042
General Fund Balance	2,169	2,169	2,169
Total Reserves and Balances	18,450	16,944	9,211

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

8d

Report Title	STROUD DISTRICT COUNCIL CAPITAL STRATEGY
Purpose of Report	To approve the Council's new Capital Strategy.
Decision(s)	The Committee RECOMMENDS to Council: a) To approve the Capital Strategy at Appendix A. b) To grant the S151 Officer Delegated Powers to re-profile capital budgets in consultation with the relevant service Committee chairs.
Consultation and Feedback	<ul style="list-style-type: none"> • Officer Consultation Meetings • Member workshops
Financial Implications and Risk Assessment	<p>There are no direct financial implications arising from this report. The Capital Strategy sets out the Council's approach to planning and monitoring capital expenditure including its appetite to risk.</p> <p>Andrew Cummings - Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>This report sets out the proposed new Capital Strategy for 2019/23 and the committee needs to be satisfied with the proposals relying on professional financial advice, and any further guidance advised at committee. The proposed additional s151 Officer Delegated Powers can be inserted into the Constitution immediately following approval by Council.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Email: nicola.swan@stroud.gov.uk</p>
Report Author	<p>Andrew Cummings – Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Options	The Council must have a Capital Strategy by March 31st 2019. The Committee may make changes to the presented strategy.
Performance Management Follow Up	Budget Monitoring reporting during 2019/20. Capital Budget Setting 2020/21
Background Papers/ Appendix	CIPFA Prudential Code 2018 Appendix A – Stroud District Council Capital Strategy

1. Introduction and Background

- 1.1 Under the Local Government Act 2003 the Council should have regard to the CIPFA Prudential Code. In 2018 this code was revised to include a requirement for every local authority to produce a “Capital Strategy”
- 1.2 Stroud District Council does not have a pre-existing Capital Strategy and previous Internal Audit recommendations have highlighted the need to produce one.
- 1.3 The Guidance notes to the Prudential Code state that “The purpose of the capital strategy is to tell a story that gives a clear and concise view of how a local authority determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite”.
- 1.4 This document should be reviewed at least annually and must be considered a “live” document to be used throughout the financial year.

2. THE CAPITAL STRATEGY

- 2.1 The proposed Capital Strategy is attached at Appendix A. It sets out the Council’s principles on how the Capital Programme is put together, how Capital expenditure can be financed and how the Council approaches and manages the risks related to the Capital Programme.
- 2.2 The Capital Strategy is split into four main sections to enable the reader of the strategy to clearly see the main issues as they are presented.
- 2.3 Section one sets out the basics of Capital Expenditure and the general principles which the Council will follow in its capital programme. The principles are as follows;
 - Capital Investment is a vital tool in delivering strategic priorities
 - The capital programme will include only these schemes which assist in delivering a Council priority or commercial returns
 - The Council will consider schemes purely to generate a commercial return, as part of the budget strategy to close the gap between expenditure and resources
 - The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability
 - The funding of the capital programme must be considered alongside the revenue budget and balance sheet position as part of the Council's integrated financial planning
 - Capital projects will be monitored and evaluated, both during and after their completion, to ensure their efficient progress and that any lessons learnt can be transferred to other Council schemes

- 2.4 It is a requirement of the Capital Strategy that it must state whether the Council undertakes capital investment for a commercial return and how dependant the current revenue budget is on such investment. Within Section One it is set out that the Council will consider such investments should the opportunity arise. To not make that statement would limit the Council's ability to respond to such opportunities. The current MTFP has no reliance on income from previous capital expenditure where income generation was the only objective so the current risk exposure is nil.
- 2.5 Section two shows how the Council will select, approve and monitor capital schemes. There is currently no formalised agreed process for this in the Council so this section sets out the process by which future capital programmes will be established.
- 2.6 Section three covers the different source of funding for Capital Projects and the principles that will be followed in applying them. This includes the Council's policy on new borrowing setting out that the Council must consider the interest and MRP implications of any new borrowing.
- 2.7 Section Four links to existing Council policies on risk and treasury management. It also includes an analysis of the skills and knowledge within the organisation.
- 2.8 As Chief Financial Officer I am satisfied that the existing Capital programme of the Council is both deliverable and affordability within our current financial position. The Strategy sets out how this programme can be reviewed in future years to enhance the outcomes of capital expenditure and to best manage risk within the programme. I am satisfied that the arrangements for managing risk are robust.

3. Profiling of Capital Expenditure

- 3.1 The Capital Strategy sets out the Council's policy on capital projects which span multiple years. In summary when approving a capital programme the Council sets out an approved budget and estimated end date. The nature of capital projects is that it may be necessary, for financial or other reasons, to alter the profile of expenditure across the other years of the project.
- 3.2 It is recommended that approval for re-profiling of capital schemes, including bringing expenditure forward if necessary, be delegated to the S151 Officer. This is to ensure that the effective management of the approved capital programme is not impacted by the Civic timetable. In making such decisions the S151 Officer would consider the overall financial position of the Council and must consult the relevant committee chair.
- 3.3 If the S151 Officer exercises these delegated powers it must be reported to the next meeting of the relevant service committee and Strategy and Resources committee.

Stroud District Council Capital Strategy

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Section 1 – Principles of the SDC Capital Strategy

1. Introduction

Welcome to the Capital Strategy for Stroud District Council. The following document sets out how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is a fundamental part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

1. Capital Investment is a vital tool in delivering strategic priorities

Principles

2. The capital programme will include only these schemes which assist in delivering a Council priority or commercial returns

of

3. The Council will consider schemes purely to generate a commercial return, as part of the budget strategy to close the gap between expenditure and resources

the

4. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability

Capital

5. The funding of the capital programme must be considered alongside the revenue budget and balance sheet position as part of the Council's integrated financial planning

Strategy

6. Capital projects will be monitored and evaluated, both during and after their completion, to ensure their efficient progress and that any lessons learnt can be transferred to other Council schemes

2. Background

As part of its wider treasury management objectives the Council must have regard to the “Prudential Code for Capital Finance in Local Authorities” (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2018 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy representing as it does best practice in financial planning. This document is the first version of such a strategy for Stroud and sets out baseline practices. As the capital ambitions of the authority continue to grow the Strategy will serve as a basis for building that capital programme and can be updated as and when new priorities, schemes or methods of financing are introduced. It is a live document forming a fundamental part of the ongoing strategic planning of the Council.

3. Capital Expenditure

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products or licenses. Revenue expenditure is that which is incurred on the day to day running costs of the Council.

4. The link between revenue and Capital

Capital and revenue expenditure are often treated as separate components of local authority budgets and funding for each is considered separately. However, it should be regarded as a vital component of successful financial planning that revenue and capital budgets are intrinsically linked. Therefore this capital strategy should be deemed to form a key part of the authority’s medium term financial planning process.

The impact of capital expenditure upon the revenue budgets of the authority must be an intrinsic part of assessing capital projects at the business case stage.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

Revenue Savings

- Direct Income from assets
- Reduced maintenance costs
- Savings in labour costs

Revenue Costs

- Running costs of new assets
- Minimum Revenue Provision (loan principal)
- Interest costs from borrowing (or lost investment interest if internally borrowing)
- Revenue funding of capital programme

As an indication of the current cost of the existing capital programme, the proposed Council budget for 2019/20 includes the following sums for loan principal and interest costs.

	2019/20	2020/21	2021/22	2022/23
General Fund	£000	£000	£000	£000
MRP	981	1,041	1,141	1,141
Interest	286	286	286	286
GF Total	1,267	1,327	1,427	1,427
Housing Revenue Account				
Principal	900	1,037	1,171	1,236
Interest	3,379	3,750	3,873	3,884
HRA Total	4,279	4,787	5,044	5,120

5. The Purpose of Capital Investment

Investment through Capital Expenditure may serve a number of purposes, these can typically be classified as being related to service priorities and commercial investments.

Service priorities are those areas that the Council has identified through the Corporate Delivery Plan. Capital expenditure may be a specific component of the corporate priority itself, such as the delivery of new affordable housing within the District or investment in an asset which helps to achieve the priority, such as new leisure facilities to improve public health.

Commercial investments are those which are entered into with the explicit objectives of returning a surplus for Council and therefore improving the financial sustainability of the Council. These may include:

- Acquisition of Property to deliver a commercial return, usually through rental
- Investments in outside organisations with the view to making a return

Investments which neither deliver a financial return nor achieve a service objective for the Council should not be considered for inclusion on the Capital Programme.

6. What are our Council priorities?

Council objectives are set out in the Corporate Delivery Plan 2018-22 (CDP) which lists the five main priorities of the Council as:

- Help create a sustainable and vibrant economy that works for all
- Provide affordable, energy efficient homes for our diverse and changing population

- Help the community minimise its carbon footprint, adapt to climate change and recycle more
- Promote the health and wellbeing of our communities and work with others to deliver the public health agenda
- Provide value for money to our taxpayers and high quality services to our customers

The full CDP can be found at www.stroud.gov.uk/media/682656/corporate-delivery-plan-2018-22.pdf

The CDP will be periodically reviewed and updated. As the CDP is reviewed new schemes will be evaluated against new Corporate Priorities.

The Council vision, currently “Leading a community that is making Stroud district a better place to live, work and visit for everyone”, should also be considered when planning capital projects.

7. Existing Capital Priorities

The Capital Programme includes a number of high profile Capital Schemes and Priorities. These priorities are;

- New Build Housing and support for affordable homes – The provision of housing is a key element of the Corporate Delivery Plan and the capital programme reflects this. The HRA capital programme now includes a second phase of new house building. To support the provision of future new builds the capital programme now also includes a budget for the purchase of land. This is a strong example of the use of capital planning to identify assets required (land) to support the provision of a Council priority (housing).
- Regeneration of the Canal – Support for the redevelopment of the Canal is a key component of the Council’s capital programme. “Stroudwater Connected” represents the next critical phase of the canal redevelopment and the Council has already agreed capital funds of £3 million to support the project.
- Redevelopment of Brimscombe Port – Brimscombe Port is the Council’s primary mixed use regeneration scheme for the upcoming period. Successful completion of the project will produce an increase in housing supply and provision for business accommodation as well as the restoration of a historically significant inland port. Funding for the scheme is likely to be drawn from a variety of sources including Council contributions, a loan from Homes England and funding through a joint venture agreement with a delivery partner.
- Investment in ICT Infrastructure – The existing capital programme includes a sum of £1.8 million for investment in the Council’s ICT provision.

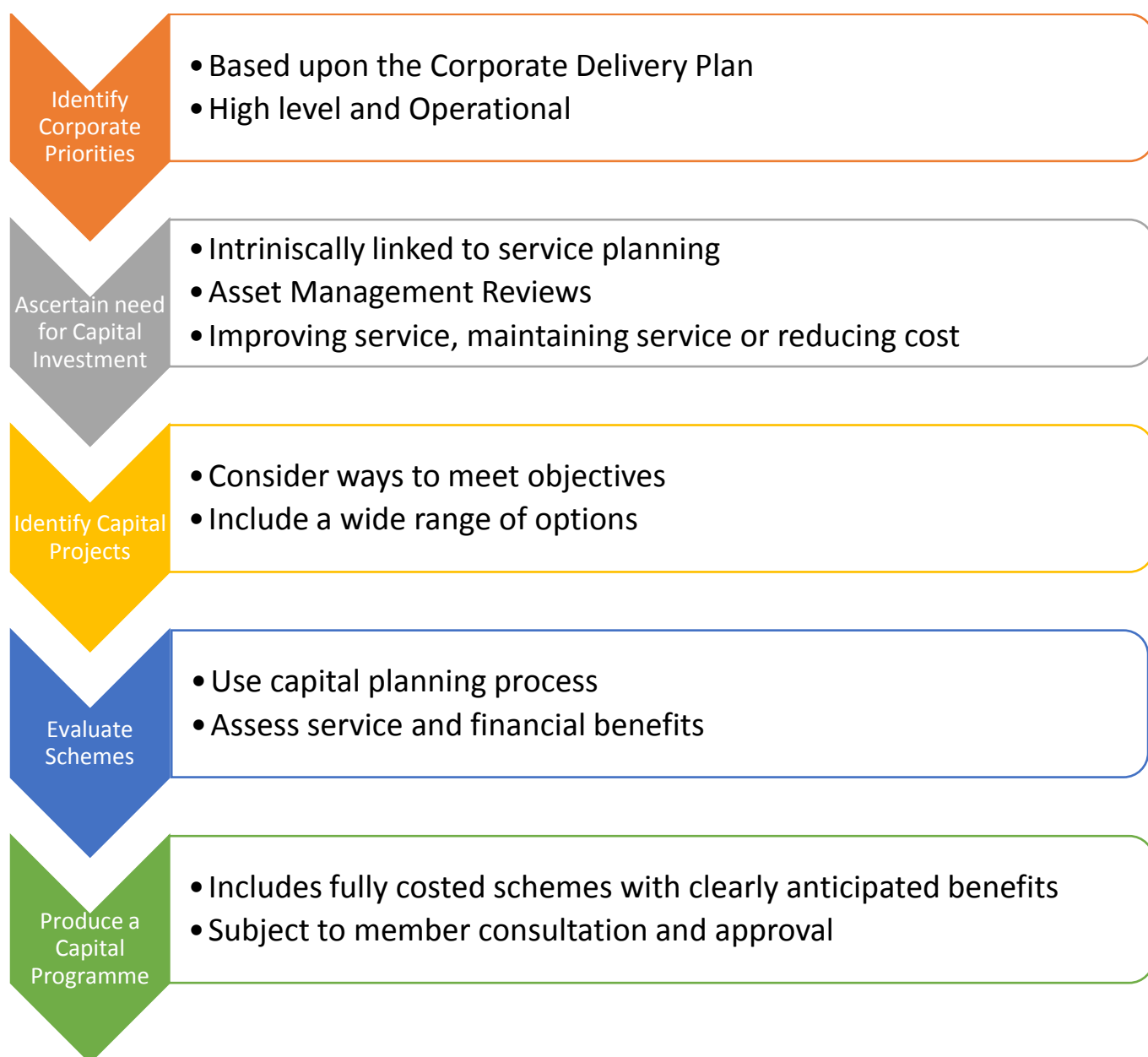
- Support waste and recycling through effective asset and fleet management – Under the terms of the Ubico contract the Council is responsible for procuring the vehicles and equipment required. It is vital that the Council plans long-term to secure the assets that are required. Failure to do so risks inefficiencies in providing the service and the financial costs of operating aging machinery.

The detail of the full district Council programme is included within the most recent set of budget reports approved by the Strategy and Resources committee. As the Capital Strategy should be considered a live document these schemes and priorities are subject to change.

8. Achieving priorities through capital investment.

Capital expenditure and investment is a key tool in achieving Council priorities. Targeted investment can provide the Council with the assets it needs to deliver high quality, value for money services in accordance with the Corporate Delivery Plan. Capital investment opportunities may be targeted to deliver additional corporate priorities.

The diagram below is an illustration of the key principles and processes for initiating a capital project up to approval stage.



It should be recognised that the ideas for capital schemes could come from a wide variety of sources including officers, external stakeholders, individual members or Council committees.

9. Use of Commercial Investment

Stroud District Council has not historically made capital investments purely for financial return. This strategy sets out the scope by which the authority may make investments of this nature and also the governance process which covers such arrangements. Through a process of due diligence the authority must satisfy itself that it is acting within legal powers, identifying risks and mitigating them where possible and ensuring it has carried out a full sensitivity analysis of the potential financial impact of the investment.

As part of the Council's Budget Strategy and MTFP the Council will now look to reduce the impact of a decline in traditional funding sources by using commercial income from non-treasury investments to make up some of the difference. This protects front line services from the impact of funding reductions. This capital investment may take a variety of forms with investment in commercial property being something which the Council actively considers as part of this Strategy.

If the Council were to acquire property assets directly the following priorities are key.

Security – Assets will be considered only where there are existing strong tenants with a minimum of 10 years of lease remaining.

Return- Rental income should be maximised whilst at the same time management costs should be as low as possible.

Local impact – Where possible investing in Stroud and Gloucestershire to boost the local economy and provide regeneration opportunities.

The Council is aware and accepts that investments of this type are likely to be of higher risk than traditional investments and so must be subject to an enhanced level of scrutiny. The decision making body for such investments will be Strategy and Resources Committee which will receive recommendations presented jointly by the Head of Property Services and the S151 Officer.

Such recommendations will include

- Analysis of costs/revenue streams
- Details of lease arrangements
- Independent valuation and market advice
- All necessary legal due diligence
- The impact on revenue budgets
- Risk analysis including sensitivity analysis

If the authority begins to invest in commercial schemes additional revenue resources will be required to provide capacity to operate a portfolio. These costs will be funded by the income generated by the commercial investments.

The Council currently has no capital investments purely for income generating purposes.

The only element of the current General Fund MTFP dependant on lettings income is the business units at Littlecombe. The income targets from these units make up less than 0.5% of the Council's revenue budgets and therefore the risk can be considered to be minimal at this stage.

10. Asset Management

Asset Management is the process by which the authority consider whether its assets are appropriate to deliver the high quality services demanded by residents. This process may identify a number of different outcomes for assets including;

- Change in use to meet the demands of a service
- Investment is required to improve the condition of an asset
- A new asset is required to better meet the Council priorities
- The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

The current capital programme does not include any allowance for backlog maintenance. This should be considered in future revisions to the capital programme as part of the asset management process.

The Council has an existing Corporate Asset Management Strategy and the principles contained within that document are those which are to be used in the asset management process.

11. Capital Disposals

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. Decisions as to the use of Capital Receipts are to be made by Council after receiving advice from Strategy and Resources Committee and the Section 151 Officer. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council's overall financial position.

The existing General Fund capital programme is not dependant on a planned programme of capital receipts.

The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

12. Multi-Year Capital Projects

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver.

When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of

the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

The Section 151 Officer will use delegated powers to re-profile capital expenditure between years after consideration of the Council's overall financial position.

Changes in the profile of a capital project which require additional money added to the overall budget will be reported to members.

13. Use of capitalisation flexibilities.

Regulations around the flexible use of capital receipts allow the authority to use new capital receipts to fund the revenue costs of Council re-structuring which will generate savings in future years. This is subject to the Council approval of a policy on the flexible use of capital receipts. The Council currently has sufficient revenue reserves to meet the costs of its Workforce Plan and therefore there is no proposal to make use of these flexibilities.

Section 2 – Selecting, Approving and Monitoring Capital Schemes

14. The Importance of Capital Business Cases

The processes described in the following section are to be regarded as the authority's formal procedures for setting and monitoring capital projects. This process has been developed to ensure that the Council's capital programme contains schemes which are in line with objectives, meet its asset management requirements and are both affordable and deliverable. This process will give elected members confidence that decisions they are being asked to make regarding the capital programme have been based on a sound system of decision making.

All capital schemes to be considered in the capital programme must have been the subject of an evaluation process including a business case to ensure the Council can target its capital resources effectively.

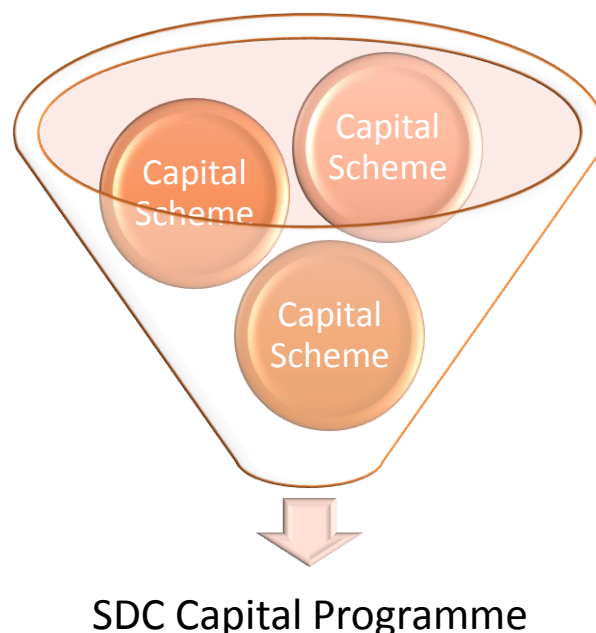
15. Information to be considered in Capital Decision Making

When making decisions as to which schemes are included on the capital programme the presented business case must include information on these main factors.

- Financials – All anticipated costs and potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.
- Strategic Objectives – As discussed capital schemes must meet Council priorities and the ability of a scheme to impact upon objectives must be clearly demonstrated. This should include the wider social and environmental impact of the capital project. This must be accompanied by evidence supporting the conclusions made.
- Capacity - All capital schemes, even those funded by external sources, require officers within the Council to implement them and this must be considered as part of the appraisal process. Where a project requires the procuring of additional resource to deliver the scheme this detail must be included in the financial analysis.
- Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the District Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

The purpose of this evaluation process is effectively to act like the image below.

Ideas for a range of capital schemes should be considered and it is those which best fit the strategic vision of the Council within the financial parameters available which make it onto the Capital Programme.



16. Governance of the Capital Programme

This strategy sets out the governance relationship relating to the capital programme and the respective role of Members and Officers in relation to the decision making process. The roles of the various groups is as follows.

Decision making on the capital programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example the following timescale may be followed for producing the capital programme during the main budget setting process.

Apr – Jun – Officers produce list of new capital project ideas

July – Corporate team assess those to require business cases

September – November – Investment and Development Panel work with Officers to select schemes and produce a capital programme.

December – Capital Programme incorporated within overall Council budget

January – Budget approved by Strategy and Resources Committee and Council.

Strategy and Resources Committee

- Formally agrees the capital programme
- Receives budget monitoring reports covering financial and non-financial elements of capital schemes
- Approves commercial capital investments

Investment and Development Panel

- Informally reviews business cases
- Allows panel a chance to comment on capital schemes before formal approval process

Corporate Team

- Reviews Business Cases submitted
- Performs initial sift of viable schemes
- Approves proposed list of capital schemes
- Discussions will include Chief Exec, Directors, S151 Officer and Head of Property Services

Service Managers / Heads of Service

- Identify priorities and opportunities for capital investment
- Act as, or appoint, project managers to lead on schemes and complete outline business cases

17. In-Year Capital Decisions

Selecting projects to go onto the Capital Programme must remain possible outside of the usual capital budget setting process. The authority needs the flexibility to take advantage of schemes which present themselves at any stage during the year.

Capital schemes presented in year should go through the same appraisal process as schemes considered at budget setting time. The business case must indicate whether they are self-financing (through an external grant or savings/income which meet borrowing costs) or require the commitment of Council resources.

In rare cases there may be insufficient time for a capital purchase to go through the full Committee cycle, such as in the case of an opportunity land purchase. In these instances where it is above delegated powers of officers the decision will be made by the Section 151 Officer and Head of Paid Service, in consultation with the Chair of Strategy and Resources Committee. This only applies where there is an existing budget approved by full Council which may be used.

Capital schemes fully funded by external grants should not automatically be included on the capital programme without a process of due consideration as even fully funded schemes have a cost in relation to officer time.

18. Monitoring Capital Projects

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements the Corporate Team will receive a monitoring report showing the current spend against capital projects at the end of each financial quarter, with an outturn report at year-end. Corporate Team may then invite project managers for schemes with variances deemed to be significant, either financially or in terms of project progress, to attend the meeting to present a progress report.

Service Committees will receive information on the progress of capital projects as part of the finance budget monitoring reports already received. Committees may also add specific projects to their work plan should they wish to scrutinise projects in depth.

Schemes requiring additional funding to be committed by the District Council as a result of either changes in cost estimate or extensions of scope will be the subject of a report to, and decision by, both Strategy and Resources Committee and Council. It should be regarded as a key element of a well-managed capital programme

19. Post Project Evaluation

All Capital Projects must be the subject of a post project evaluation. This must be completed by the Project Manager. This should not be regarded as an onerous process but simply the final stage of good project management. Key findings will be reported to the relevant service Committee. A Corporate Register of completed projects and listed key lessons is to be maintained and managers planning new projects must have due regard for any lessons previously learnt. As part of the year-end closedown process the finance team will request a copy of the completed post project evaluation for all projects which have completed in year.

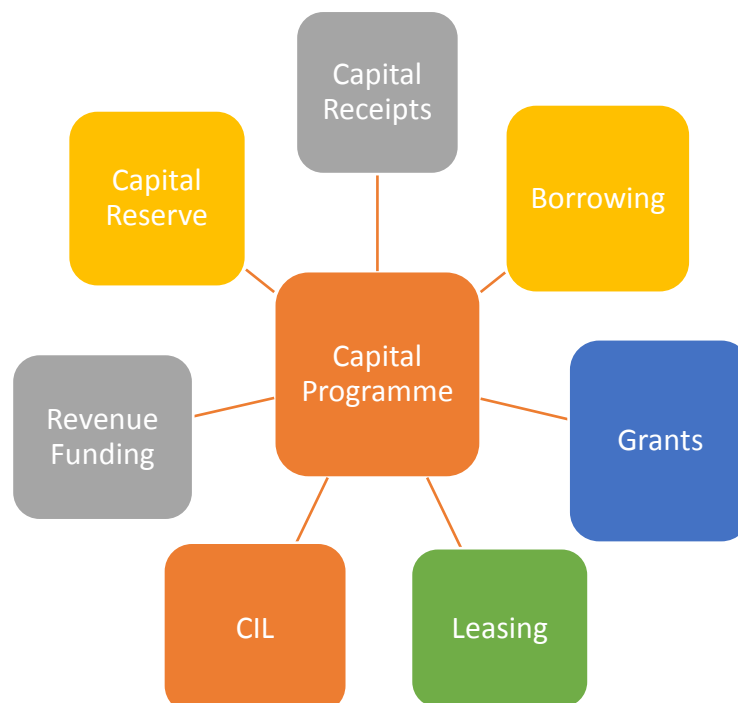
Section 3- Financing the Capital Programme

20. Capital Funding

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant's costs on feasibility before a project is identified.

The possible options for Capital Financing are shown in the table diagram below followed by a clarification of the characteristic and potential usage of each one.



21. SDC Resources

Capital Receipts

The sale of assets with a value of more than £20,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government is allowing some flexibility in the use of capital receipts up until 31 March 2022 to fund revenue costs of transformation projects where these are expected to generate revenue savings in future years (See Section 13).

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

Capital Reserve

Reserves are set aside from revenue resources and earmarked for particular purposes. The capital reserve is earmarked to be used to finance properly authorised capital schemes. At any one time, some or all of the capital reserve will be earmarked to finance part of the current year and future years' capital programme.

Leasing

One way of acquiring new assets is to lease. This is commonly used to procure lower value assets that may be below the £20,000 de minimus level for treating as capital expenditure, for example small vehicles or photocopiers. The cost of leasing should always be compared with other means of financing, in recent years it has not been the most cost effective source of capital funding.

Prudential Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential certainty rate of interest is allocated

to Councils who apply for it, and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government “supported borrowing” allocations and related revenue support.

The Council is only able to borrow for “unsupported borrowing” (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

22. External Funding

Capital Grant from Government or Government Agency

Central government and government agencies provide capital grant funding that can be either ring fenced or non-ring fenced. Examples of ring fenced grants that the Council has received are disabled facilities grants (DFG’s) and Heritage Lottery Fund (HLF) canal project funding.

Community Infrastructure Levy (CIL)

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements (“the Regulation 123 List”) in line with Council’s capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Strategy and Resources Committee.

Section 106 Agreements

Developer consents may attract Section 106 funding to spend on a particular asset or site as an alternative to CIL.

Capital contributions from partner organisation

When capital projects are devised it is open for project managers to invite funding from a range of partner organisations. Partner organisations in recent years have included Gloucestershire County Council, Stroud Town Council, Cotswold Canals Trust and Friends of the Cowle Museum.

Revenue contributions Services who are leading a capital project may make savings within their revenue budgets during a particular year and in some circumstances use that saving to part-fund a capital project.

23. Policy on use of Capital Funding

The Council will look to use external funding sources where possible to meet the funding requirements of its capital programme.

Where the use of SDC resources are required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

Major Sources of Funding for the Capital Programme – Risks and Restrictions

General fund Receipts	HRA Receipts	Capital Reserve	Revenue Funding	Borrowing	Grant funding / S106
<ul style="list-style-type: none"> • Restrictions - Used for capital expenditure or debt repayment only • Risks - Can only be used once 	<ul style="list-style-type: none"> • May only be used on the HRA 	<ul style="list-style-type: none"> • Restrictions - None. Also usable on revenue expenditure • Risks - Can only be used once. Decision required as to best use 	<ul style="list-style-type: none"> • Restrictions - None • Risks - Decision required as to best use 	<ul style="list-style-type: none"> • Restrictions - For capital expenditure only. Must be within affordable limit set by Council • Risks - Creates an ongoing MRP and interest liability over the life of the asset 	<ul style="list-style-type: none"> • Restriction - Dependant on grant conditions • Risks - Objectives set out by third party. Not in line with SDC priorities.

24. Relationship between Capital Strategy and Treasury Management

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include

- Approved limits on borrowing
- Limits for investment types and counterparty limits
- Planned capital expenditure
- Estimates for the future Capital Financing Requirement
- Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the Audit and Standards Committee who then make recommendations on to full Council.

The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to.

The correct projections of General Fund MRP are shown in the table below.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Opening CFR	16,622	15,967	15,890	17,912	18,243
Borrowing	636	904	3,063	1,472	2,217
Budgeted MRP	(1,291)	(981)	(1,041)	(1,141)	(1,141)
Closing CFR	15,967	15,890	17,912	18,243	19,319

The Capital Budget approved in February 2018 sets out the following limits for borrowing. These will be revised by as part of the Treasury Management Strategy to be considered by Council in February 2019, in light of the HRA new build programme.

	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)
Authorised Debt Limit	130	130	130

The Audit and Standards Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require, such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

Section 4- Risk Management

25. Embedding Risk Management in the Capital Programme

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The Council has a pre-existing “Risk Management Policy Statement & Strategy” which sets out the authority’s approach to risk and risk management. All principles included within that document should be considered as embedded within the Capital Strategy.

For the purposes of clarity the Risk Management Policy Statement is repeated here

The Council is committed to securing **effective risk management** as part of its responsibility to deliver effective public services within its district.

It acknowledges that effective risk management **helps strengthen its capacity and ability to efficiently meet its corporate priorities and core business.**

In managing its risks, SDC commits to:

(a) Operate in a **culture of creativity and innovation, rather than risk avoidance;**
and

(b) Act consistently within recognised best practice to **identify, evaluate and secure the proportionate control of its risks.**

The types of risk the authority is exposed to in the Capital Programme are summarised below;

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.

- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.
- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.
- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

26. Knowledge and Skills within the organisation

The Capital Programme is developed and monitored within the finance team by professionally qualified accountants who are required to undertake Continuing Professional Development to ensure their knowledge remains relevant. They have many years of experience in managing local authority capital programmes, including commercial investments.

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites. The team of Chartered Surveyors are required to undertake Continuing Professional Development to retain their membership of the RICS.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

9a

Environment Committee – 13 December 2018 – Agenda Item 8

Report Title	COMMUNITY INFRASTRUCTURE LEVY (CIL) - GOVERNANCE AND SPENDING ARRANGEMENTS
Purpose of Report	To recommend CIL governance and spending arrangements to Strategy and Resources Committee.
Decision(s)	The Committee RECOMMENDS to Strategy & Resources that: (1) Bids from strategic infrastructure providers are invited subject to completion of the form attached at Appendix A; and (2) Funding commitments are agreed according to performance against the criteria set out in the matrix attached at Appendix B.
Consultation and Feedback	Members of Planning Review Panel have considered these proposals and they have been amended to take account of points raised.
Financial Implications	<p>The reports sets out the process for allocating CIL funds held by the Council. This process will be incorporated with the Capital Strategy to be considered by Strategy & Resources in January 2019, and consideration on the use of CIL funds will be in accordance with the wider principles of that strategy.</p> <p>The Council can itself bid for funds for infrastructure projects for inclusion in its own capital programme and these bids will go through this same assessment process.</p> <p>The report sets out an overall level of CIL receipts that have been received to date, along with an indication of the total amount that will be due based on planning permissions already granted. CIL is likely to form an increasingly important part of the Council's capital programme to ensure the delivery of strategic infrastructure against that set out in the Local Plan.</p> <p>Andrew Cummings Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>

Risk Assessment	Risk Assessment: The decision-making procedures as set out in this report should help alleviate the risk of CIL payments being apportioned inappropriately.
Legal Implications	As is set out in the report, CIL contributions may only be spent on infrastructure projects in accordance with the CIL Regulations 2010. Subject to that requirement, the Council has discretion as to how the contributions are allocated. The decision matrix is designed to assist decision makers in prioritising competing claims for CIL funding by highlighting the relative merits of each proposed scheme. R.2711D.2811C.2711 Mike Wallbank Solicitor and Deputy Monitoring Officer Tel: 01453 754362 Email: Mike.Wallbank@stroud.gov.uk
Report Authors	Pippa Stroud, Policy Implementation Manager Tel: 01453 754099 Email: pippa.stroud@stroud.gov.uk Mark Russell, Planning Strategy Manager Tel: 01453 754305 Email: mark.russell@stroud.gov.uk
Options	Options are: 1. approve the proposed arrangements for spending CIL income; or 2. amend the proposed arrangements for spending CIL income, or 3. delay the proposed arrangements for spending CIL income for further internal discussion.
Performance Management Follow Up	Annual and quarterly update reports will be considered by Environment Committee as part of the budgetary process to manage the spending of CIL income.
Background Papers/ Appendices	Appendix A: Bid proforma Appendix B: Assessment matrix

1. INTRODUCTION / BACKGROUND

1.1 Community Infrastructure Levy (CIL) was introduced by government in 2010 as a mechanism to fund the infrastructure required to deliver Local Plan growth strategies. The District Council adopted CIL in February 2017 and implemented the charge from April 2017. CIL partially replaces the s.106 arrangements which secure payments through the planning system for the infrastructure necessary for new development.

1.2 CIL liability is calculated per m² of new dwellings (£84.34/m²) and retail warehouses (£79.06/m²), of which either 15% or 25% goes to neighbourhoods according to their NDP status and 5% is retained by the

local authority to cover the costs of administrating the scheme. The remainder of the funding collected is held by the local authority to be spent on capital infrastructure projects.

- 1.3 CIL payments are triggered by the commencement of development and can be paid in instalments. Original forecasts estimated that after a slow build up total CIL income could reach an annual rate of £600k.
- 1.4 At time of writing, 16 months after CIL launch, profiles show that a total of £793,576 funds *could* be collected by CIL, dependent on a number of factors, with an actual figure of just over £300,000 currently due for collection and funds of £126,185 collected. However, CIL revenue would significantly increase if a large windfall housing or retail scheme were to be approved.
- 1.5 Council resolved in January 2017 that a report should be prepared in due course to consider an appropriate mechanism to prioritise spending on qualifying infrastructure projects.

2. ISSUES FOR CONSIDERATION

- 2.1 The strategic infrastructure projects that CIL can be spent on are outlined in the adopted Regulation 123 list and related Infrastructure Delivery Plan, and are broadly grouped into capital infrastructure items such as education, social infrastructure, transport and strategic flood risk.
- 2.2 However, CIL income will not be sufficient to meet all the district's infrastructure needs and as a result, spending governance needs to be put in place alongside a robust methodology for prioritising CIL infrastructure investment decisions in the context of constrained income.
- 2.3 There are a number of strategic infrastructure providers including the County Council, the Environment Agency and the Highways Agency who are likely to seek CIL funding to support capital infrastructure projects. We will work with relevant providers to agree standard formulae and mechanisms to underpin funding requests.
- 2.4 Social infrastructure projects such as community halls or local open space or sports provision are not 'strategic' as such and should be funded via the parish proportion of CIL, should the relevant town or parish council wish to do so.

3. CONCLUSION / RECOMMENDATION

- 3.1 It is proposed that infrastructure providers should have the opportunity to submit bids to the Council at any time during the calendar year, utilising the proforma attached at Appendix A. These bids, unless urgent, will then be assessed annually and a report brought to autumn Environment and then Strategy and Resources Committees in order for investment recommendations to be considered as part of the Council's wider capital

programme. Any funding commitments made will have to be contingent on the CIL funds being received as projected.

- 3.2 Infrastructure providers will generally submit bids on a proactive basis. However, should an infrastructure requirement become evident, officers will invite providers to bid for funding for specific identified projects.
- 3.3 Should the need arise for urgent consideration of an infrastructure funding request, a standalone report can be brought to earlier committees for consideration.
- 3.4 It is proposed that submitted bids will then be assessed according to the matrix attached at Appendix B. This matrix ensures that only bids which fall under the statutory Regulation 123 list will be considered, and will be prioritised according to their alignment with Local Plan priorities.

APPENDIX A

CIL Strategic Infrastructure Bid Proforma

Project:.....

Question	Answer
Reg.123 list category	
Is the project 'strategic' or 'local' in nature?	
How does the project relate to infrastructure for schemes either allocated within or in accordance with the Local Plan?	
Is the project within the Local Plan IDP – either marked as critical, essential or desirable?	
Is there more recent evidence available to justify the project if it is not within the Local Plan or IDP?	
Are there other funding sources available for funding the project? Please list sources / amounts.	
Is there a specific trigger or timing required for this project within this financial year?	
Any other information.	
Amount of CIL funding sought	

CIL Strategic Infrastructure Decision Matrix

Project:

Partner.....

Location.....

Exacom Ref:

Part A

Question	Yes	No
Does the project fall within the Reg.123 list?		
Is the project strategic?		
Both Yes? Complete Part B		

Part B

Question	Details
Does the project deliver infrastructure for schemes either allocated within or in accordance with the Local Plan?	
Is there more recent evidence available to justify the project if it is not within the IDP?	
Is the project supported by the infrastructure provider?	
Is the project within the Local Plan IDP – either marked as critical, essential or desirable?	
Are there other funding sources available for funding the project (not envisaged in 2016 IDP)	
Is there a specific trigger or timing required for this project within this financial year?	
Recommendation:	

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

9b

Environment Committee – 13 December 2018 – Agenda Item 9

Report Title	MARKET TOWNS CENTRES INITIATIVE FUND
Purpose of Report	To seek a recommendation to Strategy and Resources Committee of the allocation of the market towns initiative funds.
Decision(s)	The Committee RECOMMENDS to Strategy & Resources that the Market Towns Initiative Capital fund is allocated to individual town councils as identified at Appendix A.
Consultation and Feedback	Individual discussions have been held with representatives of the relevant town councils.
Financial Implications and Risk Assessment	<p>(As part of the Capital Budget Strategy, funding of £200k has been allocated over the next 3 years to support the Market Towns Initiative Fund (as set out in 3.1). This funding is subject to match funding from the host Town Council resulting in an overall project cost of £400k. It is recommended that SDC will monitor the projects in Appendix A in partnership with the relevant Town Councils.</p> <p>Adele Rudkin, Accountant Tel: 01453 754109 Email: adele.rudkin@stroud.gov.uk</p> <p>Risk Assessment: Monitoring of delivery will take place in order to mitigate the risk of non-delivery of projects or misuse of funds.</p>
Legal Implications	<p>It is for the committee to assess the benefits of the proposed funding allocations in light of the findings of the report at Appendix A. Subject to that, there are no legal implications arising from this report. R.2211D.2811C.2611</p> <p>Mike Wallbank Solicitor and Deputy Monitoring Officer Email: Mike.Wallbank@stroud.gov.uk</p>
Report Author	<p>Pippa Stroud, Policy Implementation Manager Tel: 01453 754099 Email: pippa.stroud@stroud.gov.uk</p>
Options	Capital funds could instead be returned to base budget in order to increase the funds available to the Council's MTFP.

Performance Management Follow Up	Monitoring will take place to ensure that the funding is taken up and spent in line with submitted proposals.
Background Papers/ Appendices	Appendix A: proposed Market Towns Initiative allocations. Future of Town Centres Report: https://www.stroud.gov.uk/media/640458/future-of-town-centres-final.pdf

1. INTRODUCTION / BACKGROUND

- 1.1 In 2017 the Council undertook a retail review, which focussed on the main town centres within the District consisting of Stroud, Nailsworth, Stonehouse, Dursley and Wotton-under-Edge.
- 1.2 This review, The Future of Town Centres, was published in August 2017 and considers how these town centres could look and function in 2031. The review also considers the policy levers which may be available to the Council to modify negative effects or boost positive change.

2. ISSUES FOR CONSIDERATION

- 2.1 As part of the review process, investigatory meetings were held with the town councils in order to gain an understanding of their view of the town and how future prospects could be influenced. 'SWOT' analyses (Strengths, weaknesses, opportunities and threats) of each town were undertaken as part of this exercise. The outputs of these analyses can be found in the appendix to the review.
- 2.2 In response, in 2018 the Council allocated a budget of £200,000 over the next three years to a Market Towns Initiative Fund to support capital projects within town centres. The funding is to be made available subject to match funding being made available from the host town council, resulting in an overall spend of £400,000.

3. CONCLUSION / RECOMMENDATION

- 3.1 The Market Towns Initiative Fund makes the following funding available:

18/19	19/20	20/21	Total
£100,000	£50,000	£50,000	£200,000

- 4.0 Accordingly, meetings were held with representatives of the five town councils to discuss the funding and potential projects that this could support. As a result, indicative allocations for each year have been set out at Appendix A.

These indicative allocations have been made to reflect the likely deliverability of the schemes put forward within each relevant financial year. Given that some projects inevitably progress more slowly than

anticipated, while others can progress more quickly, these indicative allocations may need to be amended for 19/20 or 20/21. If this is the case, a further report will be brought before this committee.

- 4.1 Light touch monitoring of take-up and spending of these allocations will be undertaken in with partnership with the town councils.

Appendix A

Town	Project	Amount requested	18/19	19/20	20/21	Total
Dursley	Car park: acquisition and demolition of Newsquest Building	£40,00	£40,000	-	-	£40,000
Nailsworth	Market Street accessibility scheme, town centre improvements, civic centre relocation	£50,000	£5,000	£15,000	£15,000	£35,000
Stonehouse	Wharfdale Way, station signage, Oldends Community Hall.	£78,235	£6,400	£6,925	£30,000	£43,325
Stroud	Station masterplan, signage.	£50,000	£44,700	£5,300	-	£50,000
Wotton	Improvements to proposed car park, Old Town toilets rebuild.	£43,000	£3,900	£20,000	£5,000	£28,900
Total			£100,000	£47,225	£50,000	£197,225

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

10

Report Title	THE FAIR PAY AND SENIOR PAY POLICY STATEMENT 2018/19
Purpose of Report	The Council is required under the Localism Act 2011 to approve and publish a policy statement on senior pay.
Decision(s)	The Committee RECOMMENDS to Council that the statement is approved.
Consultation and Feedback	A copy of the draft statement has been provided to Unison
Financial Implications and Risk Assessment	There are no financial implications arising from the report. Andrew Cummings, Head of Finance & S151 Officer Email: andrew.cummings@stroud.gov.uk Risk Assessment: Non compliance with this statutory requirement would place the Council at risk. The inclusion of this statement in the annual review process for the Constitution enables this risk to be mitigated.
Legal Implications	Section 38 Localism Act 2011 requires all local authorities to produce and publish a pay policy statement for the forthcoming financial year to be approved by resolution of full Council including: <ul style="list-style-type: none"> • the remuneration of Chief Officers (being the statutory officers; those officers that report to the Chief Executive (i.e. Directors) and those that report to the latter (e.g. Heads of Service / Service Managers)); • the remuneration of its lowest paid employees; and • the relationship between the remuneration of its Chief Officers and other employees. Nicola Swan Interim Head of Legal Services & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk
Report Author	Elaine Gordon, HR Manager Tel: 01453 754942 Email: elaine.gordon@stroud.gov.uk
Options	The Council is required to publish a statement by the 31 st March 2019 for the ensuing financial year. The nature and content must adhere to guidelines issued by the Secretary of State for Communities and Local Government.

Performance Management Follow Up	The operation of the policy and its subsequent annual review is a function of the Committee.
Background Papers	Information on the Council's workforce was extracted from the Council's human resources/payroll system. The remuneration of individual senior officers is also published in the Council's Statement of Accounts and on the Council's website.

The Fair Pay and Senior Pay Policy Statement 2018/19

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

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

The Local Government Transparency Code 2015 places additional publication requirements on local authorities to publish data on their websites. This includes the requirement either to publish the data on their website or place a link on their website to such data. Additional requirements of the Code include the requirement for local authorities to publish:-

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

This information is available on the Council's website.

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

Both the Localism Act 2011 and the Transparency Code 2015 require the definition and publication of data on the lowest paid employees, their remuneration and the clarification of the relationship of pay between the lowest and highest paid groups of employees.

The lowest paid employees of the Council are on the Apprentice grade and have a salary at 01/01/2019 of £11,383. The highest paid employee on Stroud 12 has a salary at 01/01/2019 of £113,008. This is calculated as a ratio of 1:10 between the lowest and the highest paid employees of the Council. The Government's view is that the salaries ratio in the public sector should not exceed 1:20, so the Council is well within these guidelines. As members have pointed out previously, the

Council's apprenticeship programme is not typical of local authorities. A comparison of Stroud 1 (including the living wage) to Stroud 12 produces a ratio of 1:7.

There is only a requirement by the Government to pay Apprentices £3.70 per hour. However, the Apprentice grade at SDC has been based on the National Minimum Wage for 18-20yr olds of £5.90.

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

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

1. Level and Elements of Remuneration in 2018/19

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

Stroud Grade	FTE Nov 2018	Headcount Nov 2018	FTE Jan 2018	Headcount Jan 2018
STR12 £113,008	1.00	1	1.00	1
STR10 £71,726	3.00	3	3.00	3
STR9 £54,478	8.80	9	5.80	6
STR8 £48,419	8.50	9	8.80	9
STR7 £41,846	23.33	24	21.26	22
STR6 £36,153	30.54	32	32.97	35
STR5 £30,756	68.2	79	63.48	74
STR4 £25,463	66.40	77	74.26	85
STR3 £21,074	67.36	81	68.84	85
STR2 £18,672	40.51	55	50.54	72
STR1 £16,755**	3.38	8	7.20	23
STR App £11,383	4.00	4	5.81	6
TOTAL	325.01	382* Actual 367	342.96	421* Actual 400

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

** plus living wage = £16,881

*** Figures as at 29.11.18

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

- 1.2 There are no bonuses, annual increments or performance related payments. A salary supplement or honorarium can be paid when an employee carries out a substantial increase in duties and responsibilities.
- 1.3 The actual headcount has reduced by 8.25% since last year. This has been due to the impact of business reorganisations and through natural wastage in line with the reductions in headcount required by the Council's workforce plan.
- 1.4 The Chief Executive is employed under Chief Executives' Terms and Conditions. All other senior officers are employed under National Joint Council (NJC) for local government services. The Council publishes an Employee Handbook that sets out local terms and conditions of employment. This is available on the staff intranet.
- 1.5 The pay in relation to individual senior officers is shown below;

Chief Executive

- Salary of £113,008 subject to any national pay award. The Chief Executives' pay agreement of June 2018 increased Chief Executives' pay by two percent in April 2018 and by two percent in April 2019.
- Employed under the Chief Executives' Terms and Conditions
- Taxable car allowances payable in line with HMRC reimbursement rates.
- Election Fees as Returning Officer as set out in the Gloucestershire Scheme Scale of Fees for District and Parish Elections; Parliamentary, European Parliament, Referendum, Police Area Returning Officer Fees as specified by the Ministry of Justice, the Home Office or the Electoral Commission. The fees vary from year to year depending on the nature and number of elections. This is classed as a separate employment for superannuation purposes.
- Payment of membership of the Society of Local Authority Chief Executives (invoiced direct to the Council)

Directors

- Salary of £71,726 subject to any national pay award
- Taxable car allowances payable in line with HMRC reimbursement rates.
- Payment of membership of one professional body (invoiced direct to the Council)
- Election fees payable to officers as election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees

Heads of Service

- Salary of £54,478 subject to any national pay award
- Taxable car allowances payable in line with HMRC reimbursement rates.

- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees.

Monitoring Officer

- Salary of £48,419, subject to national pay award (Permanent post vacant - interim arrangements in place at present).
- Taxable car allowance payable in line with HRMC reimbursement rates.
- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees.

Section 151 Officer

- Salary of £54,478, subject to national pay award; plus a market supplement of £4,527 (Market supplement is paid as pay scales may sometimes fail to attract suitable candidates for specific posts due to market pressures).
- Taxable car allowance payable in line with HRMC reimbursement rates.
- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees.

Service Managers

- Salaries in range from £48,419 to £36,153 subject to any national pay award.
- Taxable car allowances payable in line with HMRC reimbursement rates.
- Payment of membership of one professional body (invoiced direct to the Council).
- Election fees payable to officers as Deputy Returning Officer or election staff, as determined by the Returning Officer using the appropriate scale of fees prescribed nationally or under the Gloucestershire Scheme Scale of Fees.

2. Remuneration on Recruitment

2.1 Chief Executive

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

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

2.2 Directors, Heads of Service, Service Managers, Monitoring Officer and S151 Officer

The remuneration and allowances are set out in the Employee Handbook and the published salary scales (Stroud 10 for Directors £71,726; Stroud 9 for Heads of Service and S151 Officer £54,478 plus reviewable market supplement of £4,527; Stroud 8 to Stroud 6 for Service Managers and Monitoring Officer £48,419 to £36,153).

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

3.1 Chief Executive

The Committee would make a recommendation to the full Council.

3.2 Directors, Heads of Service, Service Managers, Monitoring Officer and S151 Officer

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

4. Publication and Access to Information Relating to Remuneration

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

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

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES

**AGENDA
ITEM NO**

17 JANUARY 2019

11

Report Title	SUBSCRIPTION ROOMS, STROUD
Purpose of Report	To seek approval of the final terms for the transfer of the freehold interest of the Subscription Rooms and forecourt to Stroud Town Council and the transfer of the business and staff to the Stroud Subscription Rooms Trust.
Decision(s)	<p>The Committee RESOLVES to:</p> <ol style="list-style-type: none"> 1. approve the final terms for the transfer of the freehold interest of the Subscription Rooms and forecourt to Stroud Town Council and the transfer of the business (including the staff) to the Stroud Subscription Rooms Trust by 31st March 2019, as outlined in this report and 2. Delegate authority to the Director of Customer Services in consultation with the Head of Finance to finalise the pension arrangements for staff transferring to the Stroud Subscription Rooms Trust.
Consultation and Feedback	The Subscription Rooms' staff have been consulted and notified of their proposed transfer to the Stroud Subscription Room Trust.
Financial Implications and Risk Assessment	<p>The financial implication arising from this report is the ongoing guarantee to the Trust to protect the LGPS membership of TUPEing staff. The final amount will be confirmed by an actuarial valuation but is estimated to be approximately £4k p.a.</p> <p>This cost is included in the Council's MTFP where the Sub Rooms Saving is shown as £226k p.a. rather than the originally estimated £230k.</p> <p>The remainder of the report updates on progress and has no direct financial implications.</p> <p>Andrew Cummings, Head of Finance and (s151 Officer) Tel: 01453 754115 Email andrew.cummings@stroud.gov.uk</p>

Legal Implications	<p>Notwithstanding the changes in the way the proposed transfer is to be structured the legal considerations in respect of Section 123 of the LGA 1972 and State Aid etc remain the same as previously considered; there being a significant element of subsidy in terms of the consideration, the grant to be provided and the works to the roof (all of which are referred to in the report). The covenants in the proposed transfer (which have been designed to secure the preservation of the facility in the longer term) will be mirrored in the lease of the property to the Trust and are also reflected in its governing constitution. It is considered that the transaction meets the criteria of the General Disposal Consent 2003 and Article 53 of EU Regulation 651/2014 which provides a block exemption for aid provided to support Arts and Culture etc. Almost all legal transactions carry risks for the parties concerned. In this case the documents contain some warranties on the part of SDC largely relating to TUPE costs and Pension deficits (which are referred to in the report). Those warranties are limited in terms of extent and risk and would be considered reasonable and normal for a transaction of this nature.</p> <p>Alan Carr, Solicitor Tel 01453754357 Email alan.carr@stroud.gov.uk</p>
Report Authors	<p>Jill Fallows, Property Manager Tel: 01453 754433 Email: jill.fallows@stroud.gov.uk</p> <p>Alison Fisk, Head of Property Services Tel: 01453 754430 Email: alison.fisk@stroud.gov.uk</p>
Options	<ol style="list-style-type: none"> 1. Approve the resolution in the decision box 2. Do not approve the resolution and make a decision on the future of the building at the next meeting of the committee i.e.: <ol style="list-style-type: none"> a. Run the Subscription Rooms with limited opening to reduce costs. b. Close the building c. Remarket the building on an unrestricted basis
Performance Management Follow Up	Complete the transfer of the building, service and staff by 31 st March 2019
Background Papers/ Appendices	Appendix A –Heads of Terms

1. Background

- 1.1 At its meeting on the 4th October 2018, this Committee resolved that negotiations continue for the transfer of the freehold interest in the Subscription Rooms and forecourt and the business operated there from, with a view to completion no later than 31st March 2019. Final terms were to be reported back to Committee for approval prior to exchange of contracts.

2. Progress

- 2.1 Negotiations have continued and considerable progress has been made by officers, Stroud Town Council (STC) and the Stroud Subscription Rooms Trust.
- 2.2 The Stroud Subscription Rooms Trust (SSRT).has now received its registration from the Charities Commission.
- 2.3 All the necessary legal agreements between the three parties have been drafted, agreed and approved by the Town Council and in principle by the Trust. SSRT is expected to approve the contracts at its Board meeting on the 9th January (i.e. after publication of this report). Subject to this and the approval of the final terms by this Committee, contracts can be exchanged and completed by 31st March 2019.
- 2.4 A new booking system is being purchased by the Town Council for the Trust and this is due to be up and running in January 2019. Up until mid-March SDC will continue to take bookings on the council's booking system for events up to the end of July 2019. From January to March SSRT will start to transfer these bookings on to their own booking system and also take new bookings, mainly for August 2019 onwards.
- 2.5 A quotation within the cap of £125,000 has been received for the roof works and the contractor has been appointed, albeit later than originally anticipated. Whilst the works should be completed before the 31st March 2019, provision has been made in the contracts, to allow for any overrun, with a final deadline for completion of the works by the end of July 2019.
- 2.6 A transition working group has been set up to deal with all the operational and practical handover issues with representatives from both SDC and SSRT working together. The Town Council's Finance, Community and Policy Committee approved a report in November recommending approval of reserves to support the ongoing work, handover and equipment purchases which clearly shows the Town Council's continuing commitment to the transfer and represents an increase in its contribution from £50k to £83K.

3. Final terms

- 3.1 The structure of the transaction and some of the final terms agreed have changed from those agreed by this Committee in July 2018, however, officers are confident that the revised terms reflect the most sensible and straightforward way to secure and document this transfer. Legal and financial advice received during the ongoing negotiations has shaped the structure of the final deal. The Heads of Terms are set out in Appendix A.

- 3.2 The main changes to the original terms agreed are the transfer of the business, staff and fixtures and fittings and other moveable assets to the Trust direct, rather than the Town Council (which would then have transferred them on to the Trust in a back to back agreement). The grant is also being paid direct to the Trust. It is proposed that this council will make the additional 'top-up' contributions required towards the Local Government Pension scheme for current staff who are already in the scheme.
- 3.3 It has become clear that this structure has advantages for all 3 parties and obviates the need for the Town Council to act as an intermediary. There were onerous VAT implications if the business had been transferred to the Town Council and then on to the Trust, as well as legacy issues in terms of employment liabilities for the Town Council which were unpalatable.
- 3.4 Under the new proposal, the Trust becomes directly accountable to this council for the grant monies and there are also fewer complications in terms of TUPE (Transfer of Undertakings (Protection of Employment) Regulations). The contractual arrangements proposed are considered to be in the best interests of staff who will transfer direct to SSRT. Many of these staff are long-serving employees of this council and all have continued to keep the Subscription Rooms running during a period of great uncertainty for a number of years now. Their hard work and commitment during this period is commendable.
- 3.5 In summary, the changes to the final terms agreed are as follows:
- a) **Property:** the freehold interest of the Subscription Rooms (including the forecourt) will be transferred to Stroud Town Council for £1. The Town Council and Trust have an agreement for lease ready to complete simultaneously with the freehold transfer to enable the Trust to occupy and operate the building.
 - b) **Business:** the business will now be transferred direct to the Trust along with fixtures, fittings and other movable assets (which have an estimated value of £20k) and which are fundamental to the operation of the business.
 - c) **Grant:** The £230,000 grant towards the operating costs will be paid direct to the Trust on completion of the transfer. Whilst the original proposal was to pay the grant money to the Town Council, it was always intended to be passed on to the Trust to support the business plan for the operational running of the Subscription Rooms. Now that the business is being transferred direct to the Trust it is more appropriate that the grant is also paid to it. There are provisions in the contract to ensure that the grant is being spent in an appropriate way.
 - d) **Staff/Pensions:** All qualifying staff under TUPE will now transfer straight to the Trust. The contract for the transfer of the business to the Trust includes a provision that the Local Government Pension Scheme (LGPS) membership of the TUPEing staff is to be protected.

The Trust has made it clear that, whilst it will offer a private pension scheme, it is unable to afford the additional LGPS contributions for those protected staff. It is therefore proposed that SDC will pay the difference in the pension contribution rates between the LGPS and the Trust's private scheme. Whilst this is an additional cost to SDC, it is for a small number of staff and is a relatively low cost, currently estimated to be around £4k p.a. This form of provision is common in public sector TUPE arrangements and should not be considered an unusual contractual provision.

4. Options

- 4.1 If members decide not to approve the final terms and conditions, a decision on the future use of the building will have to be made by this committee at a later date. Options will include running the Subscription Rooms with limited opening to reduce costs, closing the building and remarketing the building on an unrestricted basis.
- 4.2 Whilst there is a lot of work for the Trust to do, it has the support of the Town Council and both are committed to the deadline. Because all the legal documentation has been drafted and is expected to be approved by the 9th January, officers are confident that completion will take place by 31st March 2019. However, if completion is delayed or does not take place a report would be brought back to this Committee with an update in April 2019.

5. Conclusion

- 5.1 The final terms fulfil the criteria agreed by this committee in December 2017 i.e. they:
- (i) retain the freehold interest in public ownership
 - (ii) ensure the level of council costs is significantly reduced; and
 - (iii) promote and enhance the availability of the building to the public as a venue for public arts, community use and education.
- 5.2 All the necessary legal agreements have been drafted and agreed by the Town Council and, in principle, by the Stroud Subscription Rooms Trust. Both parties are expected to be ready to proceed to exchange and completion, subject to approval of the final terms by this committee and approval of the Trust's application to the LGPS.
- 5.3 The County Council will consider the Trust's application to become an admitted body to the LGPS (with this council as its guarantor) in early February. It is considered prudent to delegate authority to officers to agree the final pension arrangements due to the difference in committee meeting dates and to deal with any unforeseen circumstances, however unlikely.
- 5.4 Committee is therefore recommended to approve the final terms agreed for the transfer of the Subscription Rooms with final details of the pension arrangements to be delegated to the Director of Customer Services in consultation with the Head of Finance.

Heads of Terms – Subscription Rooms and forecourt, Transfer of Freehold Interest to Stroud Town Council

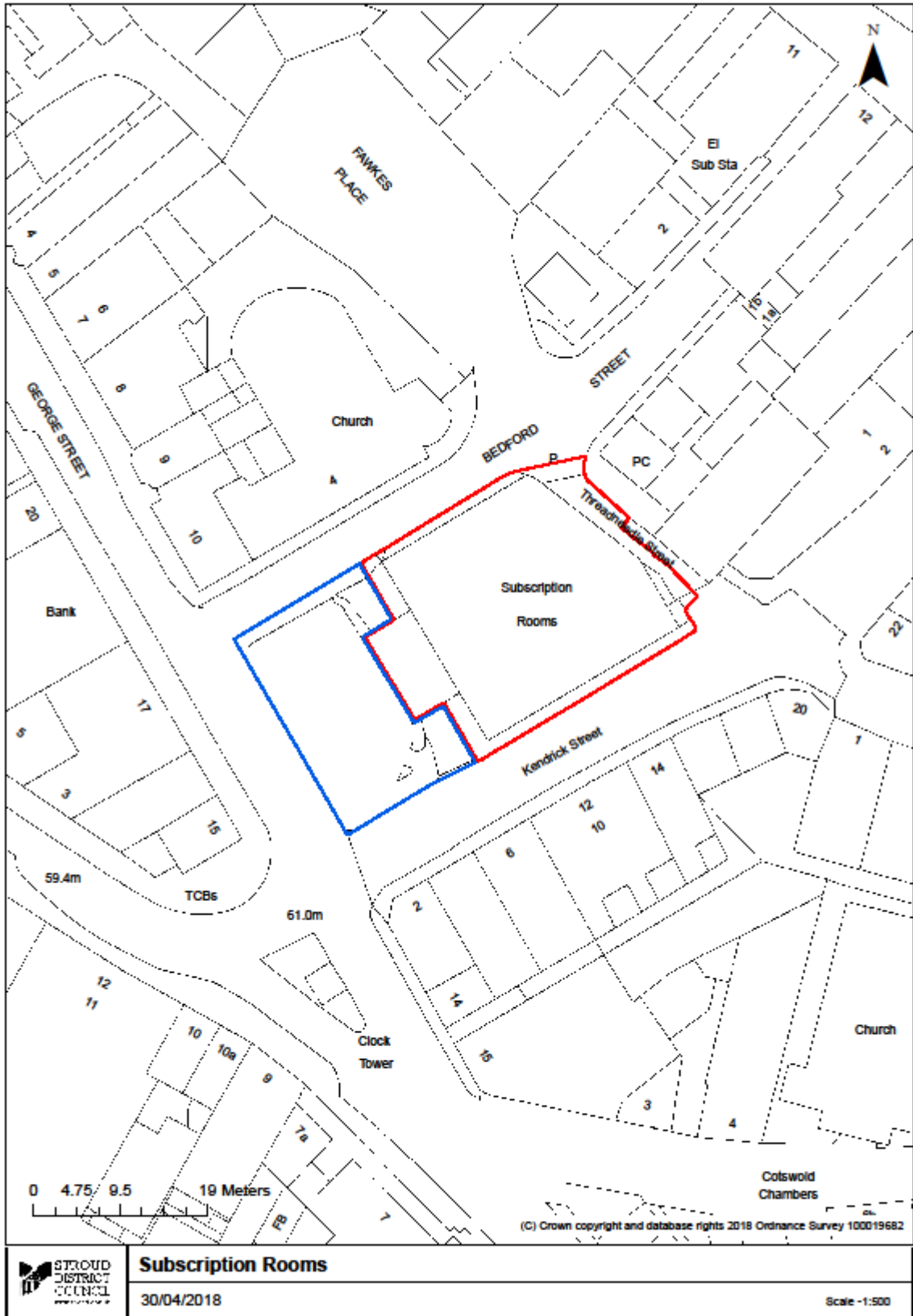
- 1 Seller: Stroud District Council, Ebley Mill, Ebley Wharf, Stroud, Glos
- 2 Purchaser: Stroud Town Council, Thanet House, 58 London Road, Stroud, Glos GL5 2AD
- 3 Property: Stroud Subscription Rooms and forecourt, George Street, Stroud as shown outlined in red and blue respectively on the attached plan.
- 4 Consideration: £1 (one pound)
- 5 Permitted Use: The Subscription Rooms and forecourt to be used as a venue for the provision of live entertainments and other cultural artistic and community activities and any other use which is incidental or ancillary to the Permitted Use and which assist in securing the Well Being Objective (securing the promotion or improvement of the economic, social or environmental well being of the district of Stroud).
- 6 Restrictive Covenants: Stroud Town Council will be required to enter into covenants with Stroud District Council
 - To make parts of the property available for bookings for the purpose of putting on live and other entertainments
 - To have a varied programme of live entertainment suitable to a wide variety of social groups and to enhance the reputation of the property as an arts and entertainment venue locally and regionally.
 - To make appropriate parts of the building available for public exhibitions, educational events and other community uses at all reasonable times and at reasonable cost.
 - To permit the free use of the forecourt for public passage and assembly
 - To comply with the overage conditions - overage will be triggered by any event which has the effect of discharging or modifying the covenants contained in the transfer. The overage payable will be the difference between the unrestricted market value and the restricted value of the property on a tapering basis (100% in year one reducing to 0% after 40 years)
 - To keep the building in good and substantial repair
 - Not to make any disposition of the premises unless the purchaser enters into a deed of covenant on the same terms as the transfer to the Town Council
- 7 Agreement for Lease – The Town Council will enter into an agreement for lease for the property with the Stroud Subscription Rooms Trust at the same time as the transfer

- 8 Capital Works: Stroud District Council will replace the roof and carry out repairs to the flat roof and masonry by July 2019. The contract will be novated to the Town Council on completion of the transfer
- 9 Costs: each party will be responsible for its own costs in this matter

Heads of Terms – Subscription Rooms, Transfer of Business and Staff to Stroud Subscription Rooms Trust

- 1 Seller: Stroud District Council, Ebley Mill, Ebley Wharf, Stroud, Glos
- 2 Purchaser: Stroud Subscription Rooms Trust, Charity Reg. No 1180350
- 3 Disposal : Stroud Subscription Rooms' business and employees
- 4 Apportionment and prepayments – periodical charges and outgoings of the business or related to the assets will be apportioned on a time basis to be borne by the seller prior to the completion date and the buyer after the completion date
- 5 Moveable Assets: (loose plant, machinery and equipment, fixtures and fittings) are to be included in the transfer (estimated value £20k)
- 6 Grant: Stroud District Council will provide a one-off grant of £230k (payable in one lump sum) towards the operational costs for operating the venue in compliance with the permitted use. The buyer will use the grant in accordance with the grant conditions and comply with those conditions in all respects
- 7 Grant conditions –
 - the grant shall be used exclusively for the purpose of preserving, continuing and developing the conduct of the business from the property
 - The Buyer will provide to the seller annually audited reports at the end of each financial year evidencing the expenditure of the grant until it is expended
 - On request from the seller, the buyer will provide any other information, documents etc as the seller may reasonably require to establish the proper expenditure of the grant
- 8 Employees – the sale will constitute a relevant transfer for the purposes of TUPE and the employees will transfer to the buyer on completion
- 9 Gloucestershire local government pension scheme – the LGPS membership of the TUPEing employees will be protected. The seller will pay the additional annual contributions on behalf of the employees currently in the LGPS

- 10 Contracts and customer contracts – the seller will as far as is reasonable terminate all contracts on or before the completion date. The buyer will procure such contracts as it considers necessary for the continuation of the business after this time. The buyer shall be entitled to the net receipts received from bookings from customers to be fulfilled after the completion date
- 11 Premises licence – the seller shall provide consent to the transfer of the Premises Licence to the buyer
- 12 Stroud District Council will continue to operate the current service until completion and transfer of the property, service and staff by 31st March 2019 or earlier by agreement.
- 13 Costs: each party will be responsible for its own costs in this matter



STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

13

Report Title	COUNCIL TAX DISCOUNT FOR CARE LEAVERS
Purpose of Report	<p>Section 13A(3) of the Local Government Finance Act 1992 gives the council discretion to reduce the amount of council tax payable. This can be for individual cases or by determining a class of case.</p> <p>This report proposes that a class of case is determined for Gloucestershire Care Leavers between the ages of 18-21 residing in the Stroud District.</p>
Decision(s)	Strategy and Resources Committee RECOMMENDS to Council that it adopts the scheme to be effective from 1st April 2019.
Consultation and Feedback	This is a county wide scheme set up in consultation and agreement with the other 5 district councils in Gloucestershire and the Gloucestershire County Council.
Financial Implications and Risk Assessment	<p>If this scheme is adopted it will result in a minimal reduction to the tax base. Any reduction will have to be considered as part of the MTFP process.</p> <p>Adele Rudkin Accountant Tel: 01453 754109 adelerudkin@stroud.gov.uk</p>
Legal Implications	The Council as billing authority for council tax and has power at Section 13A Local Government Finance Act 1992 to reduce the amount of tax payable on a dwelling by s13A(1). The Council can reduce this amount to nil by s13A(2) or, by s13A(3) determine a class of case which has reduced liability. These provisions were added to the 1992 Act by the Local Government Act 2003.
Report Author	Simon Killen – Revenue and Benefits Manager Tel: 01453 754013 Email: simon.killen@stroud.gov.uk
Options	The Council could choose not to approve a Care Leavers discount.
Performance Management Follow Up	The impact of these changes and costs will be monitored on an on-going basis and any significant changes will be reported to the committee.

Background Papers/ Appendices	<p>Appendix A – Summary of Scheme</p> <p>The Local Government Finance Act 1992 amended by section 10 of The Local Government Finance Act 2012</p> <p>https://www.legislation.gov.uk/ukpga/2012/17/contents</p>
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1. BACKGROUND

- 1.1 Section 13A of the Local government Finance Act 1992 gives the council discretionary powers to reduce the amount of council tax payable in individual cases or for classes of case. This includes reducing the amount payable to nil.
- 1.2 The Government made recommendations in its care leavers strategy “Keep on Caring” published in July 2016 that local authorities should consider exempting care leavers from council tax, using their discretionary powers under Section 13A.
- 1.3 Care leavers are considered to be a particularly vulnerable group for council tax debt. Moving to independent accommodation and managing finances for the first time is challenging. Care leavers are faced with a new set of potentially overwhelming responsibilities without the family support and wider network that most other young people can rely on.
- 1.4 The 6 district Councils and Gloucestershire County Council are working together to provide a common council tax scheme for care leavers which provides a consistent approach across Gloucestershire.
- 1.5 Appendix A provides detail of the scheme for awarding a council tax discount for Care Leavers from April 2019.
- 1.6 Any reduction awarded using this power must be funded by the billing authority. However, by agreement Gloucestershire County Council will fund its share of the cost of any care leaver discount awarded.

2. CARE LEAVERS’ DISCOUNT SCHEME

- 2.1 The Council Tax Discount Scheme for Care Leavers detailed in Appendix A proposes discounts for Care Leavers between the ages of 18-21 residing in the Stroud District, who were formerly in the care of Gloucestershire County Council.
- 2.2 The scheme will provide for a full exemption from council tax to be awarded where care leavers live alone and a 50% discount where they live with others.
- 2.3 Some Care Leavers will already have their council tax reduced. The Care leaver discount will be awarded after all other discounts, exemptions and council tax support.

2.4 The full eligibility criteria and arrangements for administering the scheme are detailed in Appendix A.

2.5 The relevant team at Gloucestershire County Council will liaise with the Revenue Teams to ensure the necessary information is available to enable the Care Leavers Discount.

3. FUNDING AND COST OF THE SCHEME

3.1 Creating the Care Leavers Discount Scheme will form part of an overall package to prepare Care Leavers for independence and support them in making an effective social and financial transition from Local Authority care. Ultimately it will help to improve the life chances of looked after children.

3.2 The discounts will sit alongside a number of other support arrangements provided to care leavers by Gloucestershire County Council.

Stroud District Council

Council Tax Discount Scheme for Care Leavers

1. Background

The government made recommendations in its care leavers strategy “Keep on Caring” published in July 2016, that local authorities should consider exempting care leavers from council tax, using their existing discretionary powers under Section 13a of the local Government Finance Act 1992. Many Councils have since introduced discounts for care leavers.

The 6 Gloucestershire District Councils (billing authorities) and Gloucestershire County Council have worked together to agree a common council tax discount scheme for Care Leavers from April 2019.

Discounts made using this power have to be funded by the billing authority. Gloucestershire County Council, by agreement, will fund its share of the cost of any Care Leavers discounts proportionate to its share of the council tax.

2. Legal Provision

Billing authorities have discretion under Section 13A(1)(c) of the Local Government Finance Act 1992 to reduce the amount of council tax payable for individuals, or for classes of council taxpayer. This includes the power to reduce the amount payable to nil.

This provision is separate to and distinct from the Council Tax support scheme which is made under Section 13A(1)(a) of the Local Government Finance Act 1992. It allows the Council to reduce the amount payable after all statutory discounts and exemptions and local council tax support.

3. Eligibility Criteria

- A care leaver, for the purpose of this policy, is defined as a young person aged 18 – 21 who was formerly a child in the care of Gloucestershire County Council and then became a Former Relevant Child as defined by The Children (Leaving Care) Act 2000. The Care Leaver must be resident and liable for council tax on a property within the Stroud District Council area
- A Care Leaver must be aged 18-21 years old to qualify for a reduction under the care leavers discount scheme. A Care Leaver will cease to qualify for the discount from the date of their 22nd birthday
- The Care Leaver must be the liable person for council tax, either solely or jointly and severally with other(s), at the dwelling in respect of which the application is made. The council tax bill must be in their name

- Where a Care Leaver lives in a HMO or other property where they are not the council tax payer no discount will be awarded
- The Care Leaver discount will apply to occupied properties only
- Confirmation that a claimant is a Gloucestershire County Council Former Relevant Child Care Leaver must be received from Gloucestershire's 11-25 Permanency Service.

4. Care Leaver Discount

The Care Leaver Discount is effective from 1st April 2019

Care Leavers that meet the eligibility criteria above will be eligible to apply for a discretionary council tax discount as follows.

- Where a property is solely occupied by Care Leaver(s) 100% discount will be awarded,
- Where a Care Leaver is in occupation and jointly liable with others 50% discount will be awarded

The Care Leaver discretionary discount will be awarded after statutory discounts, exemptions, disability discount and local council tax support.

5. Application Process and Administration

Gloucestershire County Council's 11-25 Permanency Service will provide information to confirm the name, address and date of birth of Care Leavers, living in the Stroud area who will qualify for the discount.

A Care Leaver discount may also be awarded where the following information is provided and the Care Leaver status has been verified with Gloucestershire County Council's 11-25 Permanency Service.

An application should provide the following information:

- Full name
- Date of birth
- Current address
- Details of any other adults in the property and relationship to them
- Details of any circumstances that would be relevant to entitlement to legislative
- discounts, disregards or exemptions
- Contact details
- Name of Leaving Care Worker if known

Awards will be made directly by a discount in council tax liability and notification of the discount being awarded will be by way of the council tax bill.

The Revenues and Benefits Service will undertake periodic reviews appropriate to the individual circumstances of each case.

The care leaver (or his/her appointee or a recognised third party acting on his/her behalf) must advise Stroud District Council of any change in circumstances which may affect entitlement to the discount within 21 days of the change occurring.

Any overpaid Care Leaver discount will be reclaimed through the relevant council tax account and collected and recovered under the Council tax (Administration and Enforcement) Regulations 1992.

6. Review of Decision / Backdating

Under the Local Government Finance Act 1992, there is no right of appeal against the Council's use of discretionary powers. However, the Council will accept a written request for a reconsideration of the initial decision. The request must be supported by further information or evidence and be made within one calendar month of the decision. The reconsideration will be undertaken by the Revenue and Benefit Manager.

The Council will accept applications backdated to the beginning of the financial year, or to the date the care leaver became responsible for council tax so long as the date is not more than 12 months prior to the date of the application. The Care Leaver discount cannot be awarded prior to 1st April 2019.